

Salary Packaging

Providing options on how to
use your money

VMO Information Booklet



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About this booklet

Visiting Medical Officers (VMOs) employed by the Queensland Government can salary package under the terms of their employment arrangement (VMO Agreement SOA PL116/5).

This booklet is designed to let you know what salary packaging means and how you can access the arrangement. Should you have any questions, please contact Remuneration Services (Qld) Pty Ltd on 1300 30 40 10.

This booklet has been prepared with no consideration of your specific financial investments, situations or requirements. In all cases, you should individually review and assess the information contained in this booklet based upon your own particular circumstances.

Your employer and Remuneration Services (Qld) Pty Ltd (“RemServ”), its administrators, partners, agents and/or employees and assigns, disclaims all liability and are hereby released and indemnified from and against all actions, claims, demands and proceedings whatsoever, (whether foreseeable or not) notwithstanding any negligence, default or lack of due diligence and care from any person, which may arise in connection with the salary packaging arrangement, information contained in this booklet or advice given by a consultant.

This booklet is current at June 2015.

More information

Further information is available on the RemServ website at <http://www.remserv.com.au>. The user name for downloads is **vmo**.

You can also phone our call centre between the hours of 8:00am to 6:00pm (Queensland time) Monday to Friday on 1300 30 40 10.

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What is Salary Packaging?

Salary packaging is a tax effective way of receiving your salary as a combination of income and benefits.

Salary packaging allows you to deduct some of your pre tax income and use it to pay for benefits. By reducing your pre tax income you can reduce the amount of income tax you pay and increase the amount you take home each fortnight.

Your own circumstances will determine whether salary packaging will be a benefit to you. There are tax implications which will make some benefit items unattractive for some people, so it is recommended that you discuss your chosen benefits with your financial adviser.

What can I package?

As a VMO, you can package up to 50% of your gross total earnings – these will be standard and variable amounts each financial year on nominated fringe benefits. You may choose the mix of salary and fringe benefits (within the approved list) that will constitute your salary package. You can package 100% to superannuation however, if you wish to package superannuation only, you should contact your payroll department to have this actioned in-house.

Participation in salary packaging is voluntary.

What does it cost?

When you apply to RemServ to begin salary packaging you should include payment of the **annual fee of \$249.08 (GST inclusive)**. This can be salary packaged in subsequent years.

This cost is inclusive of all bank fees and charges. The fee is to be indexed at 5% per annum or CPI whichever is the lesser.

Financial Advice

It is recommended that you seek independent financial advice if you choose to take up salary packaging.

You should discuss the adviser's fees before selecting your financial adviser.

RemServ has a list of advisers available. Whilst RemServ has performed an accreditation process to gain an understanding of the experience and technical expertise of the accredited advisers on the web site listing, employees should not regard members of the accredited panel as being endorsed by their employer or Remuneration Services (Qld) Pty Ltd.

What do I do next?

1. Review this booklet for which fringe benefits might be of interest to you.
2. Complete the appropriate forms.
3. It is recommended that all VMOs obtain salary packaging advice from a qualified and experienced financial planner who understands salary packaging concepts. RemServ

has a list of advisers downloadable from the RemServ web site. Whilst RemServ has performed an accreditation process to gain an understanding of the experience and technical expertise of the registered advisers on the web site listing, VMOs should not regard members of the registered panel as being endorsed by their employer or RemServ.

4. On receipt of the application form, RemServ will advise the payroll office how much you have elected to salary package and the payroll office will adjust your existing cash component of salary accordingly.
5. Send the completed forms (original copies) to:
RemServ
GPO Box 424
Brisbane QLD 4001.

Salary Packaging Benefit Options

The following tables summarise the fringe benefits available to you for salary packaging. Details of each fringe benefit are then listed on the following pages.

You should consider which items will be attractive to you while considering the cost and tax implications of each item and discuss these with your financial adviser where applicable.

You should not exceed the limit set for salary packaging by the Queensland Government.

Fringe benefit list - Full FBT

If the following items are packaged within the Fringe Benefits Tax (FBT) limits, no FBT is payable. If packaged outside of the FBT limit, FBT of 49% is payable on the applicable grossed up value.

The following benefits may be packaged within your FBT cap.

