

FLEXIBLE REMUNERATION PACKAGING

E m p l o y e e I n f o r m a t i o n



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INTRODUCTION

The Department of Conservation and Land Management (CALM) has approved flexible remuneration packaging to be available to employees who have entered into Workplace Agreements.

Participating in flexible remuneration packaging requires the employee to enter into a CALM Workplace Agreement.

CALM believes that the introduction of remuneration packaging can provide a range of benefits to both employer and employee. Some of the benefits that can result from introducing Flexible Remuneration Packaging are:

- *Attraction and Retention of key employees;*
- *Increased cost effectiveness, and;*
- *Net increases in remuneration for employees at no cost to CALM.*

What is Flexible Remuneration Packaging?

Flexible Remuneration Packaging is a legal process whereby existing cash salary is remodelled by an employee, with the approval of the employer, into a combination of “cash” and a mix of benefits, to provide a higher net remuneration benefit for the employee at no or reduced cost to the employer. Eligible employees can choose to take their remuneration as cash salary or select an approved combination of cash salary and remuneration benefits to suit their individual and personal needs.

The Fringe Benefits Tax Assessment Act and Income Tax Assessment Act together with CALM policy regulates and defines the type of benefits that you can package, how they are treated for taxation purposes, and the administrative arrangements to apply.

The Principles of Flexible Remuneration Packaging

Flexible Remuneration Packaging can be provided to employees at the option of the employer (CALM) with the following provisions:

- Available to CALM employees who enter into a CALM Workplace Agreement.
- Introduction at minimal additional cost to the employer. As such, Remuneration Packaging is to be introduced adopting the concept of total cost of employment to the employer. That is, the cost of the remuneration package should be no more than the total cost of employing the individual prior to remuneration packaging occurring. In the event of any increase in taxation (other than payroll tax) payable by the employer, including FBT or any state tax equivalent, the employer shall pass on such costs to the employee from their remuneration package.
- To a maximum of fifty per cent (50%) of the agreed Remuneration Package salary.
- The approved job classification system currently used within the Agreement is to be maintained.
- Any arrangements must consider the employer's administrative costs of Packaging considering there should be no additional cost to the employer. CALM have elected to "outsource" the administration associated with Remuneration Packaging to McMillan Shakespeare. The costs of such outsourced administration will be paid for by each participating employee out of their remuneration package.
- Any direct costs associated with providing Flexible Remuneration Packaging shall be a cost to the employee - no cost to the employer.
- Only available to employees who have produced evidence that they have received independent financial advice from accredited Remuneration Consultants, who have been prequalified in the CALM Remuneration Packaging System.
- **Is provided on the basis of a true salary sacrifice in that the employees salary for the payment of penalties such as specific overtime are calculated using the Agreement salary rate less the amount packaged.**

FLEXIBLE REMUNERATION PACKAGING

Benefits of Remuneration Packaging and Key Requirements

Remuneration Packaging offers a range of benefits to employees. These include:

- Flexibility and choice in selecting benefit options (eg. superannuation, motor vehicle for private use).
- Making financial decisions based on pre-tax dollars, not post-tax dollars.
- Offers a mix of cash salary and benefits to suit an individual's financial and personal situation.
- In most cases, increases your net remuneration position.

The objective of flexible remuneration packaging is to maximise remuneration flexibility for the individual while at the same time ensuring that the benefit arrangements comply with all the relevant taxation legislation and rulings. For this reason all expenses must be documented and substantiated.

The administration of these *optional benefits* has been 'outsourced' by CALM to the Administration Bureau Service of McMillan Shakespeare. **An annual fee of \$270 is payable to the Administration Bureau Service to administer the package. This fee is payable by the employee from their remuneration package on a fortnightly basis.** A reduced annual fee of \$170 will apply to employees who earn less than \$50,000 per annum and package contributions to the Government Employees Gold State (Contributory) Superannuation Scheme only.

All employees who wish to take advantage of remuneration packaging are required to obtain independent financial advice about the structure of their remuneration package from one of the 'accredited' Remuneration Consultant panel members. (See back page for list of names) **Employees must meet with a remuneration consultant who will develop a remuneration package that suits the individual's situation. The fee for this service is payable by the employee and is tax deductible.**

CALM or McMillan Shakespeare will not provide any financial advice.

Employees who are currently making payroll deductions for benefits which they wish to select as part of their remuneration package, such as insurance premiums, **must** take appropriate steps to change these arrangements.

What is Fringe Benefits Tax (FBT)?

The Income Tax Assessment Act (ITAA) 1936 and the Fringe Benefits Tax Assessment Act (FBTAA) 1986 essentially regulate and define the types of benefits employers can provide to their employees and the relevant tax payable on such benefits. These arrangements may change from time to time.

Fringe Benefits Tax (FBT) was introduced in 1986 by the Federal Government to tax the value of benefits given by employers to employees and their associates (3rd parties). FBT ensures that tax is paid on benefits which are provided in place of, or in addition of, salary or wages of employees.

FBT is payable by employers and is assessed on the value of the fringe benefits provided to employees or their associates (3rd party).

