



Understanding your income statement¹

A guide to reading your income statement for salary packaging employees of 'full FBT²' status organisations.

How does it work?

Salary and wages

You are taxed on your salary and wages. Your taxable salary and wage figure is included on your annual income statement¹ and excludes your salary packaging payments. This is why your salary packaging money is not subject to income tax. For example, if you earn \$70,000 and salary package \$2,200 (excl GST) for a laptop and \$3,500 for super contributions, your taxable salary figure for tax purposes is only \$64,300 (\$70,000 - \$2,200 - \$3,500).

Reporting salary packaging

Most benefits provided by Smart to employees of corporate, government and education organisations are either structured so that Fringe Benefits Tax (FBT) won't apply (e.g. a novated lease under the Employee Contribution Method or ECM), or are either 'excluded' benefits or 'exempt' benefits, and do not need to be reported as part of your Reportable Fringe Benefits Amount (RFBA).

However, if you have a benefit that is reportable, you'll find the details on your income statement under 'Reportable Fringe Benefits Amount'. As the term suggests, it is only a 'reportable' amount – it is not income and is not taxed. The amount reflects the value of 'benefits' provided to you by your employer during the FBT year (1 April - 31 March).

Typically, this will arise from benefits provided outside of salary packaging, such as a company-provided car. The RFBA figure is what the Australian Taxation Office (ATO) calls a 'grossed-up' amount. In other words, it is a gross salary estimate of the value of the salary packaging money paid to you based on the top marginal tax rate. It must be included in your Tax Return.

The amount is not taxed, but it may be used by the ATO and other Government agencies for any income 'tests' (e.g. HECS/FEE-HELP, Family Assistance or Child Care Subsidy (CCS)).

Superannuation

If you have salary packaged contributions into your superannuation fund, this is also reportable. The amount is shown as Reportable Employer Superannuation Contributions (RESC) and must be included in your Tax Return. Your superannuation fund handles the tax on contributions.

The value of superannuation salary packaging may be used to determine eligibility for certain Government supported programs. These include income support, family assistance, child support and superannuation co-contribution. If you are unsure, please discuss with your accountant or financial advisor.

Please note, if you are salary packaging super, the maximum concessional contribution cap is \$30,000 each financial year (including the mandatory employer contribution).

Company car/novated lease – taxable value

In most cases, a novated lease with Smart will be structured so that part of your lease payment is deducted post-tax to offset the fringe benefit, so you won't need to include the vehicle's taxable value in your RFBA.

If your novated lease is set up without post-tax deductions, or you have private use of a work vehicle, the taxable value must be included in your RFBA.

The taxable value of the vehicle is combined with any other salary packaging benefits and shown as a single reportable figure in your income statement.

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Excluded benefits (not reportable)

Not all salary packaging payments are reportable, even though an FBT liability arises. As a result, they are NOT included in any Government income 'tests'. These benefits are called 'excluded benefits' and could include:

- ✓ car parking
- ✓ remote area housing assistance, home ownership schemes, and repurchase schemes
- ✓ if you live in a remote area, costs of occasional travel to a major Australian population centre
- ✓ certain benefits provided to you if you are a:
 - Defence Force member
 - Police Officer.

Exempt benefits (not reportable)

The following work-related items commonly provided in salary packaging arrangements are not subject to FBT and are referred to as 'exempt' benefits. This may include:

- ✓ Portable electronic device
- ✓ Home office and work from home expenses
- ✓ Computer software
- ✓ Protective clothing
- ✓ A briefcase
- ✓ A tool of trade.



What happens to the RFBA?

For most people, nothing. However, while it isn't taxed, it may be used by the ATO and other Government agencies for any income 'tests' – for example, HECS/FEE-HELP, Family Assistance or Child Care Subsidy (CCS) – so it must be included in your Tax Return.

The RFBA is provided by the ATO to various Government agencies and they 'adjust' this figure in different ways.

Reading your income statement

Your income statement will show your total earnings from your employer (both taxable and non-taxable earnings).

This may include:

- ✓ Salary and wages
- ✓ Reportable Fringe Benefits Amount (RFBA)
- ✓ Reportable Employer Superannuation Contributions (generally salary packaged only).

When disclosing your income to Government agencies, you must disclose all values (including Reportable Fringe Benefits and Reportable Superannuation). Your employer is also required to provide this information to the ATO annually and it is usually prefilled into your tax return (i.e. via myGov where you do it yourself or via your accountant).

Find out more

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