Benefit Item	FBT Status	Tax Deductible Benefit	GST Status	Reportable Fringe Benefit
Aged and Disabled Care Payments	Full	No	No	Yes
Child Care Fees (non employer owned)	Full	No	No	Yes
Financial Adviser Fees	Full/Exempt	Yes/No	Yes	Yes/No
HELP/School Fees	Full	No	No	Yes
Health Fund Premiums	Full	No	No	Yes
Home Mortgage	Full	No	No	Yes
Home Rentals	Full	No	No	Yes
Motor Vehicle Operating Expenses	Full	No	Yes	Yes
Personal Loan Repayments	Full	No	No	Yes
Private Travel	Full	No	Yes	Yes
Trauma/Life Insurance Premiums	Full	No	No	Yes
Utilities	Full	No	Yes	Yes

Fringe benefit list - Exempt FBT and Concessional FBT

The following benefits may be packaged in addition to your FBT cap limit.

Benefit Item	FBT Status	Tax Deductible Benefit	GST Status	Reportable Fringe Benefit
Disability/Income Protection	Exempt	Yes	Yes	No
Portable Electronic Devices (primarily for work related purposes)	Exempt	Yes	Yes	No
Professional Memberships/Subscriptions	Exempt	Yes	Yes	No
Self-Education Expenses	Exempt	Yes	Yes/No	No
Travel/accommodation expenses for conferences/self education	Exempt	Yes	Yes	No
Work Related Travel Expenses	Exempt	Yes	Yes	No
Motor Vehicle Novated Lease	Concessional	No	Yes	Yes
Superannuation	Concessional	No	No	No

Salary Packaging Benefit Items

Aged and Disabled Care Payments

You may package this benefit if you have expenses for parents, partners or dependents who need nursing care because of old age or physical or mental disability.

The options for payments of this benefit are direct payment to the supplier or reimbursement to you.

Child Care Fees (non employer owned)

Your fees in relation to childcare supplied by a registered childcare provider not located on your employer's premises can be salary packaged.

The options for payments of this benefit are direct payment to the supplier or reimbursement to you.

Disability & Income Protection Insurance

You can choose to package payment of your disability and income protection insurance premiums.

The options for payments of this benefit are direct payment to the insurance company or reimbursement to you.

Financial Adviser Fees

You can package your salary packaging financial adviser fees.

Financial advice on investments is classified as FBT exempt where it is otherwise tax deductible. Financial fees for the initial meeting cannot be packaged as no financial gain has been received at this time, however fees incurred after the initial meeting can be packaged. All other financial adviser fees attract FBT.

The options for payments of this benefit are direct payment to the financial adviser as a one off or regular payment or reimbursement to you. You will need to add the *Financial Adviser Fees Fact Form* and required attachments for this benefit. This fact form is available in the downloads section at www.remserv.com.au when you complete your application.

Health Insurance

You may choose to salary package the premium costs associated with private health insurance for you and your dependents. The amount you package should not include the amount that the Government pays as a rebate.

The options for payments of this benefit are direct payment to the insurance company on a one off or regular basis or reimbursement to you.

HELP (Higher Education Loan Programme) / School Fees

You may package HELP/School fees incurred by yourself, your partner or spouse or a dependent. HELP/School fees are only packageable when you have an invoice from the School/University or an ATO remittance.

The options for payments of this benefit are direct payment to the School/University or reimbursement to you.

Home Mortgages

You may salary package your owner occupied home mortgage. The amount packaged can be your repayment of both principal and interest.

Investment property mortgages cannot be packaged.

If you have a draw down facility on your mortgage you must not draw on any funds paid into the mortgage from your salary packaging. You will need to complete the Loan Draw Down Declaration and submit this with your application if you have a home mortgage even if you do not have or do not use a draw down facility.

The options for payments of this benefit are direct payment to your mortgage account on a regular basis or reimbursement on a regular basis to you. You should contact RemServ once salary packaging deductions have started if you require a specific date for RemServ to begin payments to your mortgage.

Home Rental

If you rent your home, you may include your rental payments in your salary packaging. To package home rental, it must be your primary place of residence.

The options for payments of this benefit are direct payment to your landlord on a regular basis or reimbursement to you. You should contact RemServ once salary packaging deductions have started if you require a specific starting date for your rental payments to begin from salary packaging.

