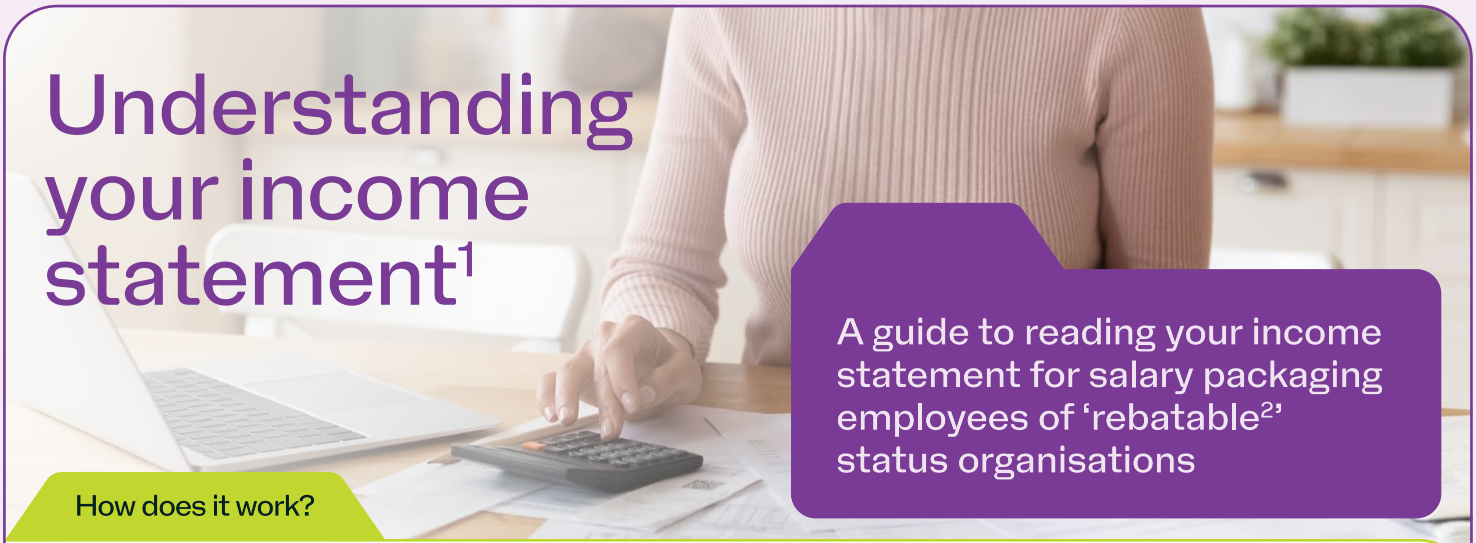
Understanding your income statement[1]



A guide to reading your income statement for salary packaging employees of 'rebatable[2]' status organisations

How does it work?

Salary and wages

You are taxed on your salary and wages. Your taxable salary and wage figure is included on your annual income statement[1] and excludes the salary packaging payments. Hence, your salary packaging money is never subject to income tax.

Rebatable employees are also liable for fringe benefits tax (FBT) of their salary packaging amount – which is $7,473 if you package $15,900. This is deducted throughout the FBT year from your pre-tax salary and will also impact on your taxable income for the year. For example: if you earn $120,000 and salary package $15,900 for expenses, your taxable salary figure for tax purposes is $96,627 ($120,000 - $15,900 - $7,473).

Reporting salary packaging

Your salary packaging amount is shown on your income statement. It is called the Reportable Fringe Benefits Amount (RFBA).

As the term suggests, it is a 'reportable' amount – it is not income and not taxed. The amount reflects the value of 'benefits' provided to you during the Fringe Benefit Tax (FBT) year (1 April - 31 March).

The figure is what the Australian Taxation Office (ATO) calls a 'grossed-up' amount. In other words, it is a gross salary estimate of the value of the salary packaging money paid to you. The ATO calculates the figure as follows:

Example

	Salary packaging payments x 1.8868 = 'Reportable Fringe Benefits Amount (RFBA)'
Expenses (e.g. $15,900 x 1.8868)	$30,000
Total	**$30,000**

The RFBA figure must be included in your Tax Return. The amount is not taxed, but it may be used by the ATO at and other Government agencies for any income 'tests' (e.g. HECS/ FEE-HELP, Family Assistance or Child Care Subsidy (CCS)).

Superannuation

If you have salary packaged contributions into your superannuation fund, this is also reportable. The amount is shown as Reportable Employer Superannuation Contributions (RESC) and must be included in your Tax Return. Your superannuation fund handles the tax on contributions.

The value of superannuation salary packaging may be used to determine eligibility for certain Government supported programs. These include income support, family assistance, child support and superannuation co-contribution. Please discuss with your accountant or financial adviser.

