

## Salary and Wages

An individual is taxed on their gross **salary and wages**. Your gross salary and wage figure is on your **Income Statement** (was Payment Summary) provided by your employer. **Salary packaging** payments are not income and are excluded from 'salary and wages'. Hence, your salary packaging money is *never* subject to income tax.

For example, if you earn **\$68,550** and salary package **\$15,900** for expenses and **\$2,650** for meals / accommodation, your 'salary and wage' figure for tax purposes is only **\$50,000** (\$68,550 - \$15,900 - \$2,650).

## Salary Packaging - What is Reported? (1 April 2022 - 31 March 2023)

Your salary packaging amount is shown on your Income Statement. It is called the **Reportable Fringe Benefits Amount (RFBA)**. As the term suggests, it is a 'reportable' amount - it is *not* income and is *not* taxed. The amount reflects the so called 'value of benefits' (payments) paid to you during the 12 months ended **31 March 2023**.

The figure is what the ATO calls a '**grossed-up**' amount. That is, it is a *gross salary* estimate of the value of the salary packaging money paid to you. The figure is calculated as follows:

- Salary Packaging Payments x 1.8868 = 'Reportable Fringe Benefits Amount'
- E.g Expenses \$15,900 x 1.8868 = **\$30,000**
- Meals \$2,650 x 1.8868 = **\$5,000**      **Total \$35,000**

The RFBA amount *is* included in your **Tax Return (refer IT1)**. The amount is **not taxed**, but it may be used by the ATO and other Government agencies for any income 'tests'.

**Not** all salary packaging payments are reported. For example, car parking and remote area housing concessions.

## Superannuation - 1 July 22 - 30 June 23 (refer IT2)

If you have 'salary sacrificed' into your superannuation fund, this is also reported. The actual amount 'sacrificed' is shown as **Reportable Employer Superannuation Contributions**.

Superannuation salary sacrificed may be used to determine your eligibility for certain government supported programs. These include income support, family assistance, child support and superannuation co-contribution. Please discuss with your accountant or financial adviser.

Please note, if you are salary sacrificing super, the maximum is **\$27,500** (incl. employer super) for 2022/23.

## Income Statement - Total Earnings

Your Income Statement will show your **total earnings** from your employer (both taxable and nontaxable earnings). This may include:

- salary and wages;
- reportable fringe benefits amount; and
- reportable superannuation payments (salary sacrifice).

## Reportable Fringe Benefits Amount (RFBA - refer IT1). What Do I do?

For most people, nothing. However, it *is* relevant if you have a HELP debt, Centrelink (eg. Family Tax Benefit A or B), child support or if you have no private health (hospital) insurance and you are a 'high' income earner.

### a) Centrelink

Government agencies deal with the RFBA differently. For example, **Centrelink** will *adjust* your RFBA down as follows:

- **Reportable Fringe Benefits Amount x 0.53**
- **E.g. \$35,000 x 0.53 = \$18,550 (15,900 + \$2,650)**

Centrelink *reduces* the reported figure *back* to its **cash** value (\$15,900 + \$2,650). This figure is added to your taxable income (salary) to determine your Centrelink entitlements. Therefore, Centrelink use the **same** gross salary (earnings) figure *before* salary packaging. Hence, your Centrelink entitlements should be unchanged because of salary packaging. That is good news.

### a) HELP Debt, Child Support, Private Health

If you have a HELP debt, pay or receive child support or you are a 'high' income earner *{without private health (hospital) insurance}*, you need to be careful. This is because these government agencies will calculate an 'adjusted income' figure, which includes wages **plus** your reported salary packaging (and super) as follows:

**'Adjusted Income' = Taxable Wages + Reportable Fringe Benefits Amount (RFBA)**

Therefore, for someone earning **\$68,550** and salary packaging **\$15,900 + \$2,650**:

| Earnings                   | Income Summary      | 'Adjusted' Income |
|----------------------------|---------------------|-------------------|
| Salary & Wages             | <b>\$50,000</b>     | <b>\$50,000</b>   |
| Reportable Fringe Benefits | <b>\$35,000</b> x 1 | <b>\$35,000</b>   |
| Total                      |                     | <b>\$85,000</b>   |

The Payment Summary amounts (wages and reportable fringe benefits) are simply *added together* to calculate your 'adjusted income'. This is **\$85,000** in the example. So, what do you do ?

If you have a **HELP debt**, your HELP repayments will increase slightly. Ask **GO Salary** for a calculation. Send your details and gross income (before salary packaging e.g. \$68,550) to [getgo@gosalary.com.au](mailto:getgo@gosalary.com.au). GO Salary will estimate the HELP payment to be deducted each pay. Otherwise, you can calculate it yourself at [www.gosalary.com.au](http://www.gosalary.com.au)

If you have **child support**, contact the **CSA** (Child Support Agency) and discuss how your income may impact on child support payments. You may elect not to salary package as a result (but a novated car lease is still an option).

### Company Car / Novated Lease

If you have private use of a work vehicle or a novated lease, the **tax value** of the vehicle may be included in your Reportable Fringe Benefit Amount (RFBA). The tax value is calculated using a **Tax Office** formula.

The tax value of the vehicle is reported in the same manner as your other salary packaging. Hence, a single reportable figure is shown on your Income Summary, being the sum of the two amounts (car fringe benefit and salary packaging). Contact GO Salary for a further explanation.

The information provided is of a general nature. It is not financial or taxation advice. We strongly recommend readers seek professional advice from an accountant or financial adviser.

