

POLICY:-	
Policy Title:	Salary Sacrifice Policy
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Current Policy adopted by Council:	18 July 2024
Resolution Number:	112/24
Next Policy Review Date:	2027

PROCEDURES/GUIDELINES:-	
Date procedure/guideline was developed:	N/A
Procedure/guideline reference number:	N/A

RESPONSIBILITY:-	
Policy developed by:	Director of Finance and Administration
Committee/s (if any) consulted in the development of this Policy:	Consultative Committee
Responsibility for implementation:	Chief Financial Officer
Responsibility for review of Policy:	Manager Governance

OBJECTIVE

The aim of this policy is to define salary sacrificing arrangements between Council and employees who are eligible to participate. By definition salary sacrificing can only be offered to employees who are receiving salaries and elected Councillors.

SALARY SACRIFICE DEFINED

Salary sacrifice is an arrangement between employer and employee, where the employee and employer agree for an employee to receive less income before tax and in return the employer pays for certain benefits of similar value for the employee. The effect of such an arrangement, as it conforms to tax rulings or determinations, is to allow a reduction in an employee pre-tax salary which is equivalent to the cost of the benefit. Generally this has the effect of providing the employee with tax-effective benefits and the salary packaged benefit is classified as an employer contribution for tax purposes.

A salary sacrifice arrangement reduces an employee's taxable income, meaning they may pay less tax on their personal income.

All benefits provided for salary packaging are valued at Goods and Services Tax (GST) exclusive costs unless Fringe Benefits Tax (FBT) legislation defines them as Type I Benefits.

BENEFITS THAT MAY BE SALARY SACRIFICED

Upper Lachlan Shire Council allow the following benefits to be salary sacrificed:-

- Housing / rental accommodation supplied to senior management employees;
- Employees may salary sacrifice payroll contributions to the Local Government Superannuation Retirement Scheme or any approved Superannuation Scheme nominated by an employee;
- Council elected representatives may salary sacrifice the Councillor remuneration to any approved Superannuation Scheme nominated by the Councillor.

BENEFITS THAT SHALL NOT BE SALARY SACRIFICED

The benefits that shall not be salary sacrificed are as follows:-

- Leaseback of a motor vehicle to a Council employee;
- Novated Lease of a private motor vehicle to an employee;
- Purchase of a laptop computer predominantly for private use of an employee;
- Purchase of an electronic digital notebook and/or mobile telephone devices predominantly for private use of an employee;
- Any other expense payment benefit (i.e. private housing loan repayments etc.) unless employee signed evidence can be supplied to satisfy the Chief Executive Officer that the payments are exempt from FBT; and
- Any other benefit where Council will incur an FBT expense.

EMPLOYER CONSENT

The employer will withhold consent to a salary sacrifice arrangement in circumstances whereby:-

- * The arrangement will result in substantial additional costs to the employer.
- * The employee has not obtained independent and relevant written financial advice.
- * The arrangement does not comply with taxation and other relevant laws.
- * The employer does not supply motor vehicles under lease back arrangement.
- * The employer does not supply housing/rental accommodation under a lease arrangement.
- * The employer does not provide child care facilities on its own premises.
- * The Chief Executive Officer has not given approval for the salary sacrifice arrangement.

SALARY SACRIFICE TO BE DOCUMENTED

The benefits to be salary sacrificed and the value of those benefits must be in writing and signed by employer and employee.

Details of the value of the benefit set out in writing, should include gross salary, the amount of salary sacrifice, the after salary sacrifice amount to be taxed, the marginal tax rate, the amount of FBT and after tax salary.

In the case of employee contributions to the Local Government Superannuation Retirement Scheme, the contribution percentage must also be shown. The financial details should be shown on an annualised basis as well as a pay period basis.

Annexed to this policy is the Salary Sacrifice Agreement which is to be used by Council and signed by the employee or Councillor.

INDEPENDENT AND APPROPRIATE FINANCIAL ADVICE

It is essential that the employee obtains independent and appropriate financial advice prior to entering into salary sacrifice arrangements.

Employees should also obtain appropriate financial advice when proposing to alter a Salary Sacrifice arrangement.

