

SALARY PACKAGING
EMPLOYEE HANDBOOK

PBI/CHARITY



Kambu Aboriginal and Torres Strait Islander Corporation for Health

PHONE 1300 132 500 **FAX** 1300 500 150

EMAIL support@southgatesalpack.com.au **WEBSITE** www.southgatesalpack.com.au



CONTENTS

Southgate Salary Packaging Services	1
What Is Salary Packaging?.....	2
Who Can Participate in Salary Packaging?	2
Employer Salary Packaging Restrictions	2
Benefits Of Salary Packaging	3
What Can I Salary Package?	4
FBT Exempt Benefits (FBT-free).....	4
Novated Lease Motor Vehicle	5
Expense Payment Benefits (certain living costs)	8
Southgate Everyday Purchases Card	9
Southgate Meal & Accommodation Card.....	11
Southgate Rewards Program.....	14
Fringe Benefits Tax	15
Novated Lease Effect on FBT Exempt Cap	16
Worked Example: Calculating Cap Use of a Novated Lease	17
Benefit of Novated Lease Tax Concessions	17
Getting Started With Your Novated Lease	18
Taxation Aspects Of Your Salary Package	19
Annual Payment Summary (Group Certificate)	19
Reportable Fringe Benefits.....	19
Input Tax Credits (GST on fringe benefits)	20
The Salary Packaging Process	20
Package Establishment and Salary Deductions	20
Payment of Your Benefits.....	21
Benefit Payment Structures	21
Salary Packaging Reporting	23
Changes to Your Salary Package.....	24
Salary Packaging Administration Fee	24
Terminating Salary Packaging.....	25
Salary Packaging Forms and Declarations	25
Supporting Documents For Fringe Benefits.....	27
Salary Package Examples	32
EXAMPLE 1: Packaging entire cap towards an Expense Payment Benefit	32
EXAMPLE 2: Packaging a Novated Lease within your FBT Exempt Cap.....	33
EXAMPLE 3: Combination of Novated Lease and Expense Payment Benefit	34
EXAMPLE 4: Expense Payment benefit and Meal & Accommodation Card	36



SOUTHGATE SALARY PACKAGING SERVICES

Southgate Salary Packaging Services has been contracted by Kambu Aboriginal and Torres Strait Islander Corporation for Health for the provision of salary packaging services to its employees.

Salary packaging plays a crucial role in helping you achieve **more value and flexibility** from your remuneration package. By **restructuring** your remuneration to better meet your individual needs, Southgate can help make your salary more tax-effective and **increase your disposable income**.

Our salary packaging program includes:

- ✓ Educating clients on how salary packaging works
- ✓ Free individual consultations with employees
- ✓ Establishing a tailored salary package for each employee
- ✓ Administration of all fringe benefit payments
- ✓ FBT budgeting and reporting
- ✓ Arranging car purchase, finance and running cost management for Novated Lease vehicles
- ✓ Secure 24/7 online access to your package

This booklet provides an introduction to salary packaging, eligibility criteria and the procedure for establishing a salary packaging arrangement with your employer.

Financial Advice

Southgate provides administrative services on behalf of employers. Southgate does NOT provide financial, taxation or welfare recipient benefit advice. All examples provided by Southgate are of general nature and do not take into consideration your personal individual circumstances. Before entering into a salary packaging arrangement, an employee should consider all associated costs, including the amount to be salary packaged and any surcharges or obligations that may arise.

It is **recommended by your employer and Southgate** that you seek independent financial advice prior to entering a salary packaging arrangement.

Employer-Provided Benefits

It is important that you advise Southgate of any fringe benefits **provided to you directly by your employer**, even if no funds are deducted from your salary. Employer-provided benefits may affect the options available to you under the *Southgate Salary Packaging Program*. Employer-provided benefits may include: **staff discounts, housing/utilities, company car, private health insurance, etc.**



WHAT IS SALARY PACKAGING?

Salary packaging involves an employee foregoing a portion of their **cash income** in exchange for **'fringe benefits'** provided by their employer. These benefits are paid using your **pre-tax salary**, meaning they do not incur Income Tax. Only your remaining cash salary is subject to Income Tax, which reduces your overall tax burden.

Some fringe benefits may be subject to a Fringe Benefits Tax (FBT). As an employee of a Charity or Public Benevolent Institution (PBI), you receive an **exemption from FBT** up to a maximum value of fringe benefits per FBT Year.

Salary packaging gives you more flexibility in your remuneration, allowing you to incorporate your everyday living expenses to pay them more tax-effectively. Salary packaging will generally **increase** your **Net Disposable Income** through Income Tax savings. It does not increase your Gross Salary.

Regulation of Salary Packaging

Salary packaging is 100% legal and the Australian Tax Office (ATO) website has an extensive archive of publications and information on how it works. It is primarily regulated by the *Fringe Benefits Tax Assessment Act (1986)* and the *Income Tax Assessment Acts (1936 and 1997)*.

The ATO requires that all salary packaging arrangements must be **'prospective'** in nature. This means you must specify **how** your salary packaging arrangement is to be structured **prior to** being entitled to payment for work performed. If the arrangement is not prospective (*ie. retrospective*), the ATO will deem the arrangement ineffective and PAYG tax will apply to your salary packaged income.

Fringe Benefits Tax Year

The FBT year commences on April 1st and finishes on March 31st each year. All salary packaging arrangements are based upon the FBT year.

Who Can Participate in Salary Packaging?

Salary packaging is eligible to **all permanent full-time and permanent part-time employees.**

Southgate requires all eligible employees to accept the Terms and Conditions provided with your *Employee Salary Packaging Application Form*.

Employer Salary Packaging Restrictions

Under your employer's *Salary Packaging Policy*, there is no limit to the proportion of your salary that can be salary packaged **within** the **FBT Exempt Cap Limit** (\$30,000 Grossed Up Value).



BENEFITS OF SALARY PACKAGING

Salary packaging allows you to structure your remuneration in a more flexible and valuable way, so that your lifestyle expenses can be paid from your **pre-tax salary**. The financial benefit you achieve through a salary packaging arrangement will depend on your individual financial circumstances and the fringe benefits you have chosen to package. In general, the benefits of salary packaging include:

✓ Higher Disposable Income

Under a salary packaging arrangement, your daily living expenses can be paid directly from your **pre-tax salary**. Only your remaining cash salary is subject to PAYG Income Tax, thereby reducing your overall tax burden. While the Gross Salary paid by your employer remains the same, your **Net Disposable Income is higher**, thus increasing the value of your total remuneration package.

✓ Fringe Benefits Tax (FBT) Exemption

As an employee of a Charity or Public Benevolent Institution (eg. aged care facilities and welfare organisations), you receive particular tax concessions which make salary packaging a more attractive option. Charity and PBI employees receive a **Fringe Benefits Tax (FBT) exemption** on their salary packaged fringe benefits, up to a maximum limit of *\$30,000 Grossed Up Value* worth of benefits per FBT Year (up to \$15,900 in real dollars). This limit is known as an **'FBT Exempt Cap'** and represents the limit of fringe benefits that your FBT exemption can be applied to. Fringe benefits packaged within this cap limit will be **Income Tax free** and **FBT free**.

✓ Tailored Packages

Your salary package is designed to meet your particular needs and obtain the most effective financial outcome based on your situation. This means you don't need to increase your current living expenses, but rather salary packaging just allows them to be paid more tax effectively.

✓ Reduce Your Personal Car Expenses (Eg. Tax-Free Petrol)

Novated Leasing allows you to salary package your personal car expenses **tax-free** (eg. fuel, servicing, registration). You can achieve significant tax savings from salary packaging your everyday car expenses, even if you don't use the car for work or you aren't the primary driver.

✓ Eligibility for Government Benefits

Salary packaging may provide secondary indirect advantages, outside of the direct tax savings achieved. In some cases, it can **reduce the reportable income** on your annual Payment Summary down to a level where you may achieve greater eligibility for Government Benefit Payments (eg. Family Tax Benefits) or reduced obligations towards certain Government levies and taxes (eg. HECS/HELP, Medicare Surcharge).



WHAT CAN I SALARY PACKAGE?

The following types of benefits are available for you to salary package. A summary of each fringe benefit type has been included in this booklet for your convenience.

Fringe Benefit Type	Page No.	FBT Treatment
FBT-Exempt Benefits	<i>Page 4</i>	<i>FBT Free (No limit)</i>
Novated Lease Vehicle	<i>Pages 5-7</i>	<i>FBT Free (if packaged in FBT Exempt Cap)</i>
Associate Lease Vehicle		<i>FBT Free (if packaged in FBT Exempt Cap)</i>
Expense Payments (certain living costs)	<i>Page 8</i>	<i>FBT Free (if packaged in FBT Exempt Cap)</i>
Southgate Everyday Purchases Card	<i>Pages 9-10</i>	<i>FBT Free (if packaged in FBT Exempt Cap)</i>
Southgate Meal & Accommodation Card	<i>Pages 11-13</i>	<i>FBT Free (Separate limit per year)</i>

FBT Exempt Benefits (FBT-free)

A fringe benefit will be FBT free where it is either specifically exempt under the FBT legislation, or it satisfies the 'otherwise deductible rule' where you would have been entitled to claim an Income Tax deduction for the expense had it been paid for using your post-tax income. Benefits that are specifically FBT-exempt or considered 'otherwise deductible' **do not contribute** to the use of your **FBT Exempt Cap**. FBT-free benefits that you may salary package include:

FBT Exempt benefits

- Airport lounge membership fees
- Employer-provided child care

FBT Exempt when business use is greater than 50%

- Laptop or notebook computers
- Portable electronic devices (eg. PDAs, mobile phones, iPads)

Otherwise deductibles

- Professional membership fees*
- Self-education expenses*

* must be related to current employment role

NOTE: You can only salary package FBT-free expenses if you are NOT claiming them as a deduction on your Income Tax return and your employer does not pay or reimburse these costs outside of the salary package.