FBT is payable when an employer provides an employee (or associate) with benefits including benefit items such as:

- Own Home Mortgage payments.
- School Fees (including Higher Education Contribution Scheme)

The Federal Government announced changes to the Fringe Benefits Tax legislation effective from 1st April, 1994.

In simple terms, from 1st April, 1994, the FBT on benefit items has been calculated as if no Remuneration Packaging was in place. The real effect of this change is to effectively double the fringe benefits tax rate to equal the top PAYE taxation rate.

The effective FBT rate for the above mentioned benefit items (ie mortgage payments, HECS) for the FBT year ended 31 March, 1997 is 94.2%.

Generally speaking, the benefit items that are “attractive” for packaging purposes are, therefore, limited to those that are concessionally taxed (eg. motor vehicle, superannuation) or those that are otherwise deductible (eg. professional membership fees, income protection insurance premiums).

Benefit Items -The Menu

There are two categories of benefits available for incorporation into your remuneration package.

Category A benefits are those items for which an employee could usually claim a tax deduction when preparing their annual tax return (eg. work related expenses). There may, therefore, be no financial advantage gained by including them in the remuneration package. Independent financial advice should be sought on this matter. **If any Category A benefits are included in a remuneration package they cannot be claimed at tax time as a deductible item.**

The following benefits are generally not subject to FBT (substantiation required) and may be selected for inclusion into your Remuneration Package -

- Membership Fees and Subscriptions to Professional Associations and Unions
- Home Office Expenses
- Financial Counselling Fees
- Disability/Income Protection Insurance Premiums
- Self Education Expenses relating to work
- Work Related Travel Expenses
- Mobile Phones for predominantly business use
- Notebook and laptop Computers (one per employee per year)

Category B benefits are those expense items for which an employee would not usually obtain a tax deduction. Accordingly, they are the type of benefit items more commonly included in a remuneration package of an employee whose employer is subject to FBT.

Category B benefits are:

- (a) Motor Vehicle (for private use) by way of Novated Lease
- (b) Contributions to Private Superannuation Fund
- (c) Employee contributions to the Government Employees Superannuation Scheme (Gold State)

Packaging of motor vehicles has advantages, particularly for employees and their families who travel long distances, as it is considered a “concessionally” taxed item. (Refer to page 17 for an example of how Novated Leases work and how FBT is calculated.)

Superannuation is suitable for packaging as NO FBT is payable regardless of the employer’s FBT status. Packaging superannuation means that the premiums can be paid from pre tax dollars. Generally speaking a 15% Contribution Tax will apply on contributions to a Private Superannuation Fund at the time of deduction.

Contributions to the Government Employees Superannuation Scheme (Gold State) do not attract any “up-front” tax, but as a result of salary packaging will attract tax at a rate of 15% at the time the benefit is paid. In general employees will benefit from the salary packaging of Gold State contributions.

Participating in Flexible Remuneration Packaging

Employees will have the discretion to determine the mix of salary and expense payment benefits (within the CALM approved ‘menu’) that constitute their total remuneration package. Generally speaking, overtime, higher duties, allowances or similar cannot form part of the calculation to arrive at the remuneration packaging salary unless they have been converted into an annualised amount, and becomes part of a person’s normal fortnightly income through a workplace agreement or other such proposal endorsed by Government. Each employee can choose those benefits that best suit their personal needs and financial requirements.

An employee must take not less than fifty per cent (50%) of their total remuneration as salary and not more than fifty per cent (50%) by way of expense benefits.

Participation in remuneration packaging is not compulsory and the employee may continue to take one hundred per cent (100%) of their remuneration in the form of normal cash salary.

Each eligible employee will receive a “Remuneration Packaging Agreement” letter from CALM setting out the terms and conditions upon which Flexible Remuneration Packaging is offered. This agreement will also nominate the employee’s salary for remuneration packaging purposes.

Each employee will operate their flexible remuneration packaging arrangements within a “package year”. To coincide with FBT requirements the package year ends on the 30th April each year. At the completion of each remuneration package year employees may review and vary their benefits for the next package year.

In the event of extenuating circumstances employees may vary the components of their remuneration package during the package year with the approval of CALM.

If elected benefits are not fully spent or reimbursed during the package year, that part of the employee’s unspent remuneration package will be rolled over to the commencement of the next package year.

The Administration Bureau will generate employer and employee reports. Wherever possible, employees may be able to access details of account balances and transaction history “on line.” Each participating employee shall be given a Personal Identification Number (PIN) for secure remote access.

How Flexible Remuneration Packaging works - Some Examples

The introduction of flexible remuneration packaging means that employees can spend dollars from their gross remuneration (before tax) on a range of benefits. These additional benefits can make up to 50% of an employee’s total remuneration package salary.

The net remuneration benefits to the employee will depend on the range of benefits selected and the level of salary.

The following are examples only to illustrate the net remuneration benefits to the employee who chooses to participate in remuneration packaging. Each employee must consult an “accredited” Remuneration Packaging Consultant to establish a package that best suits their needs.

For illustration purposes, the packaging of Gold State Superannuation Contributions as a benefit item indicates a 15% contributions tax. See page 13 for details relating to the Government Employees Superannuation Scheme.

