

SALARY SACRIFICE for support workers

In an effort to improve your employment conditions and make your hard earned money go further we are introducing salary sacrifice as an option for support workers.

What is Salary Sacrifice?

Salary sacrifice means in simple terms that you can have a portion of your salary deducted and to go towards paying your expenses. The amount you salary sacrifice is tax free (up to \$14,500 which when grossed up comes to a figure of \$29,936.70). Charities such as Tandem have a threshold of \$30,000 per employee which is tax free hence we can only allow you to salary sacrifice to a maximum of \$14,500 to stay within the threshold.

How is it going to work?

To be able to manage the scheme and to allow you freedom to spend your money we are organising a Fringe Benefit account with Bendigo Bank. Each person who joins the scheme will be issued with a card which can then be used to pay for goods and services. All salary sacrificed amounts will be deducted from your pay each fortnight and forwarded to Bendigo Bank at the same time.

Deductions will be done in two ways:

1. Set amounts of \$50, \$75, \$100, \$150, \$200, \$250, \$300, \$350, \$400, \$450, \$500 or \$550 per fortnight as decided by you, or
2. A percentage of your wages as decided by you.

The only factor for your consideration in relation to the Bendigo Bank card is that you cannot withdraw cash, it can only be used to pay for expenses. This rule is imposed by the Australian Taxation Office and is in line with the Fringe Benefit Act 1986.

What does it mean for your total yearly earnings?

If you are a pensioner or receive a regular centre link payment you can salary sacrifice up to \$2,000 per year without your entitlements being affected. Why, because only the amounts of over \$2,000 are reportable in your payment summary and yearly tax return.

If you salary sacrifice above \$2,000 the total amount used to calculate your benefits will be based on the grossed up amount which is about double when you multiply your total deductions by 2.0646 (the gross up rate). It is the grossed up amount that will be reported in your payment summary each year and it is identified separately from your total wages.

If you have child support obligations, a Help or SFSS debt, or any other debts with the government the total amount used to calculate your debt repayment will be the grossed up figure. However, you can still salary sacrifice to a maximum of \$2,000 and take advantage of the fact that this amount is non reportable.

Medicare Levy: if you earn above \$75,000 and do not have adequate private patient hospital insurance you have to pay 1% Medicare levy and all reported grossed up amounts are included in the calculations.

Are receipts needed to justify your salary sacrifice? No. You manage your money which ever way you want.

Are there any fees associated with this scheme? Yes, there is a \$5 per month fee on your Bendigo Bank card. Tandem will absorb other expenses associated with managing this scheme at the office level.

Interested? If you are, please call Bron, Dinah or myself for more information. We encourage you to seek independent tax advice but we will also organise an information session with a Bendigo Bank consultant to ensure that you make an informed decision.

Looking forward to hearing from you,

Jimena Morgan

Finance Manager