

FRINGE BENEFITS TAX	Section	:	4.0
SALARY PACKAGING FRINGE BENEFITS	Part	:	4.14
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Salary packaging refers to the situation where an employer allows an employee to exchange salary for fringe benefits. A taxpayer may be able to reduce their tax bill by sacrificing salary in lieu of employment related benefits which are not assessable in the individual's hands but which are taxable benefits.

The tax benefit arises where the fringe benefit provided by the employer is exempt or taxed concessionally under the FBT regime. Taxpayers on the highest marginal rate of tax (i.e.: 46.5% on earnings over \$150,000 for the 2007 tax year) will derive the greater saving from salary packaging concessionally taxed or exempt fringe benefits. This is because the actual fringe benefits tax payable in respect of these benefits will be below the taxpayers' marginal rate of 46.5%.

The Commissioner considers that only prospective salary sacrifice arrangements will be effective. Salary to which the individual is already entitled can not be packaged. In this case the employee will be assessed on the total value of the fringe benefits.

The main advantage of salary packaging is that the employee may be able to increase their "net disposable income" as opposed to the employee paying for the benefits in after tax dollars. It also provides the employee with flexibility in structuring their remuneration package.

There are a number of exempt and concessionally taxed benefits, however the University presently offers Superannuation (an exempt fringe benefit) and other fringe benefits. Please contact your University's Human Resources/Payroll Officer regarding what your University allows you to salary package.

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