Please note, if you are salary packaging super, the maximum concessional contribution cap is $32,500 for the current financial year (including the mandatory employer contribution).

Company car/novated lease – taxable value

In most cases, a novated lease with Smart will be structured so that part of your lease payment is deducted post-tax to offset the fringe benefit, so you won't need to include the vehicle's taxable value in your RFBA.

If your novated lease is set up without post-tax deductions, or you have private use of a work vehicle, the taxable value must be included in your RFBA.

The taxable value of the vehicle is combined with any other salary packaging benefits and shown as a single reportable figure in your income statement.

Eligible FBT exempt vehicles (battery electric vehicles)

If you have a novated lease on an eligible FBT exempt vehicle, such as a battery electric vehicle then unlike other exempt benefits, although the vehicle is exempt from FBT, it is a reportable fringe benefit. This means, that the taxable value of the exempt electric vehicle will be calculated and reported as a reportable fringe benefit amount on your payment summary.

Understanding your income statement

Non-reportable payments

Not all salary packaging payments are reported. As a result, they are NOT included in any Government income 'tests'. Non-reportable payments include car parking and remote area housing related benefits.

Excluded benefits (not reportable)

Not all salary packaging payments are reportable, even though an FBT liability arises. As a result, they are NOT included in any Government income 'tests'. These benefits are called 'excluded benefits' and can include:

- car parking
- remote area housing assistance, home ownership schemes, and repurchase schemes
- if you live in a remote area, costs of occasional travel to a major Australian population centre

Exempt benefits (not reportable)

The following work-related items commonly provided in salary packaging arrangements are not subject to FBT and are referred to as 'exempt' benefits.

- Portable electronic device
- Home office and work from home expenses
- Computer software
- Protective clothing
- A briefcase
- A tool of trade

What happens to RFBA?

For most people, nothing. However, it is relevant if you have a HECS/FEE-HELP, Family Assistance or Child Care Subsidy (CCS) or if you have no private health (hospital) insurance and you earn above an income threshold ($105,000 for an individual or $210,000 for a family in 2026/27).

The RFBA is provided by the ATO to various Government agencies and they 'adjust' this figure in different ways.

Do you have an Education Debt, Child Support or no Health Insurance?

If you have an Education debt such as FEE-HELP and HECS, pay or receive child support or you are a 'high' income earner without private health (hospital) insurance. Government agencies will calculate your 'adjusted income' as wages plus your reported salary packaging as follows:

Adjusted Income = Taxable Wages + Reportable Fringe Benefits Amount (RFBA).

Example

Therefore, for someone earning $120,000 and salary packaging $15,900:

Earnings	**Income statement** (values reported)	**Adjusted income**
Salary and wages	$96,267	$96,267
Reportable Fringe Benefits	$30,000 x 1	$30,000
Total (value used)		**$ 126,627**

The income statement amounts (wages and reportable fringe benefits) are simply added together to calculate your 'adjusted income' (but not Centrelink – see above).

If you have a FEE-HELP debt

Your FEE-HELP repayments will increase slightly. Use our salary packaging calculator on our website to estimate the increase to your repayments. To help avoid a lump sum payment towards your education debt at tax time, you can request your organisation's payroll to deduct additional tax each pay cycle throughout the financial year to cover this increase.

If you have child support

Contact Services Australia and discuss how your income may impact on child support payments.

Understanding your income statement

Reading your income statement

Your income statement will show your total earnings from your employer (both taxable and non-taxable earnings).

This may include:

- Salary and wages
- Reportable Fringe Benefits Amount (RFBA)
- Reportable Employer Superannuation Contributions (generally salary packaged only).

Your employer is also required to provide this information to the ATO annually and it is usually pre-filled into your tax return (i.e. via myGov where you do it yourself or via your accountant).

Example

For example, if you earned $120,000 and salary packaged $15,900, the income statement will show:

Salary and Wages ($120,000 - $15,900 - $7,473)	$96,627
Reportable Fringe Benefits ($15,900 x 1.8868)	$30,000

In the example, you are taxed on only $96,627 and the $30,000 is reported (but not taxed). However, when disclosing your income to Government agencies, you must disclose all values (including 'Reportable Fringe Benefits' and 'Reportable Superannuation').

Find out more

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1. For most people, their payment summary information will now be available at the end of the financial year in their ATO online services account through myGov and will be called an 'income statement'. For more information visit the Australian Tax Office website.

2. 'Rebatable' refers to non-government, non-profit organisations such as private schools, schools with a religious denomination, trade unions or associations. Rebatable organisations have an annual salary packaging cap of $30,000. Check your organisation's status with your employer.