Payments will be made for the duration of the lease agreement. Further confirmation will be required for payments to be made beyond the lease end date.

Motor Vehicle Operating Expenses (for Non-Novated Private Use Vehicles)

You may choose to package items associated with the operation and ongoing maintenance of your privately owned motor vehicle.

Payment for these items can only be made where there are sufficient funds in your trust account. For example, if your annual registration is due close to the date of commencement of your salary packaging, there may not be sufficient funds to pay the registration from the trust account.

Operating expenses do NOT include traffic fines or licences.

The options for payment of this benefit are direct payment to the supplier or reimbursement to you.

Novated Lease Motor Vehicle

For specific information regarding novated leasing, please refer to the Novated Leasing and Motor Vehicles information booklet. The RemServ Fleet team can be contacted for information and quotations on **1300 73 14 29**.

Novated leasing of a motor vehicle is an FBT concessional benefit allowed under the salary packaging arrangement, however it is important that you are aware of the terms and conditions of your lease and the FBT implications.

The employee contribution method (ECM) will be allowed under the salary packaging arrangement. This method allows you to make a contribution towards the running costs of the vehicle from your after tax salary, which reduces the FBT liability on the vehicle by the same amount.

A fuel card must be provided when packaging a novated lease. You must include fuel as part of your packaging application in the Motor Vehicle Operating Costs section. Fuel and other operating costs may be included in some lease types.

You should also review the requirements for payments. In some cases it is necessary for you to make the first payment for your vehicle.

The financier will provide a quotation or schedule and the Deed of Novation. These documents should be submitted with your application.

How is this benefit paid?

Once the Deed of Novation is signed by you, your employer and the financier, a payment book or invoice is issued to manage each payment.

In some cases the payment book or invoice will be sent directly to you by the financier. If this happens it should be forwarded to RemServ as quickly as possible to avoid delay of payments.

Personal Loan Repayments

Personal loan repayments can be chosen as a salary package benefit. The loan must be in your name or joint names. A personal loan in the name of another person is only payable if you can provide evidence that you are legally responsible (eg a court order) for the loan repayments.

The options for payment of this benefit are direct payment to the loan on a regular basis or regular reimbursement to you.

Credit cards may not be packaged under this category.

Portable Electronic Devices (primarily for work related purposes)

Changes in the Australian Federal Government Budget on 13 May 2008 have altered the status of laptop computers, electronic diaries and mobile phones for salary packaging.

To claim one of these items as FBT exempt requires a declaration that it is for primarily (ie more than 50%) business use. You will need to sign the declaration and arrange for your immediate supervisor to provide his/her details and declaration on the work use.

You are also required to keep a diary of the actual usage of the device for at least one month. This diary may be called upon by RemServ, the employer, or the Australian Taxation Office to further support the usage to which the portable electronic device is put.

More information and the declaration is included in the *Portable Electronic Devices Fact Form*. This fact form is available at www.remserv.com.au.

Private Travel Expenses

Private holiday travel for you and your dependents may be packaged. This includes fares, accommodation and other travel related expenses, but excludes entertainment and meals.

The options for payment of this benefit are direct payment to the supplier or reimbursement to you.

Professional Memberships and Subscriptions

You can package memberships and subscriptions to professional associations that relate to your work.

The options for payment of this benefit are direct payment to the supplier or reimbursement to you. An expense benefit declaration is required for payment of this benefit.

Self Education Expenses

Self-education expenses that relate to your current employment activities can be salary packaged.

The options for payment of this benefit are direct payment to the supplier or reimbursement to you. An expense benefit declaration is required for payment of this benefit.

Superannuation

You may choose to package contributions to your superannuation fund. This may be any superannuation fund, which complies with Australian Prudential Regulation Authority (APRA) and ATO superannuation fund regulations.

Contribution Tax

Salary packaged superannuation contributions are deemed employer contributions and are taxed at the maximum rate of 15% as they are paid into superannuation.

Conditions apply to contributions to superannuation once an employee reached the age of 65. Further restrictions to superannuation contributions apply after age 70.

Payment of this benefit is as a direct regular payment to the superannuation fund.

Trauma / Life Insurance Premiums

Your packaging can include payments to a recognised insurance provider for trauma or life insurance coverage for yourself, your spouse and / or your dependents.