SALARY OF \$30,000

Example 1

	EMPLOYEE BENEFITS		
	GROSS	TAX	NET
New "cash" component of salary	28330	6079	22251
Professional Fees	170	0	170
Superannuation-Gold State	1500	225	1275
REMUNERATION PACKAGE	30000	6304	23696
CURRENT SALARY	30000	6672	23328

Remuneration Packaging has increased Net Remuneration by **\$368** as compared to the Current Salary (\$23,696 - \$23,328).

Example 2

	EMPLOYEE BENEFITS		
	GROSS	TAX	NET
New "cash" component of salary	16990	2573	14418
Professional Fees	270	0	270
Superannuation-Gold State	1500	225	1275
Motor Vehicle	11240	2588	8652
REMUNERATION PACKAGE	30000	5385	24615
CURRENT SALARY	30000	6672	23328

Remuneration Packaging has increased Net Remuneration by **\$1287** as compared to the Current Salary (\$24,615 - \$23,328).

Motor Vehicle Assumptions:

\$25,000 vehicle travelling 25,000km per annum.

Novated lease of 4 years with 40% residual value at an interest rate of 10% p.a. with lease repayments of \$471 per month.

Operating costs of \$3,000 per annum

SALARY OF \$45,000

Example 1

	EMPLOYEE BENEFITS		
	GROSS	TAX	NET
New "cash" component of salary	42580	11550	31030
Professional Fees	170	0	170
Superannuation-Gold State	2250	338	1912
REMUNERATION PACKAGE	45000	11888	33112
CURRENT SALARY	45000	12627	32373

Remuneration Packaging has increased Net Remuneration by **\$739** as compared to the Current Salary (\$33,112 - \$32,373).

Example 2

	EMPLOYEE BENEFITS		
	GROSS	TAX	NET
New "cash" component of salary	29083	6346	22737
Professional Fees	270	0	270
Superannuation-Gold State	2250	338	1912
Motor Vehicle	13397	3105	10292
REMUNERATION PACKAGE	45000	9789	35211
CURRENT SALARY	45000	12627	32373

Remuneration Packaging has increased Net Remuneration by **\$2838** as compared to the Current Salary (\$35,211-\$32,373).

Motor Vehicle Assumptions:

\$30,000 vehicle travelling 25,000km per annum.

Novated lease of 4 years with 40% residual value at an interest rate of 10% p.a. with lease repayments of \$566 per month.

Operating costs of \$3,500 per annum.

SALARY OF \$60,000

Example 1

	EMPLOYEE BENEFITS		
	GROSS	TAX	NET
New "cash" component of salary	56730	18116	38614
Professional Fees	270	0	270
Superannuation-Gold State	3000	450	2550
REMUNERATION PACKAGE	60000	18566	41434
CURRENT SALARY	60000	19702	40298

Remuneration Packaging has increased Net Remuneration by \$1136 as compared to the Current Salary (\$41,434-\$40,298).

Example 2

	EMPLOYEE BENEFITS		
	GROSS	TAX	NET
New "cash" component of salary	36907	9124	27783
Professional Fees	270	0	270
Superannuation-Gold State	3000	450	2550
Superannuation - Private	3000	450	2550
Motor Vehicle	16823	4140	12683
REMUNERATION PACKAGE	60000	14164	45836
CURRENT SALARY	60000	19702	40298

Remuneration Packaging has increased Net Remuneration by \$5538 as compared to the Current Salary (\$45,836-\$40,298).

Motor Vehicle Assumptions:

\$40,000 vehicle travelling 25,000km per annum.

Novated lease of 4 years with 40% residual value at an interest rate of 10% p.a. with lease repayments of \$754 per month.;

Operating costs of \$3,635 per annum.

SUPERANNUATION

Government Employees Superannuation Schemes

The *Government Employees Superannuation Act 1987* is the legislation that determines how government superannuation is available to public sector employees, and therefore to CALM employees.

Due to recent amendments, the rules for the Government Employees Superannuation Schemes (GESS) have been changed to cater for remuneration packaging arrangements between employees and the employer. The rules vary depending on which scheme the person is a member of.

a) Contributory Lump Sum Scheme Members (Gold State)

Members can have their personal contributions (normally 5% salary) paid on their behalf by their employer. This means that the employee can choose to have their 5% contribution paid for either through their remuneration package or continue to make payments in after tax dollars. Payments of the 5% contribution will not attract any “up-front” tax, but as a result of salary packaging will attract tax at a rate of 15% at the time the benefit is paid. Employees should seek clarification of this issue from a Remuneration Consultant.

All contributory members’ contributions into Gold State will remain at the same dollar level irrespective of any Remuneration Packaging and changes or reductions to cash salary.

For example: an employee earns \$50,000 gross annual salary. Their own contribution is 5% of \$50,000 or \$2,500.

Before packaging:

	\$50,000	(gross salary)
-	<u>\$14,852</u>	(tax)
	\$35,148	(take home pay)
-	\$ 2,500	(Gold State superannuation payment)

After packaging:

	\$50,000	(gross salary)
-	<u>\$25,000</u>	(50% packaged items, including \$2500 Gold State superannuation payout)
	\$25,000	(taxable income)
-	<u>\$ 4,897</u>	(tax)
	\$20,103	(take home pay)

Likewise, all CALM (employer) contributions into Gold State on behalf of employees shall remain unaltered irrespective of any Remuneration Packaging and changes or reductions to cash salary.

