



NATIONAL ENERGY AUTHORITY
Papua New Guinea's Independent Regulator
of the Electricity and Downstream Energy Sector

Salary Packaging Policy

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Harnessing Energy for Life

NATIONAL ENERGY AUTHORITY

Salary Packaging Policy



Revision Status Tracker

DOCUMENT CONTROL

This Salary Packaging Policy has been reviewed, approved, and authorized for implementation within the Authority. It is intended to guide all employees and stakeholders in the management, use, and maintenance of NEA-owned or leased motor vehicles. This policy will be effective as of the date of approval and will remain in force until the next scheduled review or until further amendments are approved by authorized personnel.

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Section 1: Intent

The purpose of this sub-policy is to outline the salary packaging procedures to assist employees meet their housing, school fee, and other needs. This is one of the benefits the Authority is introducing in 2024.

Section 2: Scope

Salary Packaging is a way of structuring monetary benefits of an employee, to address his/her current and future needs, most effectively and efficiently, utilizing concessions available under the IRC Income Tax Act.

This policy applies only to permanent national employees who are working with the National Energy Authority (NEA) and becomes effective upon the approval of the NEA Board.

This policy is a sub policy of the NEA HR Manual.

Section 3: Legal Basis

- Salaries and Conditions Monitoring Committee (SCMC) Approved Structure for the NEA.
- Salaries and Conditions Monitoring Committee Act 1988 (as amended).
- National Energy Authority Act 2021 (as amended).
- Income Tax Act 1959 (as amended).

Section 4: Definitions

- **Assessable Income** means the gross amount of salary or wages income derived or earned by the employee that the employer is required to assess for salary and wages tax purposes.
- **Benefits** refers to both non-cash benefits and cash payments (other than salary) made (or expected to be made) for the benefit of the employee.
- **Employee** means a person other than a probationary employee, trainee, employed by the NEA for a period of more than 6 months, and governed by the terms and conditions of employment with the NEA consistent with the NEA HR Manual.
- **Gross Salary** is salary before income tax is deducted.
- **Total Salary** is the employee's Base Salary plus Allowances awarded by the NEA. It is also defined by IRC as the Total Gross Pay.
- **IRC** refers to the Internal Revenue Commission of Papua New Guinea.
- **Income Tax** is the salary and wages tax that is deducted from an employee's gross salary.
- **NEA** refers to the National Energy Authority of Papua New Guinea.
- **Salaries and Wages Tax** is the income tax that is deducted from employee's gross salary.
- **Salary** is the payment to the employee for time worked that is paid periodically and is subject to income tax.
- **Salary Sacrificing Packaging** is the agreed arrangement to provide employees with benefits in lieu of salary payments (tax benefit on housing rental, mortgage payment and school fee deductions).
- **Salary Packaging Commencement Date** refers to the proceeding pay day following approval of the employee's salary sacrificing request.
- **Taxable Income** means the gross amount of salary or wages income derived or earned by the employee, excluding allowable deductions, that the employer is required to apply to salary and wages tax on.
- **Probation Period** means the first 6 months of a person's employment with the NEA upon being recruited.

Section 5: Policy and Procedures

5.1 How Salary Packaging works

Under a salary packaging arrangement, employees can salary sacrifice for housing rental, mortgage payment and school fees up to a maