



NOT WORTH THE SACRIFICE?

I've started a new job and I've been offered salary sacrifice for my mobile phone and my credit card – what does it mean and is it worth it?

Michele, Lakemba NSW

My answer really depends on what type of organisation that you are going to work for Michele.

Salary sacrificing involves having your employer pay for items, including mobile phones and credit card bills, out of pre-tax dollars rather than you paying for them yourself in post-tax dollars. Whilst it sounds good in theory, the ATO charges Fringe Benefits Tax (FBT) to negate any tax benefit that you may receive. As a result very few employers provide salary sacrificing as there generally is no extra value to the employee and it takes up a lot of administration time for the employer. For the majority of businesses, I have found only real value is in packaging superannuation or a car where you travel at least 25,000km per annum.

However if you are going to be working for a non-profit organisation or a public hospital then it is definitely worth salary packaging. These organisations may be eligible for either a rebate or an exemption altogether on FBT. This will provide a real cash saving to you and make salary sacrificing a lot more attractive.

Organisations such as public & non-profit hospitals, ambulance services, public benevolent institutions and health promotion charities, are eligible for an FBT exemption. Benefits provided to its employees are exempt from FBT where the total grossed-up value of certain benefits for each employee during the FBT year is equal to, or less than, the capping threshold (\$17,000 or \$30,000 depending on the organisation).

Rebatable employers, such as certain non-government, non profit organisations, are entitled to have their liability reduced by a rebate equal to 48% of the gross FBT payable (subject to a \$30,000 capping threshold). If the total grossed-up taxable value of fringe benefits provided to an employee is more than \$30,000 a rebate cannot be claimed for the FBT liability on the excess amount.