

# Remote Area Benefits

Currently there are various fringe benefits tax exemptions for employees working in remote areas as well as employees that have been posted on international secondment. Examples of these benefits include remote area housing, remote area holiday transport and overseas employment holiday transport. Some of these benefits are paid totally tax free while other benefits attract Fringe Benefits Tax (FBT) on 50% of the benefit.

## REMOTE AREA HOUSING

### What is a remote area?

For most employers, accommodation is in a remote area if it is not in or near an urban centre. The accommodation must be located at least 40 kilometres from a town with a census population between 14,000 and less than 130,000 or at least 100 kilometres from a town with a census population of 130,000 or more (population figures based on the 1981 Census).

If the accommodation is in Zone A or B (for income tax purposes) it must be located at least 40 kilometres from a town with a census population between 28,000 and 130,000 or at least 100 kilometres from a town with a census population of 130,000 or more. Since 1 April 2000, an extension to the remote area housing exemption has applied to housing benefits provided for employees of the following:

- a public hospital
- a government body where the duties of the employee are exclusively performed in, or in connection with, a public hospital or a hospital carried on by a non-profit organization
- a hospital carried on by a non-profit society or a non-profit association
- a charitable institution, and
- a police service
- a public ambulance service provider

For such benefits, accommodation would be treated as being in a remote area where it is located at least 100 kilometers from a town with a census population of 130,000 or more.

### What type of expenditure is included?

Where an employer subsidises certain costs that their employees may incur in acquiring accommodation in remote areas, housing assistance concessions may be applicable. The provision of housing by an employer will be exempt from FBT and reductions of up to 50% of the taxable value of certain other benefits may be accessible.

**Employees must be working *and* living in a remote area to get these benefits.**

**All employees can benefit from salary packaging the following items:**

- salary packaging employer provided rent 100% tax free
- employees renting their own property can salary package 50% of their rental cost tax free from their pre tax salary and the other 50% from their after tax salary

**The following items will have FBT paid on 50% of the benefit salary packaged but are still beneficial to package:**

- interest on their home mortgage repayments
- the purchase price of their home which includes the land
- fuel costs which includes gas and electricity
- holiday transport costs (covered on the following pages)

# Remote Area Benefits

## REMOTE AREA HOLIDAY TRANSPORT

### What type of expenditure is included?

Expenditure covered by this FBT concession includes transport, as well as meals and accommodation in connection with that transport. This also includes accident insurance, airport and departure taxes and similar costs. Car expenses reimbursed on a cents per kilometre basis are also included, and in this case, the employee is required to complete a declaration regarding travel. The expenses can be covered by way of an allowance, but the concession will only apply to the extent that evidence is provided showing the allowance was expended on the relevant costs.

### Who is covered?

Individuals covered by this FBT concession include the employee, the employee's spouse (includes de-facto) and a child of the employee (including the persons adopted child, step child or ex nuptial).

### Where can employees travel?

The concession will apply to return travel by the employee from the work locally in a remote area to:

- a town where they lived before being engaged to work at that locality, or
- the capital city of the state or territory in which the workplace is located (for this purpose, Perth and Adelaide are treated as if they were capital cities of Christmas Island and the Northern Territory, respectively).

### What other requirements apply?

If the holiday transport is for the employee (rather than for the spouse or the child of the employee) the transport must be provided while the employee is on recreation leave of at least 3 working days for the concession to apply.

If the transport concerned is for the spouse or a child of the employee the transport does not have to be undertaken while the employee is on recreational leave. It is sufficient if the transport is provided wholly or principally to enable the spouse or child to have a holiday

for a period of not less than 3 days. However, the concession will not apply where the spouse and child accompany the employee whilst the employee is undertaking travel in the course of performing employment duties.

If a child or the spouse of the employee does not live at the employee's work locality, the concession will also apply if the holiday travel by the spouse or child is for the purpose of meeting the employee.

The travel may be to a destination other than the employee's home or the relevant capital city, but this will affect the available concession.

The travel must be provided pursuant to an industrial award or it must be customary in the industry to provide such benefits.

### What is the concession?

Reductions of up to 50% of the taxable value of the benefit may apply. Where the travel is to a destination other than the employee's home town or the relevant capital city, the reduction is limited to 50% of the usual cost to travel to the capital city (e.g. return economy airfare).



## Remote Area Benefits

### OVERSEAS EMPLOYMENT HOLIDAY TRANSPORT

#### What type of expenditure is included?

Expenditure covered by this FBT concession includes transport, as well as meals and accommodation in connection with that transport. This also includes accident insurance, airport and departure taxes and similar costs. Car expenses reimbursed on a cents per kilometre are also included, and in this case, the employee is required to complete a declaration regarding travel. The expenses can be covered by way of an allowance, but the concession will only apply to the extent the allowance is expended on the relevant costs.

#### Who is covered?

This concession applies to both Australian employees posted overseas, as well as overseas residents posted in Australia.

Individuals covered by this FBT concession include the employee, the employee's spouse (includes de-facto) and a child of the employee (including the persons adopted child, step child or ex nuptial).

