



DVA People Policy – Remuneration

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7. Salary packaging

Smartsalary provides detailed information for employees contemplating, or participating in, salary packaging and administers these arrangements on behalf of employees.

The major functions currently performed by Smartsalary in the administration of salary packaging are:

- providing you with a report confirming salary packaging arrangements;
- providing clear and timely advice to PAC on agreed amounts to be deducted from your fortnightly pay (including variations to these amounts);
- making payments for the selected benefit item(s) in accordance with your written instructions;
- providing reports to the Department in respect of employees;
- undertaking full reconciliation of salary packages;
- obtaining and storing benefit payment substantiation for Australian Taxation Office compliance and audit purposes;
- communicating directly with you in relation to salary packaging; and
- answering queries in relation to salary packaging.

There is no limit on the percentage of regular salary that can be taken as non-cash package items. However, if sacrificing a high proportion of salary employees must ensure they are receiving sufficient salary to cover any salary deductions.



Employees have the discretion within an approved list of items to determine the mix of cash and non-cash benefits that will constitute an employee's salary package for the next salary package year. The salary package year begins 1 April and ends 31 March of the following year.

All direct costs associated with participation in salary packaging including relevant taxation and/or administrative costs and charges incurred in a salary package arrangement will be met by the individual employee.

Employees entering a salary packaging arrangement must seek their own financial advice. DVA will not be responsible for any loss or damage suffered by the employee member as a result of arrangements or changes to salary packaging arrangements.

7.1. Available packaged items

The optional benefit items in the DVA salary package are:

Concessional taxed items

- Novated Motor Vehicle Leasing
- Additional Superannuation

Please note the CSS and PSS do not accept salary sacrificed contributions.

Otherwise deductible or Fringe Benefit Tax exempt items

- Airline Lounge Membership
- Car Parking
- Education and Work Development
- Financial and Taxation Advice
- Home Office Expenses
- Income Protection Insurance
- Investment Loan Interest
- Laptops and Tablets
- Mobile Phone Devices
- Mobile Phone Expenses (e.g. contract)
- Trade Subscriptions



- Professional Membership Fees and Subscriptions

DVA may delete or add items to this list from time to time.

7.2. Considerations

Payment summary reporting

From 1 April 2000 employers are required to determine the taxable value of certain fringe benefits provided to all employees, and record the 'grossed up' value of those benefits on each employee's payment summary, where the total taxable value exceeds \$1,000.

Salary packaged superannuation is included in the income tests for a range of government assistance. Salary sacrificed superannuation amounts are reported on payment summaries.

Reportable fringe benefit and salary sacrificed superannuation amounts which appear on employees' payment summaries are generally not counted as assessable income, except for certain income tests, benefits and obligations including, but not limited to:

- the Medicare Levy and surcharge (for high income earners without health insurance)
- HECS, HELP and SFSS repayments;
- tax offsets for mature age workers, pensioners, senior Australians or dependants;
- Centrelink and Child Support payments; or
- offsets for spouse super contributions , super co-contributions, superannuation concessional caps or rebates/deductions for personal superannuation contributions.

FBT

DVA salary packaging items generally attract both FBT and GST. Employees are required to meet the full cost of the benefit items packaged, including administration costs.

FBT payable by the employer on fringe benefits provided to employees ensures that appropriate tax is payable on benefits which are provided in place of, or in addition to, salary or wages of employees. In accordance with the Government's direction through the Policy Parameters any FBT costs incurred by DVA will be met from the remuneration package of the employee.

FBT exempt items

A number of salary packaging items are FBT exempt where they are used primarily for work purposes (e.g. laptops). Where you salary package an FBT exempt item on the basis of using that item primarily for work use and subsequently the department incurs an FBT liability and/or penalty due to you not



using the item primarily for work use, DVA will recover an amount equal to that FBT liability and/or penalty from your salary.

GST

GST is payable on most goods and services that DVA acquires, including salary package items. Related changes to FBT legislation also mean that more FBT is payable on some package items. However, DVA is able to claim an input tax credit (ITC) from the Australian Taxation Office in respect of GST paid, and this offsets the cost of any higher FBT. In accordance with relevant legislation and policy directives, the Department will, through Smartsalary, pass on to an employee the amount of any ITC received in these circumstances.

