

## Media Release

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### **SALARY PACKAGING CALCULATION ERRORS CAN BE COSTLY FOR EMPLOYERS**

Employers should review salary packaging arrangements they have in place for employees, to ensure they are not out of pocket because of inaccurate calculations, according to chartered accounting and advisory firm BDO Kendalls.

BDO Kendalls tax consulting partner, Mark Molesworth, says many employees are renegotiating salary packages as a result of the changing income tax rates or because it is the start of the new financial year.

“More employees are becoming aware of the potential benefits of salary packaging and are requesting that their employers provide this option,” Mr Molesworth says.

“Additionally, because of the skilled labour shortage, many employers are having to offer salary packaging to attract and retain staff.”

Salary packaging, also known as salary sacrifice, is an arrangement under which an employee asks to receive fringe benefits in lieu of cash salary.

Benefits that can be salary packaged by employees include motor vehicles and running costs, parking, expenses, loan repayments and superannuation.

Mr Molesworth says that if calculated correctly, the cost of employment for each employee should not change because of a salary sacrifice arrangement.

“However, because fringe benefits tax (FBT) is a tax on employers, any errors in calculating salary packaging are likely to be a cost to the employer, rather than the employee,” Mr Molesworth says.

“For example, the FBT payable on car fringe benefits can be calculated based on the number of kilometres travelled by the car.

“The greater the distance travelled, the less FBT is payable.

“If a salary package is calculated based on a certain number of kilometres being travelled, and fewer are travelled, unless the employer has an agreement on how this will be recouped from the employee, the cost of that employee rises.”

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**Note to editors:**

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