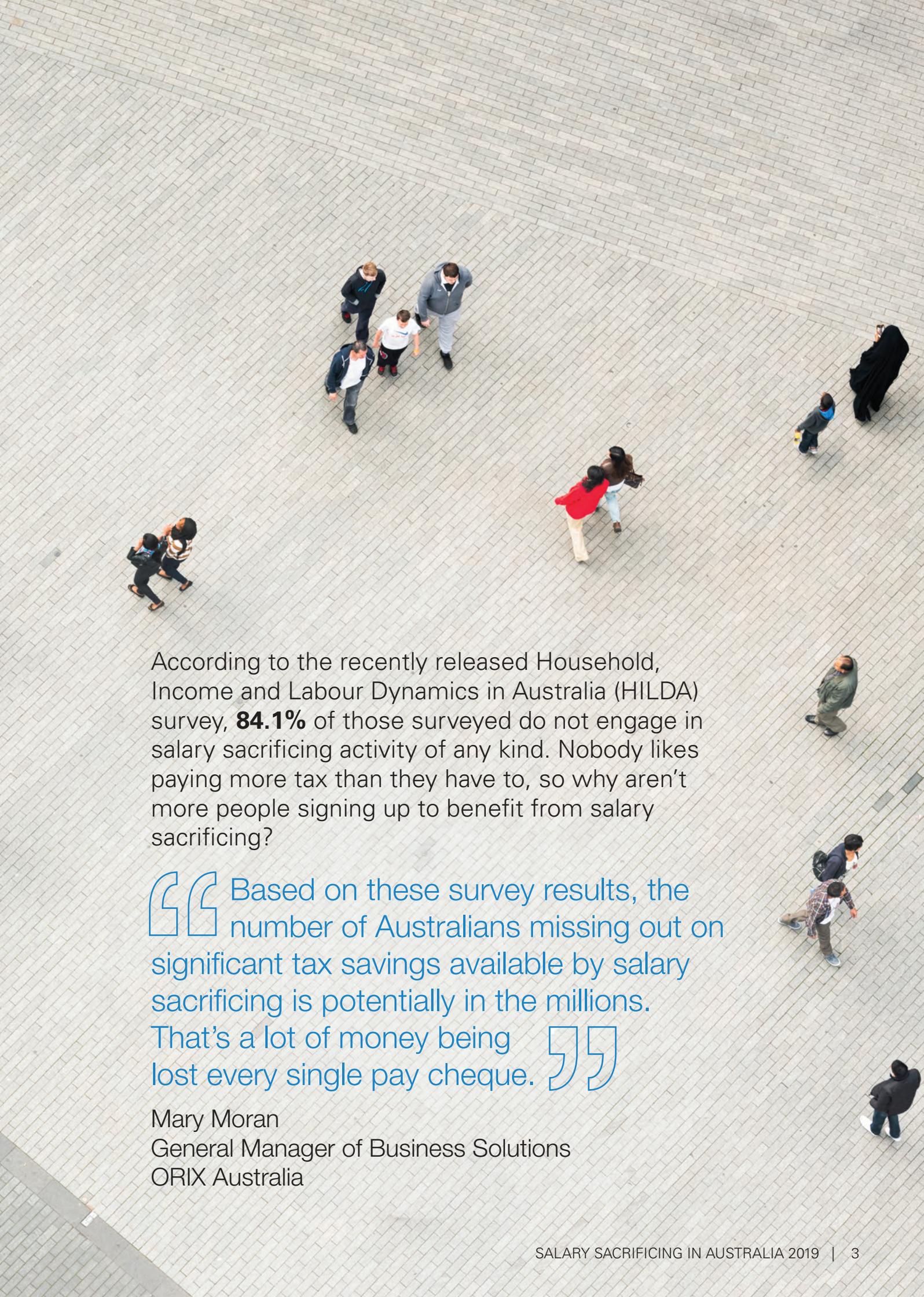


# SALARY SACRIFICING IN AUSTRALIA 2019

KEY TRENDS FOR EMPLOYERS  
AND EMPLOYEES





According to the recently released Household, Income and Labour Dynamics in Australia (HILDA) survey, **84.1%** of those surveyed do not engage in salary sacrificing activity of any kind. Nobody likes paying more tax than they have to, so why aren't more people signing up to benefit from salary sacrificing?