Vehicles and the Employee Contribution Method

The Employee Contribution Method (ECM) is an option for paying the cost of motor vehicles under salary packaging. It is solely a decision for you and your financial adviser as to whether to adopt ECM or stay with other options. Since 2011, FBT has been calculated at a flat rate of 20% regardless of the amount of kilometres you drive. Where applicable, **it is important to understand** that if you commence a Novated Lease throughout the FBT year (1 April to 31 March) there will be a pro-rata amount deducted post-tax from your salary to ensure the correct amount of FBT is paid during such FBT year. DVA therefore strongly encourages you to seek sound professional advice before making such a decision.

If you do decide to take this option, Smartsalary will use the appropriate statutory percentage in calculations of FBT liability.

Vehicles and motor vehicle allowance for official travel

If you undertake official travel using your novated lease vehicle and then claim and are paid motor vehicle allowance by DVA, this may have an impact on any related tax deduction you can claim on your tax return. You are strongly advised to consult your financial or tax advisor about the tax implications for you of claiming motor vehicle allowance.

Comcare and salary packaging

Comcare has advised that the [*Safety, Rehabilitation and Compensation Act 1988*](#) recognises the sum of pre-taxed earnings and certain regular allowances as the ceiling against which incapacity entitlements are paid.

It is a requirement that the salary package clearly defines the gross income of the employee and, where possible, the classification of the employee against which a prescribed salary scale is applicable.

Comcare will not provide any compensation for any loss of taxation relief or investment benefit if the employee is retired from the Department because of a compensable condition, or discontinues their packaging arrangement based on an approved reason (e.g. financial hardship) during a period for which compensation is payable.



Leave

You are to notify Smartsalary and the People Advisory Centre (PAC) when your remuneration packaging arrangements will be affected as a result of the approval of paid or unpaid leave, in particular extended leave. Where possible this notification should be provided prior to the commencement of the leave period to enable the necessary administrative arrangements to be made.

You may be required to cease or suspend any packaging arrangements during a period of leave. In most instances approval of any period of leave without pay will require you to temporarily cease or suspend packaging.

7.3. Review or cessation of salary packaging

Review of package

Prior to the completion of each year, you need to review and, if necessary, vary the benefits and associated costs you wish to include in your package for the next year. You are to ensure you do not maintain excessive balances (e.g. more than \$5,000). In such cases, Smartsalary is authorised to repay those excess monies to DVA. DVA will then repay you and deduct the appropriate PAYG tax instalments.

This also applies to negative balances and Smartsalary will make contact with employees to arrange adjustments to current deductions to ensure the balance is above \$0.00. (Negative balances apply for novated leases where the employee has overspent on their running costs e.g. fuel, tyres etc. compared to what has been deducted).

Leaving DVA or closing a salary package account

In all circumstances where your DVA employment or packaging arrangements cease, it is necessary that you notify Smartsalary of your cessation date well in advance. This will enable Smartsalary to send final payments and determine any action to be taken with account balances. At least 10 days' notice should also be provided to the PAC to arrange cessation of deductions.

This is particularly important in the case of novated vehicle leases which cannot be easily transferred to another employer even if it is an APS agency using the same salary packaging provider. Novated leases are made with your employer and FBT is an employer tax. Therefore once DVA ceases to be your employer the lease must cease or be remade with the new employer and FBT liabilities cannot be transferred.

You are liable for any shortfall of funds in your salary packaging account on closing an account. Your acceptance of the terms and conditions of your agreement with Smartsalary authorises DVA to deduct any outstanding salary packaging amounts owed from your final monies if you cease employment.

Any additional costs incurred as a result of termination of your package arrangements must be paid by you.



All packaging arrangements will cease in the event that an employee is suspended without pay.

7.4. Salary packaging procedure

Salary packaging is a process through which employees can elect to sacrifice part of their salary for a range of non-salary benefits tailored to their individual needs. The administration and management of salary packaging is undertaken by an external provider, Smartsalary.

Details about salary packaging and procedures are available on the [Smartsalary website](#). Employees can access the [Smartsalary website](#) and register their DVA email address to access customised information for DVA employees.

Employees may contact the Smartsalary Customer Service Centre directly on 1300 476 278 for further advice.

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Date of change	Summary of change	Reason	Approved by
1 July 2021	Consolidation of former Remuneration Policy, Salary Packaging Guidelines and Overtime and Restriction Policy into new policy framework	Development of new DVA People Policy Framework	Assistant Secretary People Services Branch
2 July 2021	Updated wording under Salary subheading to align with the DVA EA.	Minor wording change	Director, People Capability
9 August 2022	Updated available packaged items listing at section 7.1	Minor amendment to salary packaging benefits provided under the DVA Salary Packaging Contract	Director, People Operations