

**Question:** 86  
**Topic:** Salary sacrificing  
**Asked:** 8 February 2016

#### Question 1

**Senator LUDWIG:** Is the policy you speak of a formal policy that deals with child care, vehicles and any other matters? Is that available to the Senate?

**Mr Bowen:** We are happy to make it available. I cannot recall exactly what else is in that policy, but certainly we could make that available for you.

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#### Question 2

**Senator LUDWIG:** So your formal policy is not constrained to what exists for ministers—a list of vehicles, a preference for Australian made vehicles or anything like that? Does your policy include a way that is at least comparable to what SES would have?

**Ms Williams:** I would have to check the details of the policy but I do not believe there are any restrictions or requirements like that.

**Senator LUDWIG:** So people could choose whatever car they wanted and then—

**Ms Williams:** I believe so.

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#### Question 3

**Senator WONG:** Does that go to tender or is that just—

**Ms Williams:** I would have to check, but, from memory, it is a panel arrangement—

**Senator WONG:** So direct tender?

**Mr Brown:** Yes. You make contact with the leasing company.

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#### Question 4

**Senator LUDWIG:** Just a last follow-up on the novated leases. Can you provide a list of the number of novated leases that you have with your staff – I do not want to know their names – and what information you keep in relation to the novated leases? Do you keep the type of the vehicle, the cost of the vehicle and other the details – what package they have chosen, whether it is a three-year term, a full fleet service with fuel or part thereof; the type of information you would then maintain as part of that novated lease? I am happy for you to take that on notice. Separately, can you advise whether in your policy there is an upper limit to the cost or whether there are any limits around the vehicle themselves that people may choose.

**Ms Williams:** I am quite confident that there are no limits in terms of policy, but I will check, and I will provide you with the other information on notice.

#### Answer

- 1, 2 The Parliamentary Budget Office's (PBO) Human Resources Policy – *Salary Packaging* (Attachment A) does not place any restrictions on the type of motor vehicle that may be salary packaged by way of a novated lease.
- 3 The then Department of Finance and Deregulation entered into an arrangement with Smartsalary Pty Limited on 19 August 2009 which enabled other Commonwealth agencies to access the contract through a multi-agency access ('piggy-back') clause. The PBO entered into an agreement with Smartsalary under this arrangement on 8 May 2013.
- 4 Four PBO employees currently have novated motor vehicle leases as follows:

Classification	Number
Parliamentary Service Level 6	1
Parliamentary Executive Level 1	2
Senior Executive Service Band 2	1
<b>Total</b>	<b>4</b>

The PBO retains a copy of the finance lease standard terms and conditions, the finance lease schedule (signed by the employee and the financier) and the novation agreement (signed by the PBO, the employee and the financier). These documents include a description of the vehicle, the lease term, instalment amounts and the residual value of the vehicle.

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**Parliament of Australia**  
**Parliamentary Budget Office**

# HUMAN RESOURCES POLICY

## SALARY PACKAGING

**Version 1**  
**Issued: December 2013**

## HUMAN RESOURCES POLICY – SALARY PACKAGING

I, Phil Bowen PSM FCPA, Parliamentary Budget Officer, approve this human resources policy in accordance with subsection 24(1) *Parliamentary Service Act 1999*.



Phil Bowen, PSM FCPA  
Parliamentary Budget Officer

Dated: // December 2013

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## **1. Introduction**

Salary packaging provides employees with the flexibility to sacrifice salary for other benefits to suit their individual circumstances.

The Parliamentary Budget Office (the PBO) offers salary packaging in accordance with relevant legislation, common law employment contracts and/or determinations and this policy.

Salary packaging is only offered on the basis that there will be no cost to the PBO for its provision.

Employees seeking to salary package items over a longer period of time (ie motor vehicles by way of a novated lease) must be ongoing or have employment contracts which exceed the timeframe of the arrangement with the salary packaging provider.

Employees must not act on the basis of any matter contained in this policy without considering and, if necessary, taking appropriate legal, financial and other professional advice in relation to their individual circumstances.

## **2. Salary packaging options and requirements**

In addition to those requirements noted above, salary packaging is provided on the basis that:

- employees may elect to take up to 100 per cent of their salaries as non-cash packaged items (salary for packaging purposes is taken to include higher duties allowance, penalty and leave in lieu payments)
- where additional superannuation is being salary packaged, the nominated fund must be a complying superannuation fund
- if the PBO incurs a greater tax liability in respect of employees as a result of arrangements (including Fringe Benefits Tax (FBT) or any tax equivalent), the amount of the increased liability must be paid for by the employees within one month of the liability being communicated by the PBO to the employee or within six months if agreed in writing between the employee and the Chief Financial Officer, and
- employees will be liable for any costs associated with obtaining independent financial, legal or other advice and any administration fees imposed by the PBO's external salary packaging provider.

