

# Remote Area Housing Benefits

## What is Salary Packaging?

Salary Packaging, also known as Salary Sacrifice, is a tax effective way for employees to reduce their income tax payable by combining salary and benefits which get deducted pre-tax, therefore increasing the amount they take home each pay-day.

The ATO have approved a number of ways that an employee can benefit from salary packaging if they live and work in 'remote areas'.

### Remote Area Benefits

The ATO have outlined a number of locations that are classed as 'remote' and employees living **AND** working in these areas are eligible to claim certain benefits as a salary sacrifice. These include Remote Area Rent, Remote Area Housing Interest and Remote Area Residential Fuel.

## Remote Area Housing Interest

Employees can salary package their mortgage interest payments if they own the residence – however this will incur an FBT liability of 50% of the benefit.

### Remote Area Residential Fuel

Employees can salary package residential fuel costs, such as electricity and gas. These are treated in a similar way as remote area housing interest.

## Remote Area Rent

Employees that rent a privately owned property can salary package 50% of their rental costs without incurring any FBT.

Employees who rent an employer-owned or employer-leased property can salary package 100% of their rent in their pre-tax salary.

## Example

Tom lives and works in an ATO approved remote area. He earns an annual gross salary of \$150,000.

The below example demonstrates how Tom can utilise the remote area benefits in order to increase his take home pay:

	<i><b>Before Packaging per annum</b></i>	<i><b>After Packaging per annum</b></i>
Gross salary	\$150,000	\$150,000
Less: Rent (50%)	\$0	(\$7,800)
Less: Electricity & Gas (100%)	\$0	(\$6,000)
Less: FBT	\$0	(\$2,660)
<b>Gross salary after benefits</b>	<b>\$150,000</b>	<b>\$133,539</b>
Less:		
Income Tax*	(\$42,997)	(\$36,906)
Medicare Levy	(\$3,000)	(\$2,670)
<b>Take-home salary</b>	<b>\$104,003</b>	<b>\$93,962</b>
Less after-tax expenses:		
Rent	(\$15,600)	(\$7,800)
Electricity & Gas	(\$6,000)	\$0
<b>'Disposable income'</b>	<b>\$82,403</b>	<b>\$86,162</b>
<b>Increase in "take home pay"</b>		<b>\$3,759</b>

*\*Based on the income tax rate for the 2018/19 financial year*