

Fact sheet

Salary packaging and Reportable Fringe Benefits

Introduction

This AccessPay fact sheet is intended to provide employees who work for a Not for Profit organisation with guidance about salary packaging and how Reportable Fringe Benefits are calculated and will appear on your Payment Summary.

PAYG payment summaries

PAYG payment summaries are provided to employees where they have received payments for work completed during the financial year. The payment summary shows payments made to them and the amounts withheld from those payments and includes Reportable Fringe Benefits. The Reportable Fringe Benefit figure represents the 'value' of the salary packaging payments made for the year, which runs from 1 April - 31 March. If the total taxable value of fringe benefits provided to an employee exceeds \$2,000 it will appear on their payment summary.

Reportable Fringe Benefits are calculated using the highest marginal tax rate plus the Medicare levy, regardless of the income earned. The current rate is 47% plus 2% Medicare levy = 49%.

The amount is reported this way to ensure the value of the benefit is consistent with other forms of income.

Key application

Participation in your employer's salary packaging and employee benefits program enables you to legally reduce your taxable salary, and as a result, pay less income tax. One of the outcomes of participation is that an amount known as Reportable Fringe Benefits will be recorded on your PAYG payment summary.

The Reportable Fringe Benefits amount is calculated individually for each person and is based on the value of General Living Expenses, Entertainment Benefits and Car Benefits received during the year.

Employers are required to 'gross up' the value of the salary packaging benefit and record this on payment summaries as Reportable Fringe Benefits.

Example 1 – Reportable Fringe Benefit

Gabriella salary packaged her annual General Living Expenses of \$15,900. For the tax year 2016/2017, the highest marginal tax rate plus the Medicare Levy is 49%. The grossed up amount that would appear on her PAYG payment summary would be \$31,177. This is calculated as follows:

General Living Expenses	\$15,900
Reportable Fringe Benefits	\$31,177

FBT: Fringe Benefits Tax

From 1 April 2016, an annual cap for Entertainment Benefits was introduced with a \$5,000 gross up limit being applied. Entertainment Benefits will now appear on your payment summary as a Reportable Fringe Benefit.

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Example 2 – Reportable Fringe Benefits including Entertainment Benefits

Shane salary packaged his annual General Living Expenses of \$15,900 plus \$2,550 Entertainment Benefits. For the tax year 2016/2017, the highest marginal tax rate plus the Medicare Levy is 49%. The grossed up amount that would appear on his Payment Summary would be \$36,177. This is calculated as follows:

General Living Expenses	\$15,900
Entertainment Benefits	\$2,550
Reportable Fringe Benefits	\$36,177

Reporting Fringe Benefit amounts

Your Reportable Fringe Benefits amount will appear on your PAYG payment summary and needs to be declared when you lodge your tax return. Whilst you will not be assessed for income tax on the Reportable Fringe Benefits amount, it will be declared to the Australian Tax Office (ATO) and added to your Taxable income when the ATO calculates your income for certain government benefits. Please see an example below:

Example 4

Diana and Kelly work for a charitable organisation and can salary package up to the grossed up annual cap of \$31,177 for General Living Expenses plus the grossed up annual cap of \$5,000 for Entertainment Benefits. They both have a gross salary is \$45,000 per annum, excluding superannuation, and no income from other sources.

Kelly elects to salary package, however Diana does not. The amounts that Diana and Kelly need to declare to Centrelink or the Department of Human Services will be different:

	Diana	Kelly
Gross Salary	\$45,000	\$45,000
General Living Expenses Benefits	\$0	\$15,900
Entertainment Benefits	\$0	\$2,550
Taxable Income	\$45,000	\$26,550
Reportable Fringe Benefits amount	\$0	\$36,177

Diana needs to declare a Taxable Income of \$45,000.

Kelly must declare both the Taxable Income of \$26,550 and Reportable Fringe Benefits amount of \$36,177.giving her a total Reportable Income of \$62,727

Please contact AccessPay on 1300 133 697 for assistance in calculating your Reportable Fringe Benefits amount.

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Your Reportable Fringe Benefits amount and Centrelink

Employees of Not for Profit organisations need to report their Reportable Fringe Benefits from salary packaging to Centrelink as 'Exempt Reportable Fringe Benefits'. To update your family income and 'Exempt Reportable Fringe Benefits' amount, please contact Centrelink on 13 62 40 or alternatively you can use the Express Plus Centrelink Mobile App and select 'Family Estimate'.

The below is a screenshot from the Centrelink website where you will need to enter your **Taxable Income** and your '**Exempt Reportable Fringe Benefits**'.

Update Your Family Income Estimate

Income details
The amounts shown below are your current estimate. Make your changes by writing over the displayed amounts.
Income fields will display after you have selected the appropriate radio button. Please ensure you enter the income amounts in whole numbers.
If you are unsure about updating your income estimate, please see the [tips on updating your income estimate](#).

Financial Year (2016/2017)	You	Your Partner
Taxable Income * Will you and/or your partner earn or receive any taxable income ? ▶ What is taxable income?	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No
Exempt Reportable Fringe Benefits * Will you and/or your partner receive any exempt reportable fringe benefits ? ▶ What are exempt reportable fringe benefits?	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No
Reportable Fringe Benefits * Will you and/or your partner receive any reportable fringe benefits ? ▶ What are reportable fringe benefits?	<input type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> No

Exempt reportable fringe benefits
Exempt reportable fringe benefits are any reportable fringe benefits received from a not for profit organisation which are eligible for a fringe benefits tax exemption under section 57A of the *Fringe Benefits Tax Assessment Act 1986*.

Not for Profit employees only

Reportable Fringe Benefits can impact certain Government benefits

The following government benefits may be impacted by having Reportable Fringe Benefits. Please visit our website www.accesspay.com.au for fact sheets providing further information on these topics.

- Salary Packaging and Government Benefits
- Medicare Levy Surcharge and Superannuation co contribution
- Education debts e.g. HELP

AccessPay advises that you seek financial advice if any of the above government benefits apply to you.

Please note: Information, advice or guidance provided in this fact sheet, is general in nature and provided without reference to your organisation policies or your circumstances. It is not and should not be considered to be organisational or personal advice to you. Please contact your accountant, tax agent or legal adviser to determine how the information in this fact sheet may apply to your circumstances. Alternatively you can contact AccessPay with any queries about how the information in this fact sheet may apply to your circumstances.