## **3. Items that can be salary packaged**

The PBO offers a limited number of items which can be packaged as part of salary. These fall into two categories – concessionally taxed and otherwise deductible or FBT free items.

Concessionally taxed items are those for which employees cannot usually obtain a tax deduction. These are:

- motor vehicles by way of a novated lease, and
- contributions to a superannuation fund.

Otherwise deductible or FBT free items are those items that are recognised by the Australian Taxation Office as either totally exempt from the payment of FBT or not subject to FBT as employees can usually claim a tax deduction for the expense when preparing their annual tax

returns (ie otherwise deductible item). If any of these items are included in the package, they cannot be claimed by employees as deductible items.

These items include:

- professional memberships and subscriptions
- financial counselling fees
- disability/income protection insurance
- self-education expenses, and
- childcare costs, where the child attends the Capital Hill Early Childhood Centre.

#### **4. Options for salary packaging**

SmartSalary is currently the PBO's nominated, external salary packaging provider. All of the above items may be salary packaged through this provider. An administrative fee will be charged by this provider for its services. Any fee charged must be paid for by the relevant employee.

With the exception of motor vehicles, employees wanting to salary package the above items may elect to arrange this directly through the PBO. No administrative fees apply in these circumstances.

#### **5. Steps to salary package**

##### ***a) External salary packaging provider***

Employees considering using SmartSalary as their salary packaging provider should contact SmartSalary and discuss their preferred salary packaging options and seek quotes for the services.

Employees wishing to proceed should consult with the Corporate Strategy Branch to see if the PBO will agree to them entering into salary packaging arrangements.

If the PBO agrees, employees must sign the *Policy Awareness Declaration and Authorisation for Deductions from Salary* letter (refer to [Attachment A](#)) and can finalise negotiations with the salary packaging provider.

Salary packaged motor vehicles by way of a novated lease will require employees to enter into arrangements with financiers. The PBO will be required to sign the lease agreements as the employer. This will be done through Corporate Strategy Branch.

##### ***b) Internal salary packaging provider***

Employees seeking to salary package items through the PBO should contact the Corporate Strategy Branch and discuss their proposed salary packaging arrangements.

If the PBO agrees to them entering into salary packaging arrangements, employees must sign the *Policy Awareness Declaration and Authorisation for Deductions from Salary* letter (refer to [Attachment A](#)) and provide the PBO, in writing, the particulars of their requirements.

The PBO will only enter into arrangements with employees which allow for monies to be disbursed via electronic funds transfer.

## **6. Cessation of employment or changes in employment circumstances**

Employees should be aware that there is no automatic or guaranteed portability of salary packaging entitlements to any other employer.

Where employees, who have salary packaging arrangements, cease employment, they must immediately notify the salary packaging provider. This will allow the provider to issue any final payments and determine any action that is to be taken with account balances. Any remaining account balances will be paid as a lump sum towards an existing benefit item, or paid to employees as salary, and taxed accordingly.

For employees who have salary packaging arrangements for motor vehicles by way of novated leases, any costs incurred due to the employee ceasing employment with the PBO must be borne by the employee.

Final FBT forms must be completed prior to cessation of employment. This will allow the PBO to finalise its FBT return and seek from the employee payment of any FBT liability arising.



## **Attachment A**

[*Insert name of Director*]  
Director, Corporate Strategy Branch  
Parliamentary Budget Office

Dear [*Name of Director*],

### **Policy Awareness Declaration and Authorisation for Deductions from Salary**

As discussed, I would like to commence salary packaging of [*benefit name*]. I have reviewed the Parliamentary Budget Office's *Salary Packaging Policy* and accept the terms and conditions described in it.

Additionally, for the purpose of subsection 324(1) of the *Fair Work Act 2009*, I:

- authorise the Parliamentary Budget Office (PBO) to deduct the amount specified below from my salary; and
- acknowledge that the deduction is principally for my benefit.

I understand that I must inform, in writing, the PBO and external salary packaging provider (if applicable) of my cessation of employment or desire to terminate the arrangements I have agreed to.

I acknowledge that I am liable for any FBT liability that should arise in relation to these arrangements.

I agree that the PBO can deduct any fees, costs and/or taxes it incurs as part of my salary packaging arrangements.

Details of my proposed salary packaging arrangement are attached.

[*Employee's name*]  
[*Date*]