Novated Lease Motor Vehicle

You are entitled to include a Novated Lease vehicle within your salary package. A Novated Lease is a three-way agreement between an employee, their employer and a finance company to finance a car. A **Deed of Novation** is created, which transfers the employee's responsibility for the lease payments to their employer for the term of the Deed, or until the employee ceases employment, whichever occurs first. The employer deducts the lease payments from the employee's **before-tax salary**, therefore reducing the Income Tax paid by the employee.

A Novated Lease agreement is the sole reason that people are able to salary package motor vehicles, particularly where there is little or no business-related use. If the employee should happen to leave their employer during the term of the lease, the Deed of Novation is terminated and the lease returns to an ordinary Finance Lease. This allows the employee to take the vehicle with them, with the option of creating a new Deed of Novation to salary package the car with their new employer.

Novated Leasing allows you to salary package a range of vehicle operating expenses that are **not** subject to Income Tax or FBT and **do not affect** the use of your **FBT Exempt Cap**. The FBT on a Novated Lease (or use of your **FBT Exempt Cap**) is calculated on the vehicle itself and is not affected by the dollar value of vehicle running costs that are packaged with the lease.

Vehicle operating costs that can be packaged TAX FREE with your lease include:

- Lease Payments
- Fuel and Oil
- Servicing and Maintenance
- Tyres
- Registration Renewals
- Comprehensive Car Insurance
- Roadside Assistance
- Car Wash Expenses



NOTE: The following items cannot be packaged:

- E-tags and road tolls
- Car parking expenses
- Traffic infringement notices, fines and penalties
- **Accessories cannot be added to the car after commencement of the lease, eg. alloy wheels.**

Southgate will prepare a detailed budget for the maintenance of your vehicle including fuel, scheduled servicing and maintenance, registration, comprehensive car insurance, monthly lease payments, tyres and the motor vehicle management fee. Other optional inclusions are: car wash, roadside assistance, Extended Warranty Insurance and Financial Protection Insurance.



Vehicle Restrictions

The following restrictions apply to vehicles packaged under a Novated Lease:

- **The purchase price of the vehicle must be below the *Car Depreciation Limit*.** For the Financial Year commencing 1st July 2021 and ending 30th June 2022, the *Car Depreciation Limit* is \$60,733 (excluding GST and Rego/CTP costs but including stamp duty).
- **The motor vehicle may be new or used, but the financier generally requires the vehicle to be no older than 12 years at the end of the lease term.**

Sourcing Your Novated Lease Vehicle

The flexibility of Novated Leasing arrangements allows you to salary package a **new vehicle**, **used vehicle** or even your **own existing vehicle** (via sale-and-leaseback). Some restrictions apply based on vehicle age and type, but in most cases you can salary package your preferred vehicle.

The vehicle that you choose to salary package under a Novated Lease may have implications on the tax effectiveness and financial benefit of your salary packaging arrangement. For example, used vehicles are treated differently for FBT and tax calculation purposes depending on whether they are purchased from a registered dealer, private individual or your employer. Furthermore, some vehicles are considered to be a '*vehicle other than a car*' and are **not eligible** for packaging under a Novated Lease, regardless of whether you have already purchased it.

For this reason, it is important that you speak with one of Southgate's consultants before committing to a vehicle order, so we can inform you of any implications of your preferred vehicle and ensure that it complies with ATO regulations and your employer's *Salary Packaging Policy*.

Southgate's New Vehicle Buying Service

Southgate understands the pain and inconvenience associated with the purchase of new vehicles. We remove this hassle for our clients by sourcing and delivering new vehicles with the minimum of fuss and at the best possible prices, giving you the advantage of access to our purchasing power. In many instances Southgate can also access fleet discounts that would otherwise not be available to you. Our vehicle buying service is **free of charge to clients**, and all quotes provided are inclusive of all on-road costs to ensure that clients do not encounter any unexpected charges upon vehicle delivery. We utilise an Australia-wide variable network of suppliers from whom we obtain quotes and can include your preferred dealer in the quote process upon request.



Novated Lease Vehicle Management Program

Southgate provides a complete *Novated Lease Vehicle Management Program* to conveniently and efficiently manage your fully-maintained Novated Lease in compliance with Australian Tax Office requirements. The program includes provision of the following benefits and services:

- A complete budget for the maintenance of your motor vehicle;
- Two fuel cards for instant and convenient payment of fuel and maintenance expenses;
- Individual servicing and maintenance authorisations to ensure all work performed is necessary, due and priced appropriately;
- Discounted servicing and maintenance costs at authorised providers Australia-wide;
- Online fuel and maintenance transaction statements;
- Odometer tracking and novated lease budget monitoring;
- Manual reimbursements for vehicle operating expenses;
- Access to a range of vehicle insurance options (Comprehensive, Financial Protection and Extended Warranty Insurances).

Novated Lease effect on your FBT Exempt Cap

As a Charity/PBI employee you are able to salary package a Novated Lease vehicle and still retain a significant portion of your **FBT Exempt Cap** for salary packaging towards other benefits.

Under a Fully Maintained Novated Lease, it is only the vehicle itself that is subject to FBT, and therefore only the FBT value of the vehicle will affect use of your **FBT Exempt Cap**. The operating costs of the vehicle (such as lease payments, servicing, maintenance and fuel) are specifically exempt from FBT and therefore **do not** affect usage of your cap. These costs are packaged pre-tax within the Novated Lease arrangement to maximise the tax savings achieved.

You also have the option to package a Novated Lease **outside** of your **FBT Exempt Cap** if it has already been fully used by the packaging of other benefits.



Expense Payment Benefits (certain living costs)

'Full FBT expense payment' fringe benefits are subject to the full rate of Fringe Benefits Tax (FBT). Generally, it is only beneficial for Charity/PBI employees to salary package Full FBT benefits when they are packaged **within your FBT Exempt Cap limit** (ie. when your FBT exemption will apply) which means there will be no FBT payable.

When salary packaged, Full FBT benefits will contribute towards the use of your *FBT Exempt Cap*. This means that a maximum spending limit will apply per FBT Year towards these fringe benefits.

The Full FBT benefits available for you to salary package are listed below.

Type 2 Benefits: (maximum up to \$15,900 per FBT year in real dollars)

- Southgate Everyday Purchases Card
- Personal Loan Repayments
- Credit Card Repayments
- Mortgage Repayments
- Rent Payments
- School Fees
- Life Insurance Premiums



Southgate Everyday Purchases Card

Southgate's **Everyday Purchases Card** (the Card) benefit allows employees of charities and PBIs to salary package their everyday living expenses in a convenient and direct manner, both **Income Tax free** and **FBT free** (when packaged within your *FBT Exempt Cap*).

The Card is a Prepaid Mastercard®, issued by EML Payment Solutions Limited (ABN 30 131 436 532) (AFSL 404131) (EML) and can be used **worldwide** at almost any merchant or supplier that accepts payment by Mastercard. The Card operates to allow instant payment of your everyday living expenses from the funds accrued on your card at any given time. Once setup, the card does not require ongoing paperwork.

What expenses can be packaged?

The Southgate **Everyday Purchases Card** can be used to pay any bills or expenses that could usually be paid by Mastercard. Examples include:

- Groceries
- Home Utility Bills (eg. water, electricity, phone)
- Media and Entertainment (eg. movie tickets)
- Online Stores and Purchases (eg. books, music)
- Household Goods and Appliances
- Clothing and Retail Purchases and more...



How does it work?

When establishing the *Everyday Purchases Card Benefit*, you will receive both a physical **plastic card** for your wallet and a **digital card** accessible on your smartphone (via a digital wallet).

You nominate how much of your income to allocate towards the *Everyday Purchases Card Benefit*, up to a **maximum of \$15,900 per FBT Year** (*FBT Exempt Cap*). The nominated amount is deducted **pre-tax** each paycycle and deposited onto your card within 24-48 hours of Southgate reconciling your paycycle deduction from your employer. Any unspent balance each paycycle simply accrues towards the card benefit for use in the future when expenses arise.

If you are also salary packaging a *Meal & Accommodation Card Benefit*, both fringe benefits will be combined on the **single plastic card** and a **single digital card** for your convenience. The accrued balance towards **each** card benefit is **tracked separately** and smart technology integrated into the card's chip will help to identify your purchases and charge them to the applicable fringe benefit type.