SUPERANNUATION, OVERTIME AND EXIT PAYMENTS

The value of the salary sacrifice benefit is an approved benefit for superannuation purposes and does not reduce the employee's salary subject to compulsory Superannuation

An employee's value of salary sacrifice benefits and applicable FBT shall be ordinary pay for calculating overtime and exit payments.

RELATED LEGISLATION AND COUNCIL POLICY AND PROCEDURES

- Local Government Act 1993;
- Local Government (General) Regulation 2021;
- Local Government (State) Award 2023;
- Superannuation Guarantee (Administration) Act 1992;
- Fair Work Act 2009;
- Income Tax Assessment Act 1997;
- Fringe Benefits Tax Assessment Act 1986;
- A New Tax System (Goods and Services Tax) Act 1999;
- State Records Act 1998;
- Privacy and Personal Information Protection Act 1998;
- Government Information (Public Access) Act 2009;
- Independent Commission against Corruption Act 1988;
- Code of Conduct for Councillors, staff and delegates of Council;
- Complaints Management Policy;
- Fraud and Corruption Prevention Policy;
- Government Information (Public Access) Policy;
- Payment of Expenses and Provision of Facilities Policy;
- Disciplinary Policy; and
- Private Use of Council Motor Vehicle Policy.

VARIATION TO POLICY

That Council reserves the right to vary the terms and conditions of this policy.

SALARY SACRIFICE AGREEMENT

This Salary Sacrifice Agreement is made on the **(Date)**

Between: _____ (“the employer”)

and: _____ (“the employee”)

Payroll Number: _____

1. Preamble:

- 1.1 This Agreement is made pursuant to clause 15, Salary Sacrifice, of the Local Government (State) Award.
- 1.2 This Agreement shall be read and construed in conjunction with the relevant provisions of the Local Government (State) Award.
- 1.3 This Agreement shall be read and construed in conjunction with Council’s Salary Sacrifice Policy and procedures applying from time to time.
- 1.4 The parties to this Agreement acknowledge that they have read and understood the terms, conditions and responsibilities under this Agreement and accept those terms, conditions and responsibilities.

2. Benefits to be Salary Sacrificed:

- 2.1 The benefits salary sacrificed under this Agreement may include:-
(Insert benefits i.e. housing / rental accommodation supplied to senior management employees, additional superannuation, Local Government Superannuation Retirement Scheme contributions).

2.2 Benefits that shall not be Salary Sacrificed:

The benefits that shall not be salary sacrificed under this Agreement are:-

- Leaseback of a motor vehicle to a Council employee;
- Novated Lease of a private motor vehicle to an employee;
- Purchase of a laptop computer predominately for private use of an employee;
- Purchase of an electronic digital notebook and/or mobile telephone devices predominantly for private use of an employee;
- Any other expense payment benefit (i.e. private housing loan repayments etc.) unless employee signed evidence can be supplied to satisfy the Chief Executive Officer that the payments are exempt from FBT;
- Any other benefit where Council will incur an FBT expense or other benefits that are not approved by the Chief Executive Officer.

3. Value of Benefits Salary Sacrificed:

- 3.1 The weekly/fortnightly value of the benefits salary sacrificed under this Agreement is:- *(insert financial details)*
- 3.2 Additional Superannuation
(insert financial details)
- 3.3 House / Rental Accommodation
(insert financial details)
- 3.4 Local Government Superannuation Retirement Scheme contributions
(insert financial details including employee percentage contribution)

4. Commencement of Salary Sacrifice Arrangement:

- 4.1 The salary sacrifice arrangements as detailed in clause 3, of this Agreement, will take effect from the beginning of the first pay period to commence on or after *(insert date)*.

5. Termination of Salary Sacrifice Agreement:

- 5.1 This Agreement may be terminated by either party giving the other at least thirty (30) days, notice in writing (or such other period agreed between the parties).
- 5.2 This Agreement will be terminated immediately the day the employee ceases employment with Council.

6. Suspension of Salary Sacrifice Arrangement:

- 6.1 The salary sacrifice arrangements under this Agreement may be suspended by either party at short notice in circumstances such as absence on periods of unpaid leave or periods of workers compensation.
- 6.2 The suspension of the arrangement shall cease and this agreement shall resume and continue upon the conclusion of the employee's absence unless the Agreement has been terminated.