For example: the employer contributes 12% of the employee's gross salary of \$50,000 or \$6,000.

Before packaging:

$$\$50,000 \times 12\% = \$6,000$$

After packaging:

Employee packages 50% of salary, therefore taxable salary is \$25,000.

Employer contribution is still $\$50,000 \times 12\% = \$6,000$.

As a result of no change to superannuation contribution levels by both CALM and the employee, the employee's benefit payments on termination (ie. resignation retirement) shall remain unaltered.

Additional employee superannuation contributions (above the 5% personal contribution) are not expected to be available until mid to late in 1997. These contributions will be to the West State Superannuation scheme.

b) West State Superannuation (non-contributory) scheme members

Compulsory employer contributions for West State Superannuation members are based on the employee's 'cash' salary only. An employee choosing to participate in remuneration packaging will, therefore, have their employer contribution based on the remaining 'cash' salary.

For example: the employer's contribution is based on 6% of the employee's 'cash' salary.

Before packaging:

\$50,000	(gross salary)
x 6%	(employer contribution %)
\$ 3,000	(employer contribution)

After packaging:

\$50,000	(gross salary)
- \$25,000	(50% packaged items)
\$25,000	(taxable income)
x 6%	(employer contribution %)
\$1,500	(employer contribution)

Additional employee superannuation contributions into the West State Superannuation scheme will not be available until mid to late in 1997.

c) Pension Scheme Members

Members of this scheme will not be able to include their personal contributions in remuneration packaging. These payments must continue to be paid (post tax) by the member.

In addition, the final benefit will be based on the "cash" salary. Pension Scheme members should contact the Government Employees Superannuation Board to clarify the impact of flexible remuneration packaging on this entitlement.

Private Superannuation Contributions

CALM employees are also eligible to contribute to Private Superannuation Funds.

Employees who are members of either the contributory or non-contributory lump sum superannuation schemes administered by the Government Employees Superannuation Board are able to have their employer make additional superannuation contributions to a "personal superannuation fund" under Remuneration Packaging arrangements.

Superannuation contributions into a private fund via remuneration packaging is considered 'employer sponsored superannuation.' These contributions will be subject

to a 15% contributions tax. Insurance companies, Australian Banks and Fund Managers offer a variety of complying superannuation funds from which the employee can select.

The compulsory employer superannuation liability (ie 6% Superannuation Guarantee and 12% for existing Contributory Scheme members) can only be provided by the GESS scheme.

1996 Budget Advice - Superannuation Contributions Surcharge for Higher Income Earners

Effective from 21 August 1996, employees with annual income of more than \$70,000 will be subject to an extra contributions tax on employer superannuation contributions. Annual income is measured as taxable income plus any employer superannuation contributions (including salary packaged contributions).

There will be a 15% contributions tax surcharge phased in over annual incomes between \$70,000 and \$85,000. The surcharge will apply at the full 15% for those employees with annual incomes (taxable income plus employer superannuation contributions) of \$85,000 and above, but would phase in from \$70,000, rising effectively 1% for every extra \$1,000 of income up to \$85,000. This new contributions surcharge is in addition to an existing tax on superannuation contributions and benefits.

By taking fringe benefits (ie. motor vehicle), higher income earners may be able to structure their packages to receive less than \$70,000 in annual income and avoid the imposition of the additional surcharge.

For the overwhelming majority of employees salary packaging annual income will fall below the \$70,000 threshold.

For any further clarification or information, please contact your independent Accountant, Financial Adviser or Accredited Flexible Remuneration Consultant.

