



Take full advantage

# PACK FACT

## Post Tax Employee Contributions

### What is a Post Tax Employee Contribution (EC)?

In a motor vehicle salary package, employees are able to pay for vehicle running costs from their take home pay. This can reduce the amount of Fringe Benefits Tax (FBT) payable.

Remunerator offers the Employee Contribution (EC) method as an option for packaging a Novated Motor Vehicle using the Statutory Method of calculating FBT.

The EC is set to equal the budgeted FBT value, so that **no FBT** is payable, provided the vehicle travels the budgeted kilometres for the period.

The EC does include GST, which is paid to the employer and funded by the employee's Salary Deductions.

### How does it work?

The Employee Contribution is a post tax deduction from the employee's salary and is used to fund the employee's running costs (eg. fuel, registration and insurance) and therefore reduces the pre-tax cost of packaging the vehicle.

**Example:** Based on an employee earning \$60,000 p.a vehicle worth \$28,300, travelling 15,000 km p.a

<u>Item</u>	<u>No Packaging</u>	<u>Packaging - EC Method</u>
Gross Annual Salary	\$ 60,000	\$ 60,000
Pre-tax car running & lease costs ❸	\$ 0	\$ 6,265 ❶
GST on Employee Contribution	\$ 0	\$ 515 ❷
Less GST Refund	\$ 0	\$ 1,061 ❸
Taxable income	\$ 60,000	\$ 60,000
Tax incl. Medicare Levy	\$ 12,247	\$ 10,274
Net salary	\$ 47,753	\$ 44,007
Post-tax Employee Contribution	\$ 0	\$ 5,660 ❹
Post-tax car running & lease costs ❸	\$ 11,925	\$ 0
<b>Net cash salary</b>	<b>\$ 35,828</b>	<b>\$ 33,374</b>
Net benefit from packaging		\$ 2,519

- ❶ Note: pre-tax car running and lease costs reduced by amount of Employee Contribution = \$11,925 - \$5,660 = \$6,265
- ❷ Employee contribution = purchase price x FBT statutory rate = \$28,300 x 0.20 = \$5,660
- ❸ Running cost includes 36 month lease with 45% residual, petrol, oil, registration, insurance, servicing.
- ❹ GST payable by employee on post tax contribution.
- ❺ Input tax Credit passed back to employee.

#### DISCLAIMER

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