For those life insurance premiums that contain an investment component, the policy must contain a life insurance component and the investment component of the premium must be bona fide directed towards a long-term investment strategy.

The options for payment of this benefit are direct payment to the insurance company or reimbursement to you.

Utilities

Electricity, gas, telephone expenses, body corporate fees, cable services and council rates can be packaged under this category. Repairs and maintenance cannot be packaged under this category. There is no GST payable on local government rates

Please note that rates and insurance for investment properties cannot be packaged.

The options for payment of utilities are direct payment to the supplier, or reimbursement to you.

Work Related Travel Expenses

You may package work related travel expenses.

Dependents travel expenses will be deemed to be fully applicable for FBT if they accompany you. Your travel expenses may be claimed as FBT exempt if accompanied by a declaration identifying the claim as being for work related purposes.

In circumstances where official receipts are not available, it will be necessary to provide a Statutory Declaration.

The payment options for this benefit are direct payment to the supplier, or reimbursement to you.

Payments and Services

How packaging begins

RemServ will commence payments of benefits based on your application details.

How payments are made

Earnings

Given that the figure of 50% of gross total earnings is to be used as a guide for forecasting monies available to be assigned against the chosen benefit items, it is reasonable to define earnings as follows:

- Standard – as provided for in the contract of employment; regular sessional hours, paid as ordinary time, and may include on-call allowances where regular rostered periods of on-call are known.
- Variable – those periods, which cannot be known in advance, such as call back, continuation of duty, self initiated attendances.

A new VMO can only forecast on the known sessions at time of appointment. These will be additional variable amounts.

It is critical that you take into account periods of unpaid leave and the possible variable nature of earnings when planning funds distribution to nominated benefit items.

It is also important that time sheets are lodged regularly and on time to ensure funds are available for distribution.

Regular payments

Regular benefit payments will be processed within three working days of RemServ receiving the payroll amounts or on the required date, assuming sufficient funds are held in the trust account held on your behalf.

Variable payments

Variable payments from payroll will also be calculated and paid to RemServ by the pay office at your nominated percentage on a fortnightly basis. These variable payments may fluctuate from one fortnight to another. It is recommended that the possibility of these variations is taken into account for purposes of standard planned salary packaging payments from your remuneration package to RemServ.

The variable payments from your payroll(s) will accrue until you instruct RemServ to *make* a variable payment, for example school fees. This can occur on any number of occasions during the package year.

A Payment/Reimbursement Claim Form is available from the RemServ website. Copies of accounts and receipts and any required declaration forms can be attached to this form.

Send your payments to:

By post: RemServ, GPO Box 424, Brisbane QLD 4001
By fax: 1300 301 866

Irregular payments and reimbursements will be made as quickly as possible where there are sufficient funds in the account. Please note that regular payments, such as novated lease payments or own home mortgage payments will take precedence over requests for *ad hoc* payments or reimbursement requests unless requested in writing by you.

Changing employers

Where you transfer to a different hospital or commence with a new hospital, it will be your responsibility to notify RemServ of your new pay office as soon as possible.

What you need to know about payments

- Payments can only be made when appropriate substantiation has been provided.
- You cannot claim reimbursement for benefits paid for prior to commencement of packaging.
- **No benefit payments will be made if there are insufficient funds. If there are no funds forwarded to RemServ by your pay office, then you are responsible for any regular payments due.**
- Payments are made by electronic funds transfer, BPay or cheque. You should remember to include your bank account details on your application and on your reimbursement request form.
- Where a benefit has an end date or is completed once the total of payments is reached, you should advise RemServ if you wish to have your pay deduction amount adjusted. The pay deduction will remain the same unless you advise RemServ to reduce it once the final payment has been processed.

Statements

Pay history statements are provided on a monthly, quarterly or annual basis. In addition, "read only" access to your pay history report via the RemServ web site is available.

You may access your individual pay history 24 hours per day, 7 days per week using personal identification number (PIN) provided by RemServ with your first statement. This user name and PIN can also be provided to you, once deductions have commenced, by the RemServ call centre team on 1300 30 39 40.

Making changes

Changes to your packaging may be made at the beginning of each FBT year (1 April).