When using the **plastic card** for payment of expenses, simply insert your card and select the 'credit' account option then enter your PIN, or use the secure contactless payment feature (Tap & Go™). You can also use your card details to make payments online or via telephone.

When using the **digital card**, simply download the '**Southgate Wallet**' smartphone app and follow the prompts to add your digital card into the digital wallet on your smartphone device. You can then use your digital card for the direct payment of expenses where the merchant accepts contactless payment via a digital wallet.



Key Benefits

- ✓ **No Fringe Benefits Tax** (when packaged within your *FBT Exempt Cap* limit)
- ✓ **Secure contactless payment (Tap & Go™)**
- ✓ **Access to Southgate Rewards to achieve further savings and discounts**
- ✓ **No ongoing paperwork or receipts required**
- ✓ **No monthly or account keeping fees on your primary card**

FBT Treatment

Salary packaged funds spent via the Everyday Purchases Card Benefit are treated as ‘*Lower Gross Up*’ fringe benefits and **will** contribute towards your **FBT Exempt Cap**. You can salary package **up to \$15,900** in real dollars (equivalent to \$30,000 *Grossed Up Value*) towards the Everyday Purchases Card Benefit each FBT year, both **Income Tax free** and **FBT free**. The Everyday Purchases Card Benefit is subject to the same FBT treatment as other ‘expense payment’ fringe benefits, such as mortgage or credit card, but without the ongoing paperwork requirements.

Example of Tax Savings

The table below outlines the estimated Income Tax savings you may achieve by salary packaging your entire **FBT Exempt Cap** (\$15,900 per year) towards the Everyday Purchases Card Benefit.

Annual Income (before packaging)	Income Tax Bracket (incl. Medicare Levy)	Annual Tax Saving
\$25,000	21%	\$1,610
\$35,000	(\$18,201 to \$45,000 income level)	\$3,339
\$45,000		\$3,339
\$55,000	34.5%	\$4,689
\$65,000	(\$45,001 to \$120,000 income level)	\$5,485
\$75,000 - \$120,000		\$5,485
\$125,000	39%	\$5,710
\$135,000	(\$120,001 to \$180,000 income level)	\$6,160
\$145,000		\$6,201
\$155,000 - \$180,000		\$6,201

The calculations in the table above are based on Income Tax rates for the 2021-2022 Financial Year.

Please refer to our *Everyday Purchases Card Information Guide* for further information. The Target Market Determination for this product can be found at www.southgatesalpack.com.au/cardtmd.



Southgate Meal & Accommodation Card

The **Meal & Accommodation Card** (The Card) benefit allows employees of charities and PBIs to salary package their dining out meal expenses and personal accommodation/venue hire expenses, both **Income Tax Free** and **FBT Free**. The card benefit is specifically FBT exempt up to a spending limit of \$2,650 per FBT Year in real dollars.

The Card is a Prepaid Mastercard®, issued by EML Payment Solutions Limited (ABN 30 131 436 532) (AFSL 404131) (EML) and can be used for the payment of eligible expenses **worldwide** at any qualified dining venue, accommodation facility or function hire venue that accepts payment via Mastercard. The Card operates to allow instant payment of your meal and accommodation expenses from the funds accrued on your card at any given time. Once setup, the card does not require ongoing paperwork or receipts to be provided.



The Meal & Accommodation Card Benefit provides the same Income Tax savings as other 'expense payment' fringe benefits, however it can be packaged **in addition** to your **\$30,000 FBT Exempt Cap**. This allows you to maximise the tax savings you achieve without affecting your other salary packaged fringe benefits.

Eligible expenses include:

➤ **Meal Entertainment Expenses**

The card can be used worldwide to pay for **meals and beverages** consumed by you and your family/friends when dining in at a qualified venue (eg. restaurant, café, hotel, etc). This may include:

- Meals purchased when **dining in** at the venue.
- Beverages purchased with meals when **dining in** at the venue.
- Professional catering **meal expenses** for special occasions (eg. birthdays, weddings).

Meals must be consumed when dining in at the venue (no take-away) and must represent an actual meal rather than a simple refreshment (eg. coffee or muffin would not be eligible).

➤ **Accommodation & Venue Hire Expenses**

The Meal & Accommodation Card can be used worldwide to pay the cost of **hiring a venue or facility** for the personal and temporary use of you and your family/friends where an entertainment and/or recreation element arises from the use of the venue. This may include:

- **Accommodation** at hotel, motel, B&B, serviced apartment, onsite cabin or powered campsite.
- **Cabin accommodation** on a cruise ship
- **Hire of a reception centre, function room, hall or marquee**

The card **cannot be used** for the payment of any recreational activities or services associated with the venue or facility (eg. room service, golf fees, spa, car parking, linen hire, etc) or the cost of any equipment hire used in conjunction with a venue (eg. tables and chairs, lighting, DJ equipment, etc).



How does it work?

When establishing the *Meal & Accommodation Card Benefit*, you will receive both a physical **plastic card** for your wallet and a **digital card** accessible on your smartphone (via a digital wallet).

You nominate how much of your income to allocate towards the *Meal & Accommodation Card Benefit*, up to a **maximum of \$2,650 per FBT Year** (annual limit). The nominated amount is deducted **pre-tax** each paycycle and deposited onto your card within 24-48 hours of Southgate reconciling your paycycle deduction from your employer. Any unspent balance each paycycle simply accrues towards the card benefit for use in the future when expenses arise.

If you are also salary packaging an *Everyday Purchases Card Benefit*, both fringe benefits will be combined on the **single plastic card** and a **single digital card** for your convenience. The accrued balance towards **each** card benefit is **tracked separately** and smart technology integrated into the card's chip will help to identify your purchases and charge them to the applicable fringe benefit type.

When using the **plastic card** for payment of expenses, simply insert your card and select the 'credit' account option then enter your PIN, or use the secure contactless payment feature (Tap & Go™).

When using the **digital card**, simply download the '**Southgate Wallet**' smartphone app and follow the prompts to add your digital card into the digital wallet on your smartphone device. You can then use your digital card for the direct payment of expenses where the merchant accepts contactless payment via a digital wallet.

Key Benefits

- **No Fringe Benefits Tax** (spending limit applies)
- **Can be packaged in addition to other fringe benefits** (ie. doesn't affect \$30,000 FBT Exempt Cap)
- **Secure contactless payment (Tap & Go™)**
- **Access to Southgate Rewards to achieve further savings and discounts**
- **No ongoing paperwork**
- **No monthly or account keeping fees on your primary card**

FBT Treatment

The Meal & Accommodation Card Benefit is specifically **exempt from FBT** up to a maximum spending limit of \$2,650 in real dollars per FBT Year (equivalent to \$5,000 Grossed Up value).

As the Meal & Accommodation Card Benefit is subject to its own separate cap limit, it will **NOT** contribute towards your standard **\$30,000 FBT Exempt Cap** (ie. the limit of fringe benefits you can salary package FBT free). This allows you to achieve **increased tax savings** without affecting other fringe benefits that already salary package within your *FBT Exempt Cap*.



How much can I spend towards the card?

You can salary package a maximum of \$2,650 in real dollars per FBT Year towards the Meal & Accommodation Card Benefit, subject to any limit imposed by your employer's *Salary Packaging Policy*.

Who can package the Meal & Accommodation Card?

The Meal & Accommodation Card Benefit will generally provide a direct tax saving to employees whose income remains above \$18,200 **after deducting** the value of the Meal & Accommodation Card Benefit **and** any other fringe benefits you have salary packaged. You should always seek independent financial advice to ascertain what direct and indirect financial implications you may achieve via a salary sacrifice arrangement.

Refer to our *Meal & Accommodation Card Information Guide* for further information. The Target Market Determination for this product can be found at www.southgatesalpack.com.au/cardtmd.



Southgate Rewards Program

Where your salary package includes a **Southgate Salary Packaging Card**, you can enjoy exclusive access to our **Southgate Rewards** program (accessible via the **Southgate Wallet** smartphone app).

Southgate Rewards features a range of discounts and special deals for merchants Australia-wide, allowing you to achieve **further savings and discounts** in addition to the tax savings already achieved via your salary package!

Key Features of our **Southgate Rewards** program include:

➤ **Instant Rewards**

Enjoy **5% off** the bill at over 700 participating restaurants across Australia. Only available when making payment using your **Southgate Salary Packaging Cards** at a participating merchant.

➤ **Show & Save Discounts**

Access a range of **discounts and deals** across a number of merchants Australia-wide, including health and wellbeing, cafes, restaurants, recreational facilities, local services and more. When using the **Southgate Wallet** smartphone app, search for participating merchants in your local area, then show your unique discount code to the merchant at point-of-sale to save! Available when making payment via your **Southgate Salary Packaging Card** or your own personal debit card or credit card.

➤ **Discount Vouchers & Gift Cards**

Receive a **discount of up to 5%** on the purchase of eVouchers and Gift Cards for a range of major retail brands across Australia (eg. supermarkets, electronics stores, etc). This reward is only available when making payment using a **Southgate Everyday Purchases Card**.