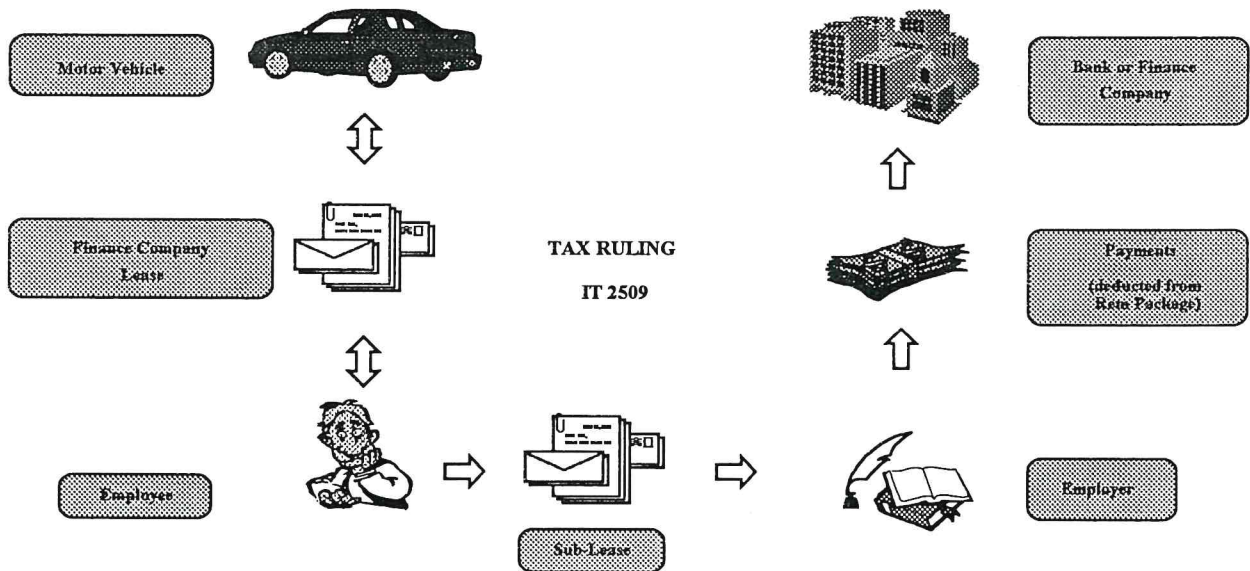
Disclaimer

This information is a summary based on McMillan Shakespeare's understanding of the 1996 Federal Budget and its implications. It is general in nature and may not be relevant to individual circumstances. You should not do or refrain from doing anything in reliance on this information without obtaining professional advice.

MOTOR VEHICLE - NOVATED LEASES

For some employees, a motor vehicle forming part of the remuneration package may be attractive. This can only be arranged through a Novated Vehicle Lease.

Under the arrangements (as illustrated below) an employee leases a motor vehicle from the financier using a standard Finance Lease Agreement. The employee then sub-leases the vehicle to the employer under an Operating Lease. A Novation Agreement is entered into between the employee, the employer and the financier under which the employee's obligation to pay the lease rentals under the Finance Lease is transferred to the employer for the term of the Novation Agreement. Therefore the employer pays the lease rentals directly to the financier. The amount of the lease payments will be included in the employee's remuneration package, deducted from pre tax income.



Unlike traditional motor vehicle leases, a novated lease gives the employee flexibility and choice.

For example, the employee:

- can choose any type of motor vehicle as long as it has a purchase price/lease value less than \$60,000 (it may be an approved second hand vehicle);
- has no restrictions placed on the vehicle as far as private use is concerned. For example: the car can be used 100% for personal use;
- continues the lease arrangements with the Finance Company on leaving the employment of the employer, allowing the employee ownership of the vehicle;
- the vehicle's FBT is paid at a concessional rate, and there is no FBT on operating costs such as petrol, maintenance, insurance, etc.

The Statutory Formula Method for calculating FBT

A "special" statutory formula applies to calculating the Fringe Benefits Tax on motor vehicles. FBT is not calculated on the full cost of the motor vehicle.

The statutory formula values employer provided cars for FBT purposes at a percentage of their initial cost.

The actual percentages for discounting the car's value vary according to the total kilometres travelled each year.

Total kilometres travelled during the year	Statutory percentage
Less than 15,000	26%
15,000 to 24,999	20%
25,000 to 40,000	11%
Over 40,000	7%

For example, a vehicle valued at \$26,000, travelling 25,000 kilometres a year, has an FBT value of \$2,860 ($\$26,000 \times 11\% = \$2,860$). FBT will be calculated and payable on the concessional motor vehicle benefit value of \$2,860.

Therefore:	Taxable FBT value	\$2,860
	Effective FBT rate	94.2%
	FBT payable =	\$2,694
		$(\$2,860 \times 94.2\%)$

All operating costs such as fuel, insurance, registration and servicing are not liable for FBT. These operating costs are all paid from the pre tax salary.

If the employee does not have a vehicle through a Novated Lease arrangement, it is not deemed to be a “company vehicle” for FBT purposes. It is therefore, not entitled to the statutory formula method.

The method of calculating FBT would be as follows:

Let’s assume total annual running costs of \$10,000 (\$7,000 lease payment for the vehicle, \$3,000 operating costs). FBT would be based on 94.2% of the yearly running costs, ie. \$9,420.

The example above highlights the large difference in FBT payable by using the Novated Lease method, only \$2,694 compared with \$9,420.

For those employees or their families that travel long distances, the statutory method for calculating FBT is particularly attractive.

Vehicles purchased via Novated Leases cannot be purchased sales tax exempt.

As an employee of CALM -

- Under a Novated Lease arrangement in the event of the employee entering into an Award/Agreement that does not provide for Remuneration Packaging or leaving the employer’s employment for whatever reason, the Operating Lease and Novation Agreement immediately expire and the obligation to pay the lease rentals and any other costs, reverts to the employee. The employee, therefore, retains possession of the vehicle, as lessee, until the expiry of the Finance Lease.

- Employees who currently have a employer provided car under the Executive Vehicle Scheme (EVS), as part of their remuneration package, will not have the cost of the Motor Vehicle included in the total Remuneration Package.
- Employees who have an EVS Motor Vehicle can continue to have the vehicle provided on the same terms and conditions, irrespective of whether they elect to participate in flexible remuneration packaging or not. These employees are required to continue making their “normal” financial contributions for the EVS vehicle on an after tax basis.

The subject of novated leases can be complex. Detailed information should be obtained from one of the Remuneration Consultants or a member of the Finance panel.

