



Salary and wages

You are taxed on your salary and wages. Your taxable salary and wage figure is included on your annual PAYG payment summary and excludes the salary packaging payments. Hence, your salary packaging money is never subject to income tax. For example, if you earn \$58,550 and salary package \$15,900 for expenses and \$2,650 for meals (or accommodation), your taxable salary figure for tax purposes is only \$40,000 (\$58,550 – \$15,900 – \$2,650).

Reporting salary packaging

Your salary packaging amount is shown on your PAYG payment summary. It is called the Reportable Fringe Benefits Amount.

As the term suggests, it is a 'reportable' amount – it is not income and not taxed. The amount reflects the value of 'benefits' provided to you during the 12 months, ending 31 March 2019.

The figure is what the Australian Tax Office (ATO) calls a 'grossed-up' amount. In other words, it is a gross salary estimate of the value of the salary packaging money paid to you. The ATO calculates the figure as follows:

Salary packaging payments x 1.8868 = 'Reportable Fringe Benefits Amount'	
Expenses (e.g. \$15,900 x 1.8868)	\$30,000
Meals (\$2,650 x 1.8868)	\$5,000
Total	\$35,000

The Reportable Fringe Benefits Amount must be included in your Tax Return (refer IT1). The amount is not taxed, but it may be used by the ATO and other Government agencies for any income 'tests' (e.g. HECS / FEE-HELP, Family Assistance or Child Care Subsidy (CCS)).

Not Reported in 2018/2019

Not all salary packaging payments are reported. As a result, they are NOT included in any Government income 'tests'. Non-reportable payments include car parking and remote area housing related benefits.

Payment Summary – Your Total Earnings

Your PAYG payment summary will show your total earnings from your employer (both taxable and non-taxable earnings).

This may include:

- Salary and wages
- Reportable Fringe Benefits Amount.

Your employer is also required to provide this information to the ATO annually and is usually pre-filled into your tax return (i.e. via myGov where you do it yourself or via your accountant).

For example, if you earned \$58,550 and salary packaged \$15,900 and \$2,650, the PAYG payment summary will show:

Salary and Wages (\$58,550 – \$15,900 – \$2,650)	\$40,000
Reportable Fringe Benefits ((\$15,900 + \$2,650) x 1.8868)	\$35,000

In the example, you are taxed on only \$40,000 and the \$35,000 is reported (but not taxed). However, when disclosing your income to Government agencies, you must disclose all values (including 'Reportable Fringe Benefits').



What happens to the Reportable Fringe Benefits Amount?

For most people, nothing. However, it is relevant if you have a FEE-HELP debt, Centrelink (e.g. Family Tax Benefit A or B), child support or if you have no private health (hospital) insurance and you earn above an income threshold (\$90,000 for an individual or \$180,000 for a family in 2018/19).

The Reportable Fringe Benefits Amount is provided by the Tax Office to various Government agencies and they 'adjust' this figure in different ways.

For example, Centrelink will adjust your Reportable Fringe Benefits Amount down as follows:

- Reportable Fringe Benefits Amount x 0.53
- E.g. \$35,000 x 0.53 = \$18,550 (\$15,900 + \$2,650).

Centrelink reduce the reported figure back to its cash value (\$15,900 + \$2,650) and then they add this figure to your taxable income (salary) to determine your Centrelink entitlements. Centrelink will arrive back at the same gross salary (earnings) figure before salary packaging.

However, for Centrelink to do this correctly, they must have Your Reportable Fringe Benefits Amount (in this example \$35,000). Centrelink will adjust your figure down (\$18,550 in our example).

Therefore, for someone earning \$58,550 and salary packaging \$15,900 + \$2,650, Centrelink will 'adjust' your income as follows:

Earnings	PAYG payment summary (values reported)	Adjusted income
Salary and wages	\$40,000	\$40,000
Reportable Fringe Benefits	\$35,000 x 0.53	\$18,550
Total (value used)		\$58,550

Centrelink will assess this person on \$58,550 (Adjusted Income), as per the example. Income prior to salary packaging was \$58,550, which is the same as the 'adjusted' income figure. So, Centrelink entitlements should remain unchanged as a result of salary packaging (make sure you give Centrelink your correct information).

Do you have an Education Debt, Child Support or Health Insurance?

If you have an Education debt such as FEE-HELP and HECS, pay or receive child support or you are a 'high' income earner (without private health (hospital) insurance). Government agencies will calculate your 'adjusted income' as wages plus your reported salary packaging as follows:

Adjusted Income

= Taxable Wages + Reportable Fringe Benefits Amount

Therefore, for someone earning \$58,550 and salary packaging \$15,900 + \$2,650:

Earnings	PAYG payment summary (values reported)	Adjusted income
Salary and wages	\$40,000	\$40,000
Reportable Fringe Benefits	\$35,000 x 1	\$35,000
Total (value used)		\$75,000

If you have a FEE-HELP debt

Your FEE-HELP payments will increase slightly. Send your details and gross income (before salary packaging e.g. \$58,550) to customerservice@accesspay.com.au. AccessPay will estimate the additional tax you may need to pay for the financial year to cover your FEE-HELP payment. You can provide this figure to your organisation's payroll to deduct each pay cycle.

If you have child support

Contact the CSA (Child Support Agency) and discuss how your income may impact on child support payments.

Company Car/Novated Lease – Taxable Value

In most cases, a novated lease with Smartleasing will be structured so that part of your lease payment is deducted post-tax to offset the fringe benefit, so you won't need to include the vehicle's taxable value in your Reportable Fringe Benefits Amount.

If your novated lease is set up without post-tax deductions, or you have private use of a work vehicle, the taxable value must be included in your Reportable Fringe Benefits Amount.

The taxable value of the vehicle is combined with any other salary packaging benefits and shown as a single reportable figure in your PAYG payment summary.