7. Review of the Salary Sacrificing Arrangement:

- 7.1 Except as otherwise agreed, the employee may request in writing to change the benefit or the value of benefits to be salary sacrificed under clauses 3.1 to 3.4. The employee must give the employer 14 days notice of application to change a salary sacrifice arrangement and the employer will not unreasonably refuse such a request.
- 7.2 Except as otherwise agreed, the employee may request in writing to change the benefit or the value of benefits be salary sacrificed to the Local Government Superannuation Retirement Scheme and /or to any nominated superannuation fund under clauses 3.2 and 3.4. The request must include the employee's

proposed percentage contribution and the current dollar value. Any change to the salary sacrifice amount will be effective as of 1st April each year, in accordance with the contribution conditions of the scheme. The employer will not unreasonably refuse such a request.

- 7.3 Except as otherwise agreed, the employee may request in writing, to change the value of benefits to be salary sacrificed once per year giving 14 days notice to the employer. For additional changes per year it will be assessed and require approval by the Chief Executive Officer.

8. Financial Advice:

- 8.1 The employee entering into this Agreement confirms by their execution of this Agreement, that they have obtained appropriate and independent financial advice concerning the salary sacrificing arrangements to apply under this Agreement.

- 8.2 The employee agrees to obtain further appropriate and independent financial advice relative to any request by the employee to change the benefits or the value of benefits under clauses 3 and 7 of this Agreement.

9. Administration of Salary Sacrificing Arrangements:

- 9.1 Council will administer the salary sacrifice arrangements set in this Agreement at no administration cost to the employee.

10. Reconciliation of Salary Sacrifice Value and Costs:

- 10.1 Should additional or unexpected FBT liability be incurred or owed at the end of a financial year during the currency of this Agreement, the cost of the FBT will be borne by the employee, and the employee will pay that additional amount of FBT to the employer within a period of 30 days.

- 10.2. Should additional or unexpected FBT be incurred or owing in respect of an incomplete financial year in the case of termination of this Agreement, the cost of that FBT will be borne by the employee and the employer shall deduct the amount of that FBT from any money owing to the employee on termination of employment.

- 10.3 Should the employee fail to provide sufficient information to allow Council to determine if an exemption or reduction of FBT exists than they shall be liable for the FBT expense.

- 10.4 Should FBT incurred be less than expected in respect of a financial year during the currency of this Agreement, the employer shall make a consequential adjustment and pay to the employee the relevant amount within a period of 30 days.

11. Confidentiality and Acknowledgements:

- 11.1 The terms of this Agreement remain confidential between the employer and employee.
- 11.2 The employee acknowledges that the employer is not liable for taxation or other liabilities, judgements, penalties or outcomes suffered or incurred by the employee resulting from entering into this Agreement.

12. Disputes:

- 12.1 In the event that a dispute between the parties arises from the interpretation or application of this Agreement, the dispute will be processed according to the Grievance and Dispute Procedures set in clause 37, of the Local Government (State) Award.

13. Release and Indemnity:

- 13.1 The employee releases and hereby indemnifies and undertakes to keep indemnified the employer from and against the following. All actions, claims, demands and proceedings whatsoever which the employee or any other person has or may have against the employer arising out of or in respect of or in any way connected with any advice received by the employee from the employer in connection with this Agreement, and all costs, damages and expenses which the employer may incur in defending or settling such actions, claims, demands and proceedings, to the extent that damages, costs and expenses are a result of the negligence of the employee.

14. Variations to be in Writing:

- 14.1 All variations to this Agreement shall be in writing and shall be appended to this Agreement.

15. Definitions:

“Employer” means *Upper Lachlan Shire Council*.

“Employee” means the employee who has signed this Agreement.

“Salary Sacrifice” means the sacrifice by the employee of an amount of their pre-tax ordinary pay as prescribed by the Local Government (State) Award.

“FBT” means Fringe Benefits Tax liable under the Fringe Benefits Tax Assessment Act 1986.

16. Details:

A copy of the notification / contribution form to the Superannuation fund must be attached.

17. Signatures:

Employee:

Name

Signed

Date.....

For the Employer:

Name.....

Signed.....

Date.....