“ Based on these survey results, the number of Australians missing out on significant tax savings available by salary sacrificing is potentially in the millions. That's a lot of money being lost every single pay cheque. ”

Mary Moran  
General Manager of Business Solutions  
ORIX Australia

## WHO IS AND ISN'T BENEFITING?

The survey makes it clear, some groups are consistently benefiting from salary sacrificing more than others. And it not just the high-tax groups you'd assume. Other factors are relevant.

In summary, the survey breaks down adoption as per the below:

	LIKELY TO SALARY SACRIFICE	UNLIKELY TO SALARY SACRIFICE
 <b>Age</b>	Older	Younger
 <b>Industry</b>	Health care, social assistance, electricity, gas, water services and non-profit, non-government	Agriculture, forestry and fishing
 <b>Role</b>	Manager, professional, salesperson, clerical or administrative officer	Labourer, machinery operator or a driver
 <b>Employment type</b>	Permanent or fixed term role and member of a Union	Casually employed
 <b>Tenure</b>	Long	Short
 <b>Organisation size</b>	Larger	Smaller
 <b>Income</b>	Higher	Lower
 <b>Geography</b>	Non-urban areas	Major urban area

1 <https://melbourneinstitute.unimelb.edu.au/hilda>

2 [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1819/SmallBusinessSector](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1819/SmallBusinessSector)

## SO WHY SOME AND NOT OTHERS?

“ Clearly income is a factor, the more tax you pay, the greater incentive to reduce it. But the survey suggests this is only part of the story. Employees are missing out because of some clear structural and demographic issues. ”

Managers are clearly winning, dominating all occupation types. Could they be doing more to extend to employees? Salary sacrificing also becomes more common the larger the organisation, likely because they have resources dedicated to employee benefits. This is probably a key reason why many of the Australians, 4.8million, who work for small to medium enterprises (SMEs) are missing out.

Access to salary sacrificing also requires an employer to actually offer it. Many organisations, including many in the >100 employees bracket, simply don't offer it to their employees. Which is surprising considering it's a way employers can give more to their employees without increasing salaries. This is particularly relevant today with the HILDA survey also revealing what many employees feel - stagnant wage growth for several years.

“There's differing opinions about what's causing this reluctance to adopt, but you do get the sense that it could be due to misconceptions around the cost and time to administer salary sacrifice programs - a view that may have been true in the past, but certainly isn't today”



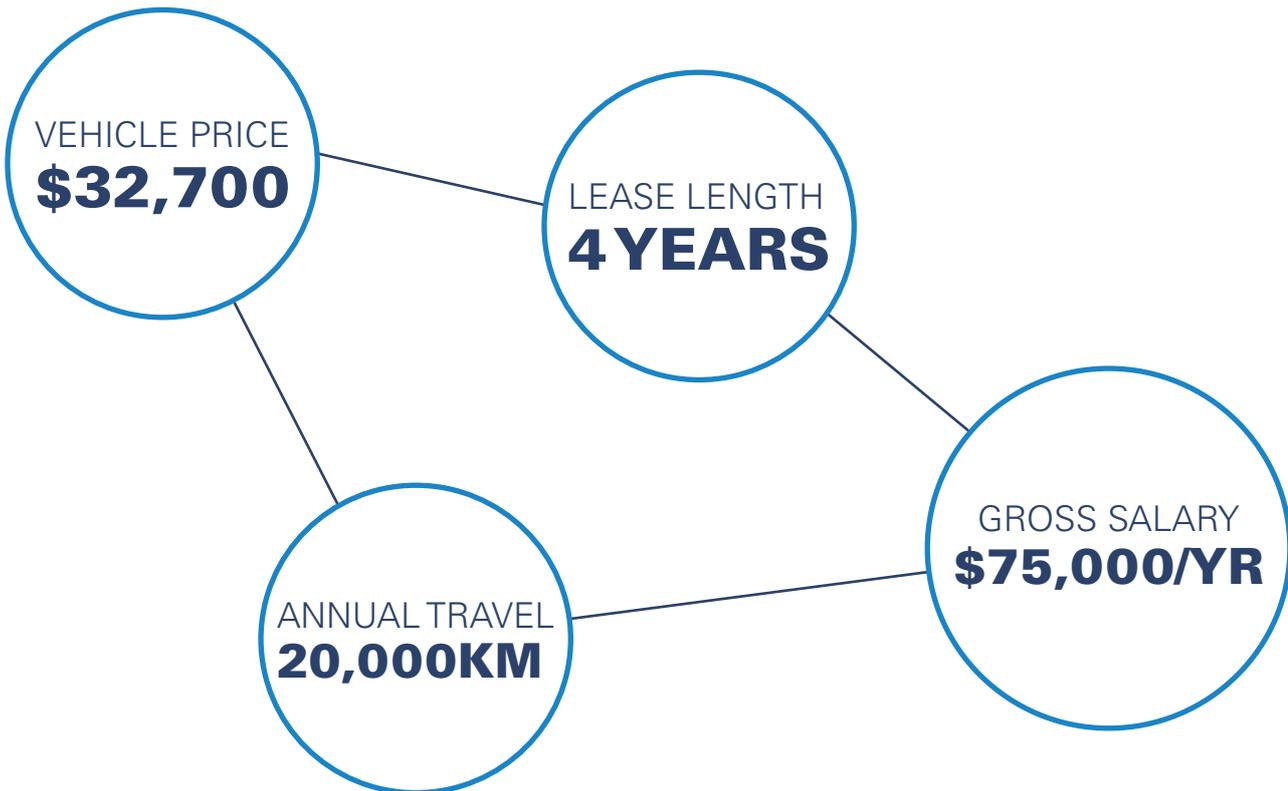
## MAYBE IT'S JUST NOT GOOD VALUE...?



