

Salary and Wages

An individual must declare their gross **salary and wages**. Your gross salary and wage figure is on your **Income Statement** (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 2023 - 31 March 2024)

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 2024**.

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'. Refer our fact sheet for an explanation.

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

Superannuation - 1 July 23 - 30 June 24 (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 2023/24.

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). Is it Relevant?

For most people, no. 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 | \$50,000 | | \$50,000 |
| Reportable Fringe Benefits | \$35,000 | x 1 | \$35,000 |
| Total | | | \$85,000 |

The Income Statement 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. You can run an Earnings Estimate report via the GO Salary portal to see how much by. GO Salary will estimate the HELP payment to be deducted each pay. **It is important to update your GO Salary profile with your current salary.** You can update this at any time and then generate a new report.

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.