FRINGE BENEFITS TAX

A '**fringe benefit**' is a payment to an employee by their employer, in respect of employment, that occurs in a different form to cash salary or wages. Some fringe benefits are subject to Fringe Benefits Tax (FBT). The calculation of FBT varies according to the type of fringe benefit that is salary packaged. Some benefits are FBT exempt or subject to FBT concessions.

Your **FBT Exempt Cap** entitles you to an FBT exemption, which applies up to a maximum value of fringe benefits per FBT Year, equal to \$30,000 *Grossed Up Value*.

The following formulas demonstrate how to calculate the *Grossed Up Value* of a fringe benefit and how much of your **FBT Exempt Cap** is utilised by a particular benefit.

Calculating the Grossed Up Value of a benefit:

$$\text{Grossed Up Taxable Value} = \text{Taxable Value of Benefit} \times \text{Gross Up Factor}$$

The Gross Up Factor will be: 2.0802 where the benefit is subject to GST
 1.8868 where the benefit is not subject to GST

Calculating the FBT Exempt Cap Usage of a benefit:

$$\text{FBT Exempt Cap Utilised} = \text{Grossed Up Taxable Value of benefit(s)}$$

$$\text{FBT Exempt Cap Remaining} = \$30,000 \text{ Cap} - \text{Grossed Up Taxable Value of benefit(s)}$$

Example:

If you were to salary package your entire **FBT Exempt Cap** (\$15,900 in real dollars) towards an expense payment benefit (eg. mortgage repayments) the following calculations would apply:

$$\begin{aligned} \text{Grossed Up Taxable Value} &= \text{Taxable Value of Benefit} \times \text{Gross Up Factor} \\ &= \$15,900 \times 1.8868 \text{ Gross Up Factor (no GST)} \\ &= \$30,000 \end{aligned}$$

$$\begin{aligned} \text{FBT Exempt Cap Used} &= \text{Grossed Up Taxable Value of benefit} \\ &= \$30,000 \text{ (equivalent to entire cap limit)} \end{aligned}$$

$$\begin{aligned} \text{FBT Exempt Cap Remaining} &= \$30,000 \text{ Cap} - \text{Grossed Up Taxable Value of benefit} \\ &= \$30,000 - \$30,000 \\ &= \$0 \end{aligned}$$



NOVATED LEASE EFFECT ON FBT EXEMPT CAP

As an employee of a Charity/PBI, you are able to salary package a Novated Lease vehicle and still retain a significant amount of your **FBT Exempt Cap** for packaging towards other fringe benefits.

Southgate uses the **Statutory Formula Method** to calculate the FBT (or FBT Exempt Cap usage) on a Novated Lease under a salary packaging arrangement. This calculation uses the **cost price** of the vehicle and a **20% Statutory Percentage** as a basis for calculating the **Taxable Value** of the vehicle, which is then used to calculate the FBT liability incurred by the vehicle (or FBT Exempt Cap usage).

The operating costs of the vehicle (such as lease payments, servicing, maintenance and fuel) are specifically FBT-exempt and therefore **do not incur FBT** or affect usage of your FBT Exempt Cap.

There are two steps involved in the calculation of FBT or FBT Exempt Cap usage on a Novated Lease.

STEP 1: Calculate the Taxable Value of the Vehicle:

The following formula is used to calculate the *Taxable Value* of a Novated Lease vehicle.

$$\text{Taxable Value} = (A \times B) \times \frac{C}{D}$$

Where

- A = base value of the motor vehicle
- B = statutory percentage
- C = number of days in FBT year where the vehicle was 'available for private use' by employee
- D = the number of days in the FBT year

A fixed **Statutory Percentage of 20%** is applied during the calculation of FBT, regardless of the actual number of kilometres travelled by the vehicle during the FBT year.

STEP 2: Calculate the FBT Exempt Cap Usage:

The formula below is used to calculate how much of your FBT Exempt Cap limit (*\$30,000 Grossed Up Value*) will be used by the Novated Lease. The vehicle will not incur any FBT liability when packaged within this cap.

$$\text{FBT Exempt Cap Used (ie. Grossed Up Value)} = \text{Taxable Value} \times \text{Gross Up Factor}$$

Where the vehicle is NOT packaged within the FBT Exempt Cap limit, it may incur an FBT liability as calculated using the formula below.

$$\text{Fringe Benefits Tax} = \text{Grossed Up Value} \times \text{FBT Rate}$$

- The Gross Up Factor is 2.0802 when GST is applicable to the leasing arrangement.
- The FBT Rate (without employee FBT exemption) is 47% for the 2021-2022 FBT Year.



Worked Example: Calculating Cap Use of a Novated Lease

This calculation is based on the following assumptions:

- Vehicle base cost: \$30,000 (excluding on-road costs)
- Statutory Percentage: 20%
- Days available for use: 365 days
- Gross Up Factor: 2.0802 (GST applicable on lease)
- Annual running costs: \$13,000 (including monthly lease payments)

Step 1: Calculate the Taxable Value

$$\begin{aligned}\text{Taxable Value} &= (\text{Car Base Value} \times \text{Statutory Percentage}) \times \frac{\text{Days Available}}{\text{Days in FBT Year}} \\ &= (\$30,000 \times 20\%) \times \frac{365}{365} \\ &= \$6,000\end{aligned}$$

Step 2: Calculate the FBT Exempt Cap Usage

$$\begin{aligned}\text{FBT Exempt Cap Used} &= \text{Taxable Value} \times \text{Gross Up Factor} \\ &= \$6,000 \times 2.0802 \\ &= \$12,482 \text{ Grossed Up Value}\end{aligned}$$

The **FBT Exempt Cap** is equal to **\$30,000 Grossed Up Value**. In the example above, only \$12,482 Grossed Up Value of the total cap amount is used, therefore the cap remaining will be \$17,518 Grossed Up Value which can be used towards other fringe benefits.

Benefit of Novated Lease Tax Concessions

When you salary package a Novated Lease, you are making an Income Tax saving on the total lease payments and running costs of the vehicle, but your **FBT Exempt Cap** usage is only calculated on the vehicle itself (not the value of running costs packaged). This concessional treatment generally provides a greater financial benefit by leaving a portion of your **FBT Exempt Cap** for use towards other fringe benefits to maximise your overall tax savings.

The worked example above demonstrates how salary packaging \$13,000 per year (in real dollars) towards Novated Lease running costs only uses \$12,482 Grossed Up Value, which is less than half of the total **FBT Exempt Cap limit** (\$30,000 Grossed Up Value). By comparison, when packaging a **different** fringe benefit type, such as mortgage payments, spending \$13,000 per year towards mortgage payments you would use \$24,529 Grossed Up Value of your **FBT Exempt Cap limit**.

Therefore, the **portion of your cap** that is consumed by sacrificing the same pre-tax salary amount (\$13,000) differs greatly between a Novated Lease and other fringe benefit types. The concessional treatment of Novated Leases allows you to increase the tax savings you achieve from your FBT exemption by increasing the amount of cash salary that can be salary packaged FBT-free.



GETTING STARTED WITH YOUR NOVATED LEASE

The following steps are involved in establishing a Novated Lease through Southgate:

1. Contact Southgate with your Novated Lease enquiry via telephone or online enquiry:
 - Call **1300 132 500** and speak with one of our salary packaging consultants; or
 - Complete an online **Novated Lease Quote Request Form** on our website (www.southgatesalpack.com.au) or download the form and fax to 1300 500 150.
2. Upon receipt of your request, we will contact our extensive dealer network to obtain the best possible price where a new vehicle is desired. If you have a trade-in vehicle, we can arrange for your vehicle to be inspected and valued at a time and place convenient to you.

PLEASE NOTE: If you do have a trade-in vehicle, you cannot use funds from the trade-in vehicle to reduce the amount financed under a Novated Lease. Australian Tax Office rulings state that you cannot have equity in a Novated vehicle lease arrangement.

3. Once we have received the quotes for your vehicle, we will use the best price obtained and prepare a detailed Fully Maintained Novated Lease quote for your review and consideration. The quote will detail the price obtained for the vehicle, monthly lease payments, a complete budget for the maintenance of your vehicle, and the impact of the Novated lease on your salary package. At this point, you decide whether you would like to proceed with the acquisition of the vehicle.

*****Please note that the contract between Southgate and your employer has an exclusivity agreement to ensure your Novated Lease complies with ATO requirements. You are required to use Southgate for all new vehicle purchasing and finance requirements when entering a Novated Lease salary packaging arrangement with Southgate. You are permitted to purchase and/or finance the vehicle external to Southgate providing that Southgate cannot match or beat your best quote and that the financier adheres to Southgate's policies and payment requirements, and the lease satisfies ATO guidelines.*****

4. If you accept the quote provided, complete the *New Vehicle Order Form* attached to quote and return it to Southgate. Upon receipt of the order form, we will proceed to order the vehicle on your behalf, subject to finance. It is at this point that you are legally bound to acquire the vehicle.
5. Complete a *Finance Application* and return it to Southgate. Finance approval will normally occur within 24 hours.
6. Sign and return the hard copy original *Novated Lease Contract* to Southgate, in order for us to settle the Novated Lease finance. Once the vehicle is available and the finance has been settled, the vehicle will be delivered to your nominated delivery address.
7. Southgate will advise your employer's Payroll Department of the appropriate funds to be deducted from your next available paycycle, in respect of the Novated Lease.



