FBT information for Community Legal Centre employees

When negotiating a salary package, you should consider sacrificing some part of the salary or wages that you would otherwise be paid as an employee, and replacing this with certain non-cash benefits that are either exempt from fringe benefits tax (***FBT***) or concessionally taxed. This is because, in effect, the cost of the benefit to you will be less than what it would have been if you had otherwise been required to obtain that benefit using your after-tax salary and wages.

Some of the main benefits that may interest you and which can be provided free of FBT include[[1]](#footnote-1):

* certain work related items primarily for use in your employment such as portable or laptop computers and mobile phones;
* membership and subscription fees for professional journals, corporate credit cards and airport lounge membership;
* employer contributions to a complying superannuation fund on your behalf; and
* any benefit in respect of which you would be entitled to claim a one-off tax deduction if you had paid for the benefit yourself.

The Commissioner of Taxation accepts that employers and employees are free to negotiate a salary package in this way provided that the employee only sacrifices future entitlements to salary or wages in return for the employer providing the relevant fringe benefits.

Additionally, there are certain FBT exemptions and concessions that are only available to particular categories of employer, such as Community Legal Centres, that are exempt from income tax. In addition to providing you with benefits that are specifically exempted from FBT, where your employer is a public benevolent institution (***PBI***) it can also provide you with the following benefits free of FBT:

* any type of fringe benefit up to a grossed-up value of $31,177[[2]](#footnote-2); and
* salary sacrificed meal entertainment and entertainment facility leasing expenditure benefits up to a grossed-up value of $5,000[[3]](#footnote-3).

This means that you could arrange for your employer to, for instance, reimburse you for an amount equal to part of your housing loan repayments (up to a maximum amount of $15,900 per FBT year[[4]](#footnote-4)). Although your employer will reduce the cash component of your salary and wages by an amount corresponding with the reimbursement (ie, the salary sacrificed component of your remuneration package), the income tax you have to pay on your remaining salary and wages will be less than it would have been if you had not entered into such a salary packaging arrangement.

As noted above, Community Legal Centres that are PBIs can provide employees with the following two types of salary sacrificed fringe benefits up to a cap of $2,550 free of FBT (ie, a grossed-up value of $5,000):

* entertainment by way of food or drink and accommodation, travel or reimbursement of expenses related to that entertainment (for instance, paying for your meal at a restaurant); and
* entertainment facility leasing expenses (for instance, paying for your holiday accommodation).

The examples below illustrate the benefits you can obtain from salary packaging having regard to the various FBT exemptions and concessions that are available to eligible Community Legal Centres[[5]](#footnote-5). An employee can sacrifice salary or wages for any type of fringe benefit desired, subject to any employment policies the employer has that restrict the types of fringe benefits that it is willing to provide. You should discuss with your employer any restrictions that it has in relation to fringe benefits that can be included in your remuneration package.

1. Employee with a gross salary of $100,000[[6]](#footnote-6)

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| **Tax Savings Calculator (2015/2016)** | **Without Salary Packaging** | **With Salary Packaging** |
|  |  |  |  |
| **Total Cash Available After Tax**  |  | **$51,603** | **$59,903** |
|  |  |  |  |
| Gross/Pre-Tax Salary |  | $100,000 | $78,550 |
|  |  |  |  |
| Income Tax Payable |  | ($26,947) | ($18,647) |
|  |  |  |  |
| FBT Exempt Expenditure - PBI |  | ($15,900) | ($15,900) |
|  |  |  |  |
| Meal Entertainment Expenditure | ($1,000) | ($1,000) |
|  |  |  |  |
| Entertainment Facility Leasing Expenditure | ($1,550) | ($1,550) |
|  |  |  |  |
| Other FBT Exempt Benefits |  | ($3,000) | ($3,000) |
|  |  |  |  |
| FBT Payable |  | $0 | $0 |
|  |  |  |  |
| **Net Benefit with Salary Packaging** |  | **$8,300****($159.62 per week)[[7]](#footnote-7)** |

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1. Employee with a gross salary of $61,000[[8]](#footnote-8)