Members of the Finance panel are listed and they can provide prime finance rates, use the novated leasing legal documentation developed for CALM Western Australia, and provide advice and assistance to employees on novated leasing.

Finance Panel Members are :

Mr Neil Stafford
BankWest
Level 19, BankWest Tower
108 St George's Terrace
PERTH WA 6000
Phone: (09) 449 6905
Fax: (09) 449 6070

Mr Tony Ewen
AGC Limited
165 Adelaide Terrace
PERTH WA 6000
Phone: (09) 425 6204
Fax: (09) 425 6266

Mr Ron Sullivan
Esanda Finance Corporation Ltd
Level 6
263 Adelaide Terrace
PERTH WA 6000
Phone: (09) 320 7249
Fax: (09) 320 7225

Mr Peter Celenza
National Australia
Lease Finance Manager
11 Harvest Terrace
WEST PERTH WA 6005
Phone: (09) 327 6130
Fax: (09) 321 6450

Mr Paul Calligan
CBFC Ltd
5th Floor, Commonwealth Bank Building
150 St George's Terrace
PERTH WA 6000
Phone: (09) 482 6664
Fax: (09) 482 6963

Mr Peter Bryant
Toyota Finance Australia
40 Kings Park Road
WEST PERTH WA 6005
Phone: (09) 420 1000
Fax: (09) 321 3046

Steps to enter into a Novated Lease

Employees are advised to take the following steps if considering a vehicle via Novated Leasing.

Step 1 Consider the vehicle that would best suit your needs and obtain a value for the vehicle.

Step 2 Contact members from the Finance Panel and obtain quotes for financing the vehicle over a selected lease period or periods eg, four years lease with a 40% residual value.

Step 3 Estimate the amount of kilometres travelled per year and calculate annual costs for fuel, insurance, servicing and repairs. The accredited Remuneration Consultants have computer modelling software to assist with the calculations.

Step 4 Meet with a Remuneration Consultant and determine whether packaging of a vehicle, via Novated Leasing, is cost effective and meets the employees needs.

Step 5 Finalise from quotes obtained the selection of vehicle and finance.

Step 6 Approach a selected member of the Finance Panel and enter into a Novated Lease. Under CALM Delegation of Authority Branch/Regional Managers may sign Motor Vehicle Sublease and Lease Novation Deeds.

Employees cannot offset a lease agreement with a vehicle 'trade-in', however the vehicle can be sold and the money used for other purposes.

WORKCOVER WA

What is WorkCover WA?

WorkCover WA is the name used for the workers' compensation and rehabilitation system in Western Australia.

What does WorkCover cover?

Every employee defined as a "worker" is entitled to compensation for personal injury arising out of or in the course of their employment and for disease or the recurrence of a pre-existing disease where employment contributed significantly to the condition.

What WorkCover payment is an employee entitled to if their salary is packaged to contain non-cash benefits?

As the area of remuneration packaging is relatively new in Australia, there are no precedents as far as WorkCover claims are concerned.

Advice given indicates that a WorkCover claim should be based on the total remuneration package, or employee benefits, not the adjusted cash component.

Any amount that is continued to be paid for by the employer during an injury eg. Superannuation Guarantee Contribution, motor vehicle etc. will not be included as part of the entitlement as they are ongoing employer costs.

If, however, the non-cash components are of the employee's choosing (eg. Novated motor vehicle lease, private superannuation), they are considered to be employee benefits rather than employer costs. In this example, the total of the remuneration package (cash and benefits) shall be the basis for compensation payments.

Each employee should be aware that the area of remuneration packaging is as yet untested by a WorkCover claim. The payment of a claim and the amount to be paid will be determined on a case by case basis.

STEPS TO ENTER REMUNERATION PACKAGING

Step 1

- Enter into a Workplace Agreement. As part of this Agreement employees will receive a “Remuneration Packaging Agreement” letter from CALM. This agreement will list the terms and conditions of flexible remuneration packaging, including the salary to be used as the basis for remuneration packaging.

Step 2

- Obtain remuneration packaging advice from one of the Remuneration Consultants listed at the back of the booklet. While you may see your own financial adviser if you wish, it is necessary to see one of the Remuneration Consultants to access flexible remuneration packaging.
- The employee must take the “Remuneration Packaging Letter” to the Remuneration Consultants.
- Each Remuneration Consultant reserves the right to charge a fee for services rendered. This fee is tax deductible and can be included in an employee’s package as “Financial Counselling”.

Step 3

- Complete all forms for the Administration Bureau Service and provide substantiation of the benefit items. The Remuneration Consultant will be able to assist with this and will send everything on to the Administration Bureau Service on your behalf.

Step 4

- The Administration Bureau Service (McMillan Shakespeare) will liaise with CALM to advise them of the new adjusted “cash” salary, commencement date, and will confirm that packaging advice has been obtained from one of the Remuneration Consultants.

Step 5

- CALM will transfer the funds to the Administration Bureau Service and will advise the Government Employee Superannuation Board (GESB) where appropriate.

Step 6

- The Administration Bureau Service will confirm with the employee the commencement dates for remuneration packaging and the agreed packaging details.