TAXATION ASPECTS OF YOUR SALARY PACKAGE

Annual Payment Summary (Group Certificate)

At the end of each Income Tax Year (30th June) your employer will provide you with an annual **Payment Summary** (formerly called a Group Certificate) outlining your total salary, wages, commissions, bonuses, allowances etc, paid by that employer in respect of employment during that Income Tax Year. These amounts contribute towards your total **assessable income** (taxable income), which is used for calculating your PAYG Income Tax and Medicare Levy obligations.

Where you are making **pre-tax** salary sacrifice deductions towards packaged fringe benefits, these amounts will **reduce your assessable income**. Your PAYG Income Tax and Medicare Levy obligations are then calculated on your reduced **assessable income**, **reducing your total Income Tax payable**.

Reportable Fringe Benefits

An employer is required to record any **reportable fringe benefits** provided to employees. Where the total **Taxable Value** of fringe benefits provided to you in a given FBT year (1st April to 31st March) exceeds \$2,000, the **Grossed Up Taxable Value** of those benefits will be recorded on your annual Payment Summary for the corresponding Income Tax year (1st July to 30th June). For this calculation, the lower Gross Up Factor (1.8868) is applied to all benefits.

The value of fringe benefits reported on your Payment Summary is known as the **'Reportable Fringe Benefits Amount' (RFBA)**. **You will need to show this amount on your Income Tax return**. If you receive more than one Payment Summary during an Income Tax year, you will need to report the total of the **Reportable Fringe Benefits Amounts**.

Some fringe benefits (called **'excluded benefits'**) are **not reported** on your Payment Summary, though they may still contribute to your **FBT Exempt Cap**. Benefits that are **specifically FBT exempt** and **do not** contribute to your **FBT Exempt Cap** are also **not reported** on your Payment Summary.

The total amount of **reportable fringe benefits** is **not included** in your **assessable income** (taxable income), and is not included in the calculation of PAYG Income Tax or the Medicare Levy. Where applicable, the Reportable Fringe Benefits Amount may be used to determine your eligibility for income-tested Government Benefits or obligations to certain Government surcharges, including:

Government Benefits

Family Tax Benefits
Youth Allowance
Superannuation Co-Contributions

Government Surcharges/Obligations

Medicare Surcharge
HECS/HELP/FSR repayments
Child Support obligations

Secondary advantages may be achieved where your **total reportable income** is reduced by salary packaged fringe benefits such that you may become eligible for income-tested Government Benefits or any Government surcharge obligations may be reduced. **Total reportable income** represents the total of your **assessable income** and any applicable **Reportable Fringe Benefits Amount**.



Input Tax Credits (GST on fringe benefits)

Your employer is entitled to claim a refund of the GST paid on benefits included in their employees' salary packages. The refund of GST is known as an Input Tax Credit (ITC), which your employer has chosen to pass back into your salary package, meaning your salary package is effectively GST-free*.

In order for your employer to be able to claim the ITCs, it is important that you provide a Tax Invoice for every reimbursement claim or made. If you do not provide a complying Tax Invoice, or do not identify the GST component on the *Reimbursement Claim Form*, the GST amount will not be reported to your employer, and hence, the ITCs cannot be claimed and passed back to your package.

*GST cannot be claimed on some benefits.

THE SALARY PACKAGING PROCESS

Package Establishment and Salary Deductions

If you wish to commence a salary packaging arrangement, simply complete the **Salary Packaging Application Form** including your personal and employment details, desired fringe benefits and previous salary packaging history and return it to Southgate. Upon receipt of your application, Southgate will conduct a full analysis of your chosen benefits and establish your salary package in accordance with your instructions and your employer's *Salary Packaging Policy*.

When your package is activated, you will be supplied with three important documents:

- A **Salary Packaging Benefit Confirmation Schedule** detailing the benefits you have established, the payment frequency of each benefit, the amount per payment and the recipient. You should carefully check this schedule and notify Southgate immediately of any discrepancies as your package will be activated based on the details in this schedule.
- A **Welcome Kit** which contains all of the forms and declarations that you may need during your salary packaging arrangement; and
- A **unique username and password** for secure access to our online Employee Portal facility.

Southgate will issue a **Payroll Advice** to your payroll department requesting the appropriate funds to be deducted from your pre-tax remuneration and deposited into your employer's salary packaging account each pay cycle, so that Southgate can make your fringe benefit payments.



Payment of Your Benefits

Depending on the type of benefit(s) salary packaged, payments will either be a direct payment to a third party, or a reimbursement to your nominated bank account. Southgate will make payments as required, providing there are sufficient funds available in your salary packaging account.

1. Based on your nominated salary package benefits, Southgate determines the amount to be deducted each pay cycle and issues a *Payroll Advice* to your employer's payroll department.
2. Each paycycle the necessary deductions are forwarded into your employer's salary packaging account and the deductions will appear on your payslip.
3. Regular payments will be processed when Southgate receives the necessary deductions.
4. Miscellaneous or ad hoc payments will be processed if you have the necessary funds in your account and have provided the necessary substantiation.

Benefit Payment Structures

Direct Third Party Payments

Direct payments will be made by Southgate to a third party supplier where the payment amount is a fixed installment that occurs on a regular basis and substantiation for recurring payment has been received by Southgate. A typical example is the monthly lease payment for a Novated Lease vehicle. Your *Salary Packaging Application Form* and/or *Third Party Payment Form* outlines the information you are required to provide to enable Southgate to make direct payments on the due date for payment and to the amount specified.

The information required is:

- The name of the payee;
- The BSB and account number of the payee and payment reference;
- The payment amount and frequency; and
- The commencement date and end date of the payments.

All direct third party payments made by Southgate must be made via **Electronic Funds Transfer (EFT)**. Where a third party supplier does not have EFT facilities available, the benefit payment must occur as a reimbursement.

Ad Hoc Direct Payments

Ad hoc payments are made when:

- you incur an expense that is unexpected (eg. vehicle accident repairs); or
- the timing or amount of an expense is irregular or unknown (eg. vehicle fuel expenses); or
- funds must be collected towards an expense that will be billed in the future (eg. school fees).

Where applicable, Southgate will allocate and retain some of your pre-tax salary deductions towards the payment of any ad hoc expenses, so that funds are available for expense payments to be made in a timely manner once the expense has been incurred and billed and any required substantiating documents are provided.



Reimbursements

Reimbursements will be made where you are entitled to salary package an expense that you have already paid from your own post-tax funds. Reimbursements may also be used where an expense is irregular in amount or frequency and a “direct ad hoc payment” is not convenient or appropriate.

Reimbursements will be made to you by Southgate (from your salary packaging account) upon receipt of a completed *Reimbursement Claim Form* and the appropriate supporting documents and once sufficient funds are available in your salary package.

All fields **must be** completed on the *Reimbursement Claim Form*. If the form is not completed in full or is not accompanied by the necessary supporting documents, your claim will not be processed.

In order to process any reimbursement, ALL of the following documents MUST be provided:

- ✓ **Reimbursement Claim Form**
- ✓ **Proof of the expense being incurred** (ie. Tax Invoice or Statement of Account showing the nature and amount of the expense).
- ✓ **Proof of purchase/payment** (ie. an itemised receipt).
- ✓ **Supporting documents/forms/declarations** specific to the type of benefit claimed.

NOTE: You must provide a Tax Invoice showing the GST component of the payment AND record the GST amount on your *Reimbursement Claim Form*. Failure to meet either of these requirements will result in your employer being unable to claim the Input Tax Credit (GST refund) on their Business Activity Statement, in which case your employer cannot refund the ITCs back into your account. The GST component cannot be identified or changed once a reimbursement has been processed.

All reimbursements will be **made by Electronic Funds Transfer (EFT)** into your nominated bank account. If your bank details change, you must advise Southgate in writing by completing a *Change of Personal Details Form*. It is important to note that regular payments, such as vehicle lease payments or mortgage repayments, will take precedence over manual reimbursement claims. Therefore, depending on the availability of funds in your salary packaging account and any regular payments scheduled, your reimbursement may occur in one of two ways:

1. Full payment of the claim will be made when sufficient funds are available in your salary packaging account; or
2. Regular reimbursement installments will be made until the claim has been paid in full.

You are permitted 8 reimbursement claims per year at no extra cost to you. Any subsequent reimbursements made during the year will be subject to an additional administration fee per reimbursement claim, which will be deducted from your salary packaging account (pre-tax).



Salary Packaging Reporting

Southgate provides the following range of reports to ensure you can readily access your salary packaging details and monitor or check the status of your salary packaging arrangement as desired.

