

# SPA

Salary Packaging Australia

## Attract. Recruit. Engage. Retain.

How Salary Packaging can  
make your business even  
more attractive.



Vehicles



Superannuation



Insurance



Mortgage



Rent



Work Equipment



Education



Memberships

# Attract. Recruit. Engage. Retain.

Salary Packaging is a great way to attract, recruit, engage and retain the best possible employees. There are multiple benefits provided by Salary Packaging Australia to help save your new employees thousands in tax, and make your company even more attractive. Additionally, this will add no cost to you, as the employer.

## **Living Away from Home Allowance**

A Living Away from Home Allowance (LAFHA) can be provided to an employee who is required to live away from their usual place of residence on a temporary basis to perform the duties of employment.

This would suit someone on a probationary or trial period. In the first 12 months, the employee is entitled to packaging rental costs, as well as living expenses.

## **Relocation Allowance**

If the employee is required in a different location, the relocation allowance will make the transition much smoother.

Where it is necessary for an employee to relocate to take up a position at a new location, and removal or storage costs is incurred to move from their usual place of residence, and the removal costs occur within 12 months of taking up employment at the new location, then 100% of this cost can be reimbursed to the employee via their pre-tax income.

If an employee decided to fully relocate to the new area, he or she would be entitled to continue packaging their rent and living expenses for an additional 12 months, as well as any expenses for selling their house and moving to the new area.

## **Remote Area Allowance**

If your employees are already local residents, they may be eligible for remote area benefits depending on where exactly they live. These areas are designated by the ATO and residents in these areas can salary package either 50% of their rental payment, or 100% of their remote area mortgage interest payments. Better yet, if an employee is living in an employer owned residence, 100% of their rental payment can be claimed.

## **Fly-in-Fly-out (FIFO)**

If an employee is Fly-In-Fly-Out, they may salary package these expenses, including the full cost of their flights, either one way or return. This occurs from their gross income to enjoy potential tax savings. This benefit is 100% FBT exempt. This benefit is subject to conditions, which includes the requirement that employees must live on an employer owned/run camp in an ATO designated remote area location to be eligible for this benefit. Please check with your designated Business Relationship Manager to find out if your company is eligible to provide this benefit.

## **Drive-in-Drive-out (DIDO)**

If an employee is Drive-in-Drive-out, they may salary package these expenses, including fuel. Employees can salary package the kilometres they drive from home to camp, and return to home. This will occur through their gross income to enjoy a possible tax saving. Similarly to the FIFO benefit above, this benefit is subject to conditions, which includes the requirement that employees must live on an employer owned/ run camp in an ATO designated remote area to be eligible for this benefit. Please check with your designated Business Relationship Manager to find out if your company is eligible to provide this benefit.

# EXAMPLES

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## LAFHA

Fred is a project manager in Brisbane, QLD and has the opportunity to relocate to Newcastle, NSW on an \$82,000 salary. This is quite a large step for Fred as he has a wife and two school age children. Without committing to relocating, Fred has decided to utilise the LAFHA benefit, which will save him thousands in tax every year. This will allow Fred to package pre-tax salary towards his rent and living expenses.

Fred can package his rent at \$350 per week and \$247 per week in living expenses totaling \$597 each week in pre-tax income. This comes to a total of \$31,044 per year. The tax saving would be approximately \$10,502 per annum or \$201.95 net per week.

## Relocation

Hannah is an engineer working in Perth, WA and after two years at her firm, she has been asked to take up a better position in the Sydney office on a \$112,000 salary. Hannah decides to sell her home in South Fremantle before making the move. Fortunately, Hannah can utilise the Relocation allowance, where she can package her moving costs, such as selling costs. In addition to this, Hannah can package her rent for the first 12 months.

Hannah can claim back the selling costs including the advertising, legal fees, mortgage discharge fee and real-estate commissions totaling \$28,667. Additionally, she can claim the rent in Paddington, NSW at \$465 per week, totaling \$24,180 for the year. The two amounts pre-tax are \$52,847.00 giving a \$18,204 advantage per annum, or \$346.61 net saving each week.

## Remote Area

Harry lives in Emerald, QLD and works for a machinery equipment firm in the same area. Due to the nature and location of Harry's employer and his house, Harry can use the Remote Area benefit. This could help him save tax while living and working in a remote area, as 50% of his rent becomes tax free!

Harry currently pays \$600 per week to rent his current property, and can package \$300 per week. On his current salary of \$73,000, he will save approximately \$5,174 per annum or \$99.50 net per week.





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