At the completion of the package year (30 April each year)employees may review their remuneration package and make adjustments for salary increases, increases in superannuation and other required changes. CALM will be able to provide details of an employee's salary.

Change in employment status

The **employee** must immediately advise the Administration Bureau Service upon :

- No longer being employed under the terms and conditions of a Workplace Agreement, or
- Cessation of employment with CALM, or
- Promotion, redeployment, transfer or secondment out of CALM

McMillan Shakespeare will then take action to cease remuneration packaging.

ADMINISTRATION

CALM has contracted the McMillan Shakespeare Group to provide an Administration Bureau Service for all employees that enter into remuneration packaging.

McMillan Shakespeare is an independently owned and operated remuneration planning consultancy and administration bureau service.

The Group is a well established provider of remuneration packaging services throughout Australia. Their clients include other Government departments and agencies as well as private Sector organisations in Western Australia and other States.

The McMillan Shakespeare Administration Bureau Service's major functions are:

- payment of remuneration package expense benefits;
- providing reports to employees and employers;
- storage and compliance of all information for Audit purposes;
- attending to employee enquires relating to their remuneration package.

The cost (\$270 or \$170) of administering the employee's remuneration package by the McMillan Shakespeare Administration Bureau Service must be included in the package as a benefit, as it is a cost which is to be funded by the employee. This cost is inclusive of all bank fees and charges.

All details relating to any aspect of the remuneration level or package benefits for individual employees shall be kept confidential and accessible only to those employees of the Bureau Service responsible for the administration of the remuneration packages.

All enquires regarding the operation of the Bureau Service should be directed to one of the accredited remuneration consultants.

All correspondence for processing by the Administration Bureau Services must be forwarded to:

**McMillan Shakespeare
GPO Box C110
PERTH WA 6001**

Administration Bureau Service Methods of Payment

The Administration Bureau will disburse expense benefits using:

- Direct Bank Transfer for those benefits requiring regular payment;
- Cheque payments or Electronic funds transfers for these benefits which are not paid on a regular basis. These payments will be made directly to the third party or as reimbursement to the employee.

The Administration Bureau Service undertakes to make cheque payments and reimbursements within 48 hours of receiving an employee's Claim Form, subject to the employee having sufficient package funds available to enable the payment.

Employees who are currently making payroll deductions for benefits which they wish to select as part of their remuneration packages, such as insurance premiums, **must** take appropriate steps to change these arrangements.

The following table indicates the method of payment generally applied to each of the available benefits:

<i>Benefit Option</i>	<i>Method of Payment</i>
Administration Bureau Service Fee	from package by Bureau
Membership Fees and Subscriptions to Professional Associations	cheque payments
Home Office Expenses	cheque payments
Financial Counselling Fees	cheque payments
Disability/Income Protection Insurance Premiums	cheque payments/direct bank transfer
Self Education Expenses	cheque payments
Child Care Fees - employer provided	cheque payments
Work Related Travel Expenses	cheque payments
Mobile Phones for predominantly business use	cheque payments
Notebook and Laptop Computers	cheque payments
Superannuation Fund Contributions -private or GESS	direct bank transfer
Motor Vehicle - Novated Lease	direct bank transfer
- Operating Costs (fuel/oil)	direct bank transfer
- Insurance/Registration	cheque payments

Benefit Payments - Terms and Conditions

Costs incurred prior to commencement of remuneration packaging

- No costs incurred and paid prior to the commencement of the remuneration package for any benefit items will be reimbursed by the Administration Bureau.
- The Bureau will, however, reimburse costs incurred but not paid for prior to commencement of the remuneration package.

Reimbursement of Benefit Payments

- Employees will receive reimbursement for any benefit payment already made once there are sufficient funds held by the Administration Bureau for that employee.
- Employees may incur the expense and hold their claim back until they have accumulated sufficient funds.

Ceasing Benefit Payments

- The Administration Bureau will cease any benefit when the total yearly allocation for the benefit has been expended.
- When deciding to allocate money to a particular benefit, employees may wish to provide an additional amount to meet any increases in the cost of that benefit during the package year.

Unspent benefits at end of package year

- If elected benefits are not fully spent or reimbursed by the completion of the package year, the unspent portion of the remuneration package will be “rolled over” to the next package year.

Reports

Each employee participating in remuneration packaging will receive detailed reports from McMillan Shakespeare containing information such as:

- A list of all payments made on behalf of the employee as part of their remuneration package for the current quarter, including creditors name and amount paid

- Account balance

McMillan Shakespeare will provide each participating CALM employee with a Personal Identification Number (PIN) for on-line remote access (24 hours) to the McMillan Shakespeare Bureau, via modem.

CALM may elect to provide employees with computer based reporting by interfacing with the McMillan Shakespeare Bureau Service.