Reporting for Individual Employees:

<p>Salary Package Benefit Confirmation Schedule</p>	<p>You receive this report when you initially establish your salary package and whenever it is amended. The report details the structure of your salary package, including the established fringe benefits, the amount and frequency of deductions and any FBT to be deducted (if applicable).</p> <p>This report provides you with the opportunity to ensure your salary package has been set up in accordance with your instructions.</p>
<p>Salary Packaging Welcome Kit</p>	<p>The Welcome Kit outlines the processes and procedures that may be needed throughout the various stages of your package. The kit includes all forms necessary to amend and administer your salary package. It also includes your unique username and password for secure online access to your salary package details via the Online Employee Portal.</p>
<p>Transaction Statement: All salary packaged items **</p>	<p>This statement details all transactions that have been paid from your package. It also specifies the opening balance of available funds for the period, along with a running balance and closing balance. At the end of the report all items that have been received for reimbursement but are not yet paid are listed for your convenience.</p>
<p>Transaction Statement: Fuel and Maintenance Report ** <i>(Novated / Associate Leases only)</i></p>	<p>This is a fuel card and vehicle maintenance statement which lists all fuel card transactions incurred during the period. It includes the date, location, type of fuel and GST. In addition, any maintenance costs (servicing and tyres) processed on your card will also be reported.</p>
<p>Transaction Statement: Everyday Purchases Card **</p>	<p>This statement details all salary packaged funds credited onto your Southgate Everyday Purchases Card Benefit and all transactions paid using the card benefit during the specified period. It displays the date, amount and merchant for each individual transaction and a running card balance.</p>
<p>Transaction Statement: Meal & Accommodation Card **</p>	<p>This statement details all salary packaged funds credited onto your Southgate Meal & Accommodation Card Benefit and all transactions paid using the card benefit during the specified period. It displays the date, amount and merchant for each individual transaction and a running card balance.</p>

** Available online 24 hours a day, 7 days a week.

Southgate also provides our clients with **convenient and secure online access** to your salary packaging information via our **Online Employee Portal**. Simply use your unique username and password to login to the portal via the Southgate Salary Packaging Services website. This facility is accessible 24/7 and allows you to keep track of your salary package balance, income remittances and fringe benefit payments and reimbursements. It provides access to forms and declarations that you may need on occasion, and allows you to update your contact details conveniently online.



Changes to Your Salary Package

A change is deemed to be an addition, deletion or modification of the amount, date or frequency of any benefit on a particular occasion. You may make changes to your salary package on two occasions per year at no extra cost to you. Subsequent package changes during the year will incur an *Excess Package Change Fee*, which will be deducted from your salary package (pre-tax).

Change of Personal Details

Under the provisions of the National privacy Principles contained in the ‘*Privacy Amendment (Private Sector) Act 2000 (Cth)*’, Southgate is required to maintain accurate and up-to-date information regarding our clients. If any of your personal details change, you must advise Southgate immediately by completing and submitting a *Change of Personal Details Form*.

Salary Packaging Administration Fee

Your employer’s salary packaging program operates on a ‘total employment cost’ concept, where you must meet all administration costs of your salary packaging arrangement. All salary packaging administration fees are included in your salary package and deducted from your **pre-tax salary** on a pro-rata basis each paycycle. Salary packaging administration fees are not subject to FBT and will not use any of your **FBT Exempt Cap** limit.

The following table sets out the annual administration fees that will apply to your salary package.

Package Administration Fee	Fee
FBT Exempt Benefits Only <i>(eg. laptop with majority business use)</i> -OR-	\$100 per year or part thereof
Everyday Purchases Card Only <i>(Primary card only, no other benefits)</i> -OR-	\$150 per year or part thereof
Complete Package <i>(Any combination of Fringe Benefits, eg. Novated Lease, Expense Payments)</i>	\$250 per year or part thereof

Other Fees (if applicable based on circumstances)	
Excess Package Change Fee	\$55 each (2 free per year)
Excess Reimbursement Claim Fee <i>(8 free claim submissions per year allowing up to 6 expenses per each claim)</i>	\$12 each (8 free per year)
External Novated Lease Setup Fee <i>(to transfer an existing external lease to your Southgate package)</i>	\$75 once-off
Motor Vehicle Management Fee (for all fully-maintained leases) <i>(Covers administration of Vehicle Management Program for all fully-maintained lease vehicles, including fuel cards, service & maintenance discounts, maintenance authorisations, budget monitoring, etc)</i>	As per lease quote
Associate Lease Establishment Fee <i>(Associate Leases only, DOES NOT APPLY to Novated Leases)</i>	\$350 once-off



Terminating Salary Packaging

You can terminate your salary packaging arrangement at any time by giving Southgate at least 7 days written notice of your intention by submitting a **Termination of Salary Packaging Form**.

If your salary package contains a Novated or Associate Lease vehicle, you are also required to complete a **Vehicle Closing Odometer Declaration** to advise Southgate of the odometer reading of your vehicle at the termination date. Failure to provide the closing odometer reading will result in your Novated Lease fringe benefit being calculated using the highest applicable *statutory percentage*, which may lead to higher usage of your *FBT Exempt Cap* than planned and a potential unbudgeted FBT liability that you will be required to pay to your employer.

Your salary package will terminate on the date nominated (and any fuel cards will be cancelled), and benefits will **not** be paid or reimbursed after that date, other than charges already incurred on your fuel card. On termination your salary package will be reconciled, and any surplus funds (after deduction of any outstanding administration fees) will be returned to your employer for deduction of any applicable PAYG Income Tax before being returned to you as post-tax income.

Where a fuel/maintenance card has been provided with your Novated or Associate Lease vehicle, any surplus funds will be retained by Southgate for a period of 60 days to enable payment of transactions on the fuel/maintenance card(s) up to the date of termination of your salary package. You will be responsible for any vehicle expenses paid on your fuel card(s) that have not yet been billed to your salary packaging account upon termination.

Salary Packaging Forms and Declarations

Employees will be required to complete particular forms and declarations throughout their salary packaging arrangement. These are listed below with a description of the circumstances in which each form or declaration is required.

Employee Application Forms

You must complete and sign the *Employee Application Forms* upon requesting to enter a salary packaging arrangement with your employer. Included in these forms are your personal details, employment details, the benefits you wish to package, previous salary packaging history (if applicable) and any third party authorisations.

The administration of your salary package by Southgate is subject to the Terms and Conditions attached to the *Employee Application Forms*.

Change of Personal Details Form

This declaration must be completed where any of your personal details have changed. These include your name, contact details and nominated bank account details. It is essential that Southgate has your correct bank details to ensure that you receive reimbursements for approved claims.



Third Party Authorisation Form

This form must be completed where you wish to authorise a third party to have access to your salary package details, such as a spouse. The form includes both your personal details and the third party's details, and an employee declaration that you have requested authorisation for your chosen third party to have access to your salary package details and discuss your salary packaging arrangement with Southgate on your behalf. You are not obliged to authorise a third party; however, no person other than your employer will be permitted access to your details or can discuss your salary packaging arrangement without completion of a *Third Party Authorisation Form* signed by you.

Expense Payment Declaration

This declaration form must be completed where you have packaged benefits that require greater than 50% business use in order to be exempt from FBT, or where you have packaged an 'otherwise deductible' benefit. The form requests an employee declaration of the percentage of business use of the benefit and the period in which the benefit was provided. Failure to complete this declaration will result in your claim not being processed.

Recurring Fringe Benefit Declaration

This form must be completed where you are packaging any expense payment benefit that does not have any significant variation in amount, and which requires recurring payments to be made. The form requests an employee declaration that the benefit is a recurring expense and the period in which it will recur.

Reimbursement Claim Form (non-car expenses)

This form must be completed for **every reimbursement** claimed under your salary packaging arrangement that is **not** a car expense under a Novated or Associate Lease. The form includes a description of the payment to be reimbursed, the date payment was made, the payment amount, the GST component of the payment and the preferred reimbursement method. Failure to complete this form when claiming a reimbursement will result in your claim not being processed.

Failure to identify the GST component and provide a Tax Invoice for a payment will result in your employer being unable to claim any ITCs and pass them back into your salary package.

Reimbursement Claim Form (car expenses only)

This form must be completed for all reimbursements claimed for car expenses packaged under your Novated or Associate Lease only. Depending on your circumstances, these expenses may include unexpected repairs, registration or insurance payments. This form includes the same details as the non-car reimbursement form, but requests further information related to your Novated or Associate Lease vehicle. The same consequences apply for failure to complete the form.

Southgate must be provided with an **original itemised Tax Invoice** for any fuel or car wash expenses, and you are encouraged to retain a copy of the Tax Invoice for your personal records.



Termination of Salary Packaging Form

This form must be completed where you wish to terminate your salary packaging arrangement with your current employer. The form includes your personal and employment details, as well as the nominated package termination date. If you are packaging a Novated or Associate Lease, you must also complete a **Vehicle Closing Odometer Declaration** to accompany this form.

Vehicle Closing Odometer Declaration

This form must be completed where you wish to **terminate your salary package** containing a Novated or Associate Lease, or where you are **disposing of a vehicle** that is under a Novated or Associate Lease, or **paying out your lease finance or lease residual**. The form includes your personal details, vehicle details and the closing odometer reading of the vehicle as at the stated date of termination/disposal/payout. The information on this declaration is used in the calculation of FBT on your Novated or Associate Lease vehicle (or *FBT Exempt Cap* utilisation), and therefore the details provided must be accurate.