Whilst the survey does not undertake any qualitative analysis of the value offered by salary sacrificing programs, it does make an interesting observation about the stickiness of salary sacrificing. It found that two-thirds of the employees using salary sacrifice did so for five consecutive years or more. This would suggest a large proportion of people are satisfied with the results of their salary sacrificing - once they start.

## SO WHAT DOES SALARY SACRIFICING ACTUALLY LOOK LIKE?

Let's take the example of salary sacrificing a vehicle through a Novated Lease. The below illustrative example is typical of many of the Novated Leases ORIX provides and, using the facts below, results in an increase in take home pay of **13%**:



DESCRIPTION	WITHOUT A NOVATED LEASE	WITH A NOVATED LEASE
Less salary sacrifice	N/A	\$9,074
Revised gross salary	\$75,000	\$69,411
Less tax on revised salary*	\$17,422	\$15,493
Less post-tax deductions	\$15,609	\$6,540
Take home pay after tax and vehicle costs <sup>#</sup>	\$41,969	\$47,378

\* Tax rates based on 2017 ATO guidelines for \$75,000/yr salary.

<sup>#</sup> Costs are based on standard items such as tyres, servicing and general maintenance

In this instance the annual saving is \$5,409 or \$451 per month. These are significant amounts that should be getting more notice. To learn more about how Novated Leasing works, [click here](#).

## SO WHERE TO FROM HERE FOR SALARY SACRIFICING?

When people do salary sacrifice, the survey reveals that the majority keep sacrificing for years. With flat wage growth becoming not just an Australian issue, but a global one, more companies could be investigating ways they can provide their employees more, without impacting cash flow. But the uptake of salary sacrificing by Australian business is mixed, with some industries and job roles showing particularly low levels of adoption. The key is greater education and better awareness for both employers and employees. Otherwise both will be leaving money on the table for years to come – every pay cheque.



## ABOUT ORIX AUSTRALIA CORPORATION LIMITED

ORIX Australia Corporation Limited (ORIX) is one of the world's leading fleet management companies. In Australia and New Zealand, we've provided fleet management, commercial vehicle rentals and leasing and novated leasing for more than 30 years.

Through our innovative solutions, including the award-winning OneView platform, ORIX Share and ORIX i, we help our clients get more value from their vehicles and manage the evolving risks of a mobile workforce.



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\* Conditions and charges apply for all optional extras. † These are estimated maximum percentage savings to be used as a guide only and will vary according to each specific employee Novated Lease. Fleet discounts will depend on vehicle and product type and can change without notice.

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