PANEL OF REMUNERATION CONSULTANTS

The following Remuneration Consultants have successfully completed appropriate training and are accredited to CALM Remuneration Packaging System :

ACCREDITED REMUNERATION CONSULTANTS

<p>Mr Les Walters Les Walters Financial & Retirement P/L 32 Nicholls Crescent BULLCREEK WA 6149</p> <p>Tel: (09) 310 7408 Fax: (09) 310 7021</p>	<p>Mr Mervyn Aim Pinnacle Planners Pinnacle House, 16 Ogilvie Road MT PLEASANT WA 6153</p> <p>Tel: (09) 364 2444 Fax: (09) 364 6777</p>
<p>Mr Kevin Pass Godfrey Pembroke Financial Consultants 3/F., Westside House 72 Kings Park Road WEST PERTH WA 6005</p> <p>Tel: (09) 481 4711 Fax: (09) 481 5204</p>	<p>Mr Tim Laver ANDEP Investment Consultancy Level 3, 46 Parliament Place WEST PERTH WA 6005</p> <p>Tel: (09) 321 5787 Fax: (09) 481 5526</p>
<p>Mr Joseph Sadowski Sadowski Financial Security Planners P/L 228 Lester Avenue GERALDTON WA 6530</p> <p>Tel: (099) 214 633 Fax: (099) 641 702</p>	<p>Mr Joseph McKay Healy McKay & Wright Investment Services 14/F., QV1 Bldg 250 St George's Terrace PERTH WA 6000</p> <p>Tel: (09) 322 1998 Fax: (09) 321 2736</p>
<p>Mr Peter Stewart Benchmark Consultants 4/F., 66 Kings Park Road WEST PERTH WA 6005</p> <p>Tel: (09) 261 1511 Fax: (09) 322 2503</p>	<p>Mr Lindsay Binning BDO Nelson Parkhill Chartered Accountants 267 St George's Terrace PERTH WA 6000</p> <p>Tel: (09) 360 4200 Fax: (09) 481 2524</p>

<p>Mr Stephen Blizzard Roxburgh Securities PO Box 394 SOUTH PERTH WA 6951</p> <p>Tel: (09) 480 9830 Fax: (09) 470 6421</p>	<p>Mr Alan Muir Exchequer Securities Pty Ltd 1/F., 30 Ledger Road BALCATTA WA 6021</p> <p>Tel: (09) 344 5422 Fax: (09) 344 7724</p>
<p>Mr John Cameron Cameron Walshe Level 2, 218 St George's Terrace PERTH WA 6000</p> <p>Tel: (09) 322 7818 Fax: (09) 481 5570</p>	<p>Mr Ken Read Hamersley Financial Services 66 Kings Park Road WEST PERTH WA 6005</p> <p>Tel: (09) 321 4330 Fax: (09) 321 1551</p>
<p>Ms Danielle Hunt JB Were & Son Stockbrokers AMP Building 140 St George's Terrace PERTH WA 6000</p> <p>Tel: (09) 422 4045 Fax: (09) 422 3399</p>	<p>Mr Phillip Clements Chambers Investment Planners Pty Ltd Level 1, 40 Kings Park Road WEST PERTH WA 6005</p> <p>Tel: (09) 321 3200 Fax: (09) 321 3548</p>
<p>Ms Denice Kilpatrick Chambers Investment Planners Pty Ltd Level 1, 40 Kings Park Road WEST PERTH WA 6005</p> <p>Tel: (09) 321 3200 Fax: (09) 321 3548</p>	<p>Mr Michael Lee Gannon Growden Schonell 3 Richardson Street WEST PERTH WA 6005</p> <p>Tel: (09) 481 5222 Fax: (09) 321 3092</p>
<p>Mr Greg Bunney Gannon Growden Schonell 3 Richardson Street WEST PERTH WA 6005</p> <p>Tel: (09) 481 5222 Fax: (09) 321 3092</p>	<p>Mr Kim Bailey Bain & Company Level 31, Exchange Plaza Sherwood Court PERTH WA 6000</p> <p>Tel: (09) 221 1095 Fax: (09) 325 5154</p>

<p>Mr Les Mumme Les Mumme & Associates Level 4, 1100 Hay Street WEST PERTH WA 6005</p> <p>Tel: (09) 327 6440 Fax: (09) 321 4010</p>	<p>Ms Suzana Bennett Suzana Bennett & Associates 102 Railway Parade WEST PERTH WA 6005</p> <p>Tel: (09) 483 0444 Fax: (09) 321 4523</p>
<p>Mr Graeme Taylor Graeme L. Taylor 57 Forrest Street SUBIACO WA 6008</p> <p>Tel: (09) 382 1866 Fax: (09) 381 2280</p>	<p>Mr Ron Coen Ron Coen & Associates 66 Kings Park Road WEST PERTH WA 6005</p> <p>Tel: (09) 261 1518 Fax: (09) 322 2503</p>
<p>Mr Michael Keemink Banner Consultants Services Limited 4/F., 66 Kings Park Road WEST PERTH WA 6005</p> <p>Tel: (09) 261 1543 Fax: (09) 322 1883</p>	<p>Mr Peter Brien Roxburgh Securities 11 Poinciana Place WANNEROO WA 6065</p> <p>Tel: (09) 306 4847 Fax: (09) 405 3537</p>
<p>Mr Kevin Wulff ANDEP Investment Consultancy Level 3, 46 Parliament Place WEST PERTH WA 6005</p> <p>Tel: (09) 321 5787 Fax: (09) 481 5526</p>	