SUPPORTING DOCUMENTS FOR FRINGE BENEFITS

Most fringe benefits will be paid by either directly by Southgate to the third party (via Electronic Funds Transfer) or made as a reimbursement to you. Southgate will require supporting documents for all fringe benefit payments and reimbursements made under a salary package.

Reimbursement Documentation

Where a reimbursement occurs, one or more of the following substantiation is always required to be provided to Southgate to ensure the payment can be reimbursed:

- **Statement of Account** (showing the balance due on the account); and
- **Tax Invoice** showing the GST component of the payment amount (if applicable); and
- **Proof of Payment** (eg. an itemised receipt).

In addition to the above substantiation, a *Reimbursement Claim* Form is always required to process reimbursements, as well as any additional documentation outlined in the following table, specific to your chosen benefit(s). If the correct substantiation and a completed *Reimbursement Claim Form* are not received by Southgate, your reimbursement will not be processed until they are received.

Third Party Payment Documentation

Where a direct Third Party Payment occurs, one or more of the following substantiation is always required to be provided to Southgate to ensure the payment can be made:

- **Statement of Account** (showing the balance due on the account); and
- **Tax Invoice** showing the GST component of the payment amount (if applicable); and
- **Third Party Payment Form** including EFT Bank Details of payee.



Required Supporting Documents

The following table outlines the required supporting documents for each fringe benefit type, based on the payment method chosen.

Fringe Benefit Type	FBT Cap Used	Payment Method	Substantiation Required
Airport Lounge Membership Fees	No	Reimbursement	<ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Tax Invoice (to claim GST) ○ Reimbursement Claim Form
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Statement of Account ○ Third Party Payment Form
Associate Lease – Lease Payments	No <i>(only on vehicle itself)</i>	Direct Third Party Payment Only	<ul style="list-style-type: none"> ○ Signed Associate Lease Agreement ○ Lease Documentation ○ Current Registration Documents ○ Vehicle Red Book Value ○ Associate Lease Setup Form
Associate Lease – Vehicle Running Costs <ul style="list-style-type: none"> • All fuel, oil and car wash must be reimbursed or paid via our fuel card. • All comprehensive insurance, registration and CTP costs must be reimbursed and cannot be paid directly to a third party. • Servicing, maintenance and repair costs may be reimbursed, paid using the Caltex Starfleet Card or paid directly to the supplier via EFT. 	No <i>(only on vehicle itself)</i>	Reimbursement	<p><i>Southgate must have already received signed Associate Lease Agreement (current) and Associate Lease Setup Form before running costs can be salary packaged under an Associate Lease.</i></p> <ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Tax Invoice (to claim GST) ○ Reimbursement Claim Form
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Statement of Account ○ Tax Invoice (to claim GST) ○ Third Party Payment Form
Child Care Expenses (employer-provided)	No	Reimbursement	<ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Reimbursement Claim Form ○ Letter from employer declaring that childcare is “employer-provided”
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Statement of Account ○ Third Party Payment Form ○ Letter from employer declaring that childcare is “employer-provided”
Credit Card Repayments	Yes	Reimbursement Only	<ul style="list-style-type: none"> ○ Recent Credit Card Statement ○ Reimbursement Claim Form with each repayment claimed (itemised) ○ Proof of each repayment claimed on the above form (subsequent month’s statement showing repayment credited to the account)



Fringe Benefit Type	FBT Cap Used	Payment Method	Substantiation Required
Mortgage Repayments <i>(where NOT an investment property and where employee is NOT claiming any aspect of the mortgage on their personal tax return)</i>	Yes	Reimbursement	<ul style="list-style-type: none"> ○ Mortgage Contract/Agreement ○ Reimbursement Claim Form listing all repayments separately ○ Mortgage Statements showing proof of each repayment claimed ○ Mortgage Benefit Declaration
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Mortgage Contract/Agreement ○ Recent Mortgage Statement ○ Third Party Payment Form ○ Mortgage Benefit Declaration ○ Recurring Fringe Benefit Declaration
Novated Lease – Lease Payment	No <i>(only on vehicle itself)</i>	Direct Third Party Payment Only	<ul style="list-style-type: none"> ○ Lease Documentation ○ Deed of Novation (signed by current employer) ○ Signed Financier Page ○ Financier Tax Invoice ○ Vehicle Tax Invoice <p><i>Where Novated Lease is not arranged by Southgate, employee must complete Novated Motor Vehicle Details Page specifying financier bank details.</i></p>
Novated Lease – Running Costs <ul style="list-style-type: none"> ● Fuel and Oil ● Car Wash 	No	Reimbursement Only	<ul style="list-style-type: none"> ○ <u>Original</u> itemised receipts showing nature of expense (ie. diesel) ○ Proof of Payment ○ Tax Invoice (to claim GST if >\$82.50) ○ Reimbursement Claim Form
Novated Lease – Running Costs <ul style="list-style-type: none"> ● Comprehensive Insurance ● Registration and CTP 	No	Reimbursement Only	<ul style="list-style-type: none"> ○ Statement of Account / Renewal ○ Proof of Payment ○ Tax Invoice (to claim GST) ○ Reimbursement Claim Form
Novated Lease – Running Costs <ul style="list-style-type: none"> ● Tyres ● Servicing ● Maintenance and Repairs 	No	Reimbursement	<ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Tax Invoice (to claim GST) ○ Reimbursement Claim Form
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Statement of Account ○ Tax Invoice (to claim GST) ○ Third Party Payment Form



Fringe Benefit Type	FBT Cap Used	Payment Method	Substantiation Required
Personal Loan Repayments	Yes	Reimbursement	<ul style="list-style-type: none"> ○ Loan Contract/Agreement ○ Recent Loan Statement showing recent loan balance remaining and showing proof of repayments made ○ Reimbursement Claim Form
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Loan Contract/Agreement ○ Recent Loan Statement showing loan balance remaining ○ Third Party Payment Form ○ Recurring Fringe Benefit Declaration
Portable Electronic Devices – PURCHASE (eg. laptop, PDA, mobile phone)	No*	Reimbursement Only	<ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Tax Invoice (to claim GST) ○ Reimbursement Claim Form ○ Expense Payment Declaration*
Professional Membership Fees (Otherwise Deductible)	No	Reimbursement Only	<ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Tax Invoice (to claim GST) ○ Reimbursement Claim Form ○ Expense Payment Declaration
Rent Payments	Yes	Reimbursement	<ul style="list-style-type: none"> ○ Current Rental Agreement ○ Reimbursement Claim Form listing all rental payments individually ○ Proof of rental payments claimed on the above form (eg. rental receipts, bank statements) <p>OR</p> <ul style="list-style-type: none"> ○ Current Rental Agreement ○ Direct Debit Authority ○ Proof of one rental payment ○ Recurring Fringe Benefit Declaration
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Current Rental Agreement including payment schedule ○ Third Party Payment Form ○ Recurring Fringe Benefit Declaration



Fringe Benefit Type	FBT Payable	Payment Method	Substantiation Required
School Fees	Yes	Reimbursement	<ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Reimbursement Claim Form
		Direct Third Party Payment	<ul style="list-style-type: none"> ○ Statement of Account ○ Third Party Payment Form
Self-Education Expenses (Otherwise Deductible)	No	Reimbursement Only	<ul style="list-style-type: none"> ○ Statement of Account ○ Proof of Payment ○ Tax Invoice (to claim GST) ○ Reimbursement Claim Form ○ Expense Payment Declaration

*Where business use is greater than 50%, otherwise the benefit will not be treated as FBT-exempt.

Where you are claiming a regular ongoing expense over a fixed period, you will need to provide a **Recurring Fringe Benefit Declaration** and other applicable documents to verify that the expense will be recurring (eg. direct debit authority).

Should you need any assistance when compiling the supporting documents to establish or change a fringe benefit under your package, please contact a Southgate Consultant on 1300 132 500.



SALARY PACKAGE EXAMPLES

EXAMPLE 1: Packaging entire cap towards an Expense Payment Benefit

(Eg. Everyday Purchases Card, Credit Card or Mortgage)

This example demonstrates the financial advantage of salary packaging your entire **FBT Exempt Cap** towards a 'Full FBT' Expense Payment fringe benefit. Examples include Southgate's Everyday Purchases Card, mortgage or credit card. The maximum amount you can package per FBT year is \$15,900 in real dollars (equivalent to the **FBT Exempt Cap** limit of \$30,000 Grossed Up Value).

Assumptions:

Gross Annual Salary: \$60,000
 Everyday Purchases Card: \$15,900 per year

	Not Packaging	Packaging within FBT Exempt Cap
Gross Salary	\$60,000	\$60,000
<i>Less</i>		
Southgate Everyday Purchases Card	\$0	\$15,900
Fringe Benefits Tax	\$0	\$0
Gross Salary after Packaging	\$60,000	\$44,100
<i>Less</i>		
PAYG Income Tax (incl. Medicare Levy)	\$11,167	\$5,803
Net Salary	\$48,833	\$38,297
<i>Less After Tax Costs</i>		
Unpackaged Expense Payments	\$15,900	\$0
Net Disposable Income	\$32,933	\$38,297
Net Annual Savings	\$0	\$5,364

The table below demonstrates the potential tax savings that you may achieve by salary packaging your whole **FBT Exempt Cap** towards a 'Full FBT' expense payment within each Income Tax bracket. The calculations assume that your *Taxable Income* will remain within the same marginal Income Tax bracket after salary packaging deductions.