Please note that the amount to be deducted from the remuneration package as salary packaging cannot be varied during the financial year, except as defined in the *Participation Agreement*.

If your salary increases during the salary package year, the fortnightly deduction amount does not automatically change at that time.

What happens at the end of the year?

If a package is not fully spent at year-end, any credit balance will be left in your salary package account and rolled over into the new package year.

Ceasing packaging

You may choose to cease salary packaging at any time by giving at least twenty-one days notice in writing to RemServ.

Any funds remaining in your RemServ trust account on termination or cessation of salary packaging cannot be taken as a cash payment – they must be utilised for benefit payments or may be returned through payroll by RemServ to be paid as salary and taxed accordingly.

If you terminate employment with Queensland Government, RemServ must be notified immediately by you as all FBT liability will need to be calculated up to your date of termination.

Please note: If you have undertaken a novated lease and you terminate your employment with Queensland Government it is your responsibility to continue to pay your novated lease payments.

Taxation

Salary packaging and tax deductions

Any item packaged from pre tax dollars **cannot** be claimed as a deduction on your next tax return.

Fringe Benefits Tax (FBT)

Please refer to the tables above to determine the FBT, GST and Reportable Fringe Benefit status of the available benefits.

FBT Cap

With the FBT rate currently 49%, a grossed-up value of \$17,677 equates to actual fringe benefit items costing between \$8,231 and \$9,010 in total (depending on the impact of GST) for the FBT year ending 31 March, constituting the employer cap limit.

If you exceed the cap for any reason, FBT is payable by you on all amounts over the \$17,677 grossed up figure.

RFBA

Your employer is required to keep records of the fringe benefits provided to you and must record the grossed-up value of those fringe benefits on your payment summary (previously known as a group certificate) for the corresponding income tax year. This is the Reportable Fringe Benefit Amount (RFBA).

Grossing up

Grossing-up ensures that the amount of tax paid on a fringe benefit is the same as the tax paid if you receive cash salary which is taxed at the highest marginal rate, which includes the Medicare levy.

The current rates are:

Gross up rate for items attracting GST	2.1463
Gross up rate for items without GST	1.9608

The gross-up rate of 1.9608 is used in calculating the reportable fringe benefit amount which appears on your payment summary (group certificate).

Potential legislative changes and risk

You should be aware that any change in legislation or ATO interpretation and subsequent FBT liability is solely yours. No compensation is available in such circumstances. Employees should be aware of these facts if intending to rely on the long term existence of the FBT cap.

Reportable fringe benefits and Government allowances

The reportable fringe benefits total will not be included in your taxable income or affect the amount of standard Medicare levy you pay. The total will, however, be used for income tests such as:

- Medicare levy surcharge
- HELP repayments
- Child support obligations
- Entitlement to certain income tested government benefits.

The reportable fringe benefits total will be taken into account in the income tests for some other benefits but will include the non grossed up value. This includes benefits such as:

- Family Tax Benefit
- Child Care Benefit
- Youth Allowance (parental income test).

For further details please contact the Tax Information Line 13 28 61 (toll free) or through the ATO assist web site www.ato.gov.au.

GST input tax credits

You must pay enough to pay the applicable GST on any item you select. If GST applies to a benefit item, then the tax invoice must be submitted to RemServ. RemServ will then pass the relevant information to your employer and these will be claimed by your employer. Your employer will then refund the GST credit back through RemServ to your salary packaging account.

Any benefit expense either paid or reimbursed that has applicable GST will be eligible to be claimed back.

Appendix 1 – Glossary of Terms

Term	Explanation
FBT	Fringe Benefits Tax. Currently 49%
Grossed up	Grossing-up ensures that the amount of tax paid on a fringe benefit is the same as the tax paid if you receive cash salary which is taxed at the highest marginal rate (49%), which includes the Medicare levy. The gross up rate is either 2.1463 (where GST is incurred) or 1.9608 (where GST is not incurred).
GST	Goods and services tax
GUTV	Grossed up taxable value
Novated lease	Lease arrangement (usually for motor vehicles) which sets up an agreement between you, your employer and the financier. Please see the Novated Lease Booklet for information about salary packaging a novated motor vehicle lease.
PBI	Public Benevolent Institution
Post tax income	Salary received after the income tax has been deducted
Pre tax income	Salary amount before the income tax deduction