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| **Tax Savings Calculator (2015/2016)** | **Without Salary Packaging** | **With Salary Packaging** |
|  |  |  |  |
| **Total Cash Available After Tax**  |  | **$28,543** | **$35,725** |
|  |  |  |  |
| Gross/Pre-Tax Salary |  | $61,000 | $41,050 |
|  |  |  |  |
| Income Tax Payable |  | ($12,507) | ($5,325) |
|  |  |  |  |
| FBT Exempt Expenditure - PBI |  | ($15,900) | ($15,900) |
|  |  |  |  |
| Meal Entertainment Expenditure | ($1,000) | ($1,000) |
|  |  |  |  |
| Entertainment Facility Leasing Expenditure | ($1,550) | ($1,550) |
|  |  |  |  |
| Other FBT Exempt Expenditure |  | ($1,500) | ($1,500) |
|  |  |  |  |
| FBT Payable |  | $0 | $0 |
|  |  |  |  |
| **Net Benefit with Salary Packaging** |  | **$7,182****($138.12 per week)[[9]](#footnote-9)** |

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1. There are a variety of factors (including the employee's marginal rate of income tax) that an employee must consider before they agree with their employer to replace some of their salary and wages with non-cash benefits that are taxed concessionally for FBT purposes (such as where an employer provides the employee with a car), and the employee should speak with a financial advisor before agreeing to do so. [↑](#footnote-ref-1)
2. This amount is current at 30 June 2016 and is subject to change. [↑](#footnote-ref-2)
3. These salary packaged entertainment benefits are reportable on an employee's annual PAYG payment summary and will be taken into account for the purposes of certain income tests for various government benefits and surcharges. [↑](#footnote-ref-3)
4. The taxable value of the fringe benefits must be grossed-up for FBT purposes. There are 2 gross-up formulae depending upon the GST treatment to the employer of the type of benefit provided. Using the housing loan repayment example, the gross-up factor is 1.9608 and, accordingly, an employer that is a PBI can provide an employee with a fringe benefit having a taxable value of $15,900 (ie, repaying the employee's loan) without the employer having an FBT liability (ie, $15,900 \* 1.9608 = $31,177). [↑](#footnote-ref-4)
5. The FBT and tax saving calculations have been prepared based upon a number of assumptions and the examples are provided for general reference purposes only. You should speak with a financial advisor before negotiating a remuneration package with your employer as your individual facts and circumstances need to be considered in order to determine the most appropriate package. [↑](#footnote-ref-5)
6. The 'Income Tax Payable' amount is inclusive of the Medicare Levy less any tax offsets available (including the low income offset/rebate) and assuming that the employee has no spouse or dependants. The 'FBT Exempt Expenditure' amount is the maximum benefit that an employer can provide to an employee without triggering an FBT liability (based upon the $31,177 FBT exemption cap). The $2,550 in respect of meal entertainment and entertainment facility leasing expenditure is the maximum amount that an employer can provide to an employee free of FBT in respect of salary packaged entertainment benefits (based on the $5,000 cap and assuming that the employee has already salary sacrificed for other benefits to the maximum $15,900). [↑](#footnote-ref-6)
7. The actual amount that an employee will save by salary packaging FBT exempt benefits will vary depending upon the amount of FBT exempt expenditure. [↑](#footnote-ref-7)
8. The 'Income Tax Payable' amount is inclusive of the Medicare Levy less any tax offsets available (including the low income offset/rebate) and assuming that the employee has no spouse or dependants. The 'FBT Exempt Expenditure' amount is the maximum benefit that an employer can provide to an employee without triggering an FBT liability (based upon the $31,177 FBT exemption cap). The $2,550 in respect of meal entertainment and entertainment facility leasing expenditure is the maximum amount that an employer can provide to an employee free of FBT in respect of salary packaged entertainment benefits (based on the $5,000 cap and assuming that the employee has already sacrificed for other benefits to the maximum $15,900). [↑](#footnote-ref-8)
9. The actual amount that an employee will save by salary packaging FBT exempt benefits will vary depending upon the amount of FBT exempt expenditure. [↑](#footnote-ref-9)