Income Range (after packaging)	\$18,201 - 45,000	\$45,001 - 120,000	\$120,001 - 180,000	\$180,001 +
Net Annual Saving	\$3,339	\$5,364	\$5,485	\$7,473

Calculations used in the tables above are based on FBT Rate for the 2021-2022 FBT Year and Income Tax rates for the 2021-2022 Financial Year.



EXAMPLE 2: Packaging a Novated Lease within your FBT Exempt Cap

This example demonstrates the financial advantage of salary packaging a Novated Lease vehicle within your **FBT Exempt Cap**. Under a Novated Lease, all vehicle running costs included in your salary package are FBT exempt (and don't contribute to your **FBT Exempt Cap**) except the vehicle itself.

Assumptions:

Gross Annual Salary:	\$60,000
Vehicle Base Price:	\$30,000 (excluding on-road costs)
Vehicle Operating Costs:	\$13,000 per year over a 3 year lease
Annual Kilometres:	15,000 kms per year

	Not Packaging	Packaging within FBT Exempt Cap
Gross Salary	\$60,000	\$60,000
<i>Less</i>		
Novated Lease & Vehicle Running Costs	\$0	\$13,000
Fringe Benefits Tax	\$0	\$0
<i>Plus</i>		
Input Tax Credits (GST on packaged expenses)	\$0	\$1,182
Gross Salary after Packaging	\$60,000	\$48,182
<i>Less</i>		
PAYG Income Tax (incl. Medicare Levy)	\$11,167	\$7,090
Net Salary	\$48,833	\$41,092
<i>Less After Tax Costs</i>		
Unpackaged Lease & Vehicle Running Costs	\$13,000	\$0
Net Disposable Income	\$35,833	\$41,092
Net Annual Savings	\$0	\$5,259

The calculations used in the tables above are based on the FBT Rate for the 2021-2022 FBT Year and the Income Tax rates for the 2021-2022 Financial Year.

Effect on FBT Exempt Cap

Total FBT Exempt Cap	= \$30,000 grossed up value
Cap Used by Novated Lease	= \$12,482 grossed up value
Cap Remaining	= \$17,518 grossed up value
Maximum Real Dollar Equivalent	= \$9,284 real dollars available towards other fringe benefits



EXAMPLE 3: Combination of Novated Lease and Expense Payment Benefit

The following example demonstrates the additional financial advantage that may be achieved when combining a Novated Lease and a 'Full FBT' expense payment benefit within your **FBT Exempt Cap**, compared to salary packaging either of these fringe benefits alone.

Assumptions:

Gross Annual Salary:	\$60,000
Vehicle Base Price:	\$30,000 (excluding on-road costs)
Vehicle Operating Costs:	\$13,000 per year over a 3 year lease
Annual Kilometres:	15,000 kms per year
Everyday Purchases Card:	\$9,284

	Not Packaging	Packaging within FBT Exempt Cap
Gross Salary	\$60,000	\$60,000
<i>Less</i>		
Novated Lease & Vehicle Running Costs	\$0	\$13,000
Southgate Everyday Purchases Card	\$0	\$9,284
Fringe Benefits Tax	\$0	\$0
<i>Plus</i>		
Input Tax Credits	\$0	\$1,182
Gross Salary after Packaging	\$60,000	\$38,898
<i>Less</i>		
PAYG Income Tax (incl. Medicare Levy)	\$11,167	\$4,710
Net Salary	\$48,833	\$34,188
<i>Less After Tax Costs</i>		
Unpackaged Lease & Vehicle Running Costs	\$13,000	\$0
Unpackaged Expense Payments	\$9,284	\$0
Net Disposable Income	\$26,549	\$34,188
Net Annual Savings	\$0	\$7,639

The calculations used in the tables above are based on the FBT Rate for the 2021-2022 FBT Year and the Income Tax rates for the 2021-2022 Financial Year.



Summary of Examples 1 to 3

Comparison of Examples 1 and 3 demonstrates the additional tax savings that may be achieved by including a Novated Lease within your **FBT Exempt Cap** (by reducing the amount packaged towards other fringe benefits). In these examples, the employee achieves an additional tax saving of \$2,994 per year by salary packaging a portion of their cap towards a Novated Lease (example 3), as opposed to packaging their whole **FBT Exempt Cap** towards the Full FBT expense payment (example 1).

Comparison of Examples 2 and 3 demonstrates the additional tax saving of adding a Full FBT expense payment benefit to utilise any remaining **FBT Exempt Cap** where the employee is already salary packaging a Novated Lease. In these examples, the employee achieves an additional tax saving of \$3,220 per year by salary packaging the remainder of their **FBT Exempt Cap** (after the Novated Lease vehicle) towards an additional fringe benefit such as the Southgate Everyday Purchases Card.

	EXAMPLE 1	EXAMPLE 2	EXAMPLE 3
Benefits Packaged	Expense Payment Only	Novated Lease Only	Expense Payment <u>AND</u> Novated Lease
Cap Used (Grossed Up Value)	\$30,000	\$12,482	\$30,000
Cap Remaining (Grossed Up Value)	\$0	\$17,518	\$0
Total Income Packaged (in real dollars)	\$15,900	\$13,000	\$22,284
Reportable Fringe Benefits Amount	\$30,000	\$11,321	\$28,838
Annual Tax Saving (in real dollars)	\$5,364	\$5,259	\$7,639



EXAMPLE 4: Expense Payment benefit and Meal & Accommodation Card

The following example shows the **additional tax saving** that may be achieved by salary packaging Meal & Accommodation Card, where you have already fully utilised your **FBT Exempt Cap** towards a 'Full FBT' expense payment benefit (eg. Everyday Purchases Card or mortgage payments). This is because Meal & Accommodation Card is FBT-free and does not contribute to your **FBT Exempt Cap**, thereby allowing you to increase the tax effectiveness of your overall salary packaging arrangement.

Assumptions:

Gross Annual Salary:	\$60,000
Everyday Purchases Card:	\$15,900 per year (entire FBT Exempt Cap)
Meal & Accommodation Card:	\$2,650 per year (equivalent to \$51 per week)

	Not Packaging	Packaging within FBT Exempt Cap
Gross Salary	\$60,000	\$60,000
<i>Less</i>		
Southgate Everyday Purchases Card	\$0	\$15,900
Southgate Meal & Accommodation Card	\$0	\$2,650
Fringe Benefits Tax	\$0	\$0
Gross Salary after Packaging	\$60,000	\$41,450
<i>Less</i>		
PAYG Income Tax (incl. Medicare Levy)	\$11,167	\$5,247
Net Salary	\$48,833	\$36,203
<i>Less After Tax Costs</i>		
Unpackaged Expense Payments	\$15,900	\$0
Unpackaged Meal & Accommodation	\$2,650	\$0
Net Disposable Income	\$30,283	\$ 36,203
Net Annual Savings	\$0	\$5,920

The calculations used in the tables above are based on the FBT Rate for the 2021-2022 FBT Year and the Income Tax rates for the 2021-2022 Financial Year.

When comparing Examples 1 and 4, in both examples the employee is salary packaging their entire **FBT Exempt Cap**; however, in Example 4 the employee makes an **additional tax saving** of \$556 per year by adding Meal & Accommodation Card to their existing salary package. This does not attract any FBT and does not affect their **FBT Exempt Cap** usage. In this example, the employee only needs to spend \$51 per week on meals and accommodation (over a year) to achieve the additional saving.



DISCLAIMER: The information and examples in this booklet are for illustrative purposes only and are of general nature only. They do not take into consideration your personal circumstances. The calculations in the given examples are based on the FBT rate for the 2021-2022 FBT Year and Income Tax rates for the 2021-2022 Financial Year. The calculations assume that your employer is eligible to claim back the GST and returns it to your package and that you are claiming the tax-free threshold and have no other incomes/deductions. The benefits that may be achieved by salary packaging will vary depending on your employment situation, your employer's salary packaging policy and the chosen benefits. Southgate does not provide any advice on the financial, taxation or welfare recipient benefit impacts relating to salary packaging. You should seek independent professional advice on how salary packaging may impact your individual financial, taxation and welfare benefit circumstances before proceeding with salary packaging.

The Southgate Everyday Purchases Card and Meal & Accommodation Card are issued by EML Payment Solutions Limited ABN 30 131 436 532 AFSL 404131. You should consider if these products are right for you. Please read the Product Disclosure Statement (PDS) available at www.southgatesalpack.com.au/cardpds for more information. Please also read the FSG available at www.southgatesalpack.com.au/cardfsg because it contains important information about our authority to distribute products on behalf of EML Payment Solutions Limited. Mastercard and the Mastercard brand mark are registered trademarks and the circles design and Tap & go are trademarks of Mastercard International Incorporated. The Target Market Determination for these products can be found at www.southgatesalpack.com.au/cardtmd.