#### Where can the employees travel?

Concessions are available for travel to both the employees' home country and to other destinations. However, the concession amount will vary depending on whether the travel is to the employee's home country, or to another destination.

#### What other requirements apply?

The travel must be in connection with leave of more than three days.

If the holiday travel benefit is in the form of a reimbursement of the employee's expense, you must obtain documentary evidence of the expenses.

The travel must be provided pursuant to an industrial award or it must be customary in the industry to provide such benefits.

#### What is the concession?

Similarly to remote area holiday transport, reductions of up to 50% of the taxable value of the benefit may apply. However, the concession is only available in respect of one holiday per FBT year.

Where the travel is not to the employee's home country, the concession is limited to 50% of the cost of a return economy air fare to the home country.



# Remote Area Benefits

## Example (Indicative only) Gross Annual Taxable Income \$50,000 Example 1 – Packaging remote area employee leased rent:

**Description of benefits packaged** (All costs are GST inclusive)

The employee and the employer enter into an effective salary packaging arrangement where the employee agrees to salary sacrifice \$13,000 per annum (\$250 per week) for their rent expenses. \$6,500 would be paid from pre-tax dollars and \$6,500 from after-tax dollars.

	<b>Rent not Packaged</b>	<b>Rent Packaged</b>
Gross Salary	\$50,000	\$50,000
Remote Area Rent	\$0	-\$6,500
<b>Gross Taxable Salary</b>	<b>\$50,000</b>	<b>\$43,500</b>
Tax (including Medicare levy)	-\$9,360	-\$7,176
Remote Area Rent	-\$13,000	-\$6,500
<b>Net Salary</b>	<b>\$27,640</b>	<b>\$29,824</b>
<b>Annual Net Packaging Benefit</b>	<b>Nil</b>	<b>\$2,184 pa</b>

**NOTES:**

This example is indicative only. You should clarify any question you may have regarding this example by consultation with an accountant, financial adviser or Selectus consultant.

**Employees with higher taxable salaries paying tax at rates of 41.5% and 46.5% will result in a higher after tax benefit than those shown in the above example.**



# Remote Area Benefits

## Example (Indicative only) Gross Annual Taxable Income \$50,000 Example 2 – Packaging remote area employer provided rent

**Description of benefits packaged** (All costs are GST inclusive)

The employee and the employer enter into an effective salary packaging arrangement where the employee agrees to salary sacrifice \$13,000 per annum (\$250 per week) for accommodation provided by the employer who either owns or leases the rental property.

	<b>Rent not Packaged</b>	<b>Rent Packaged</b>
Gross Salary	\$50,000	\$50,000
Remote Area Rent	\$0	-\$13,000
<b>Gross Taxable Salary</b>	<b>\$50,000</b>	<b>\$37,000</b>
Tax (including Medicare levy)	-\$9,360	-\$4,992
Remote Area Rent	-\$13,000	\$0
<b>Net Salary</b>	<b>\$27,640</b>	<b>\$32,008</b>
<b>Annual Net Packaging Benefit</b>	<b>Nil</b>	<b>\$4,368 pa</b>

**NOTES:**

These examples are indicative only. You should clarify any question you may have regarding this example by consultation with an accountant, financial adviser or Selectus consultant.

**Employees with higher taxable salaries paying tax at rates of 41.5% and 46.5% will result in a higher after tax benefit than those shown in the above example.**



# Remote Area Benefits

## Disclaimers and Disclosures

The provisions of this Fact Sheet and the benefits of packaging your salary using Selectus are subject to the provisions of your employment contract and your employer's policy regarding remuneration packaging.

This Fact Sheet is based on taxation and other laws that are current as at 1 July 2009. It contains general information only which is based on the continuance of present laws and rulings and their interpretation.

The information in this Fact Sheet is not intended as professional advice. Employers should obtain independent advice on salary packaging Remote Area Benefits to determine their individual circumstances.

## Are these benefits reported on employees' payment summaries?

Remote area housing benefits, including mortgage interest, residential fuel, etc are specifically not reportable on employees' payment summaries.

However, remote area holiday transport and overseas employment holiday transport are reportable to the extent that they are subject to FBT.

## GST

The employer is required to submit the GST on many after tax payments received to the ATO. To recoup the GST cost, a deduction will be made from the employee's pre-tax salary. This is consistent with all other forms of salary packaging - e.g. Fringe benefits tax on motor vehicles. GST has been assumed not to apply in both examples in this document, since GST is not applicable to most residential accommodation.

## Contacting Selectus

Prior to contacting Selectus, please view the Remote Area Benefits voice over presentation and fact sheet found on your Selectus salary packaging web site.

You can also use the salary packaging calculator which is also available on the Selectus web site to model your package.

### To contact Selectus you can:

- call Selectus to speak with one of our consultants
- email [info@selectus.com.au](mailto:info@selectus.com.au) or request support via the 'Contact Us' icon found on the home page of your Selectus salary packaging web site.



# Selectus



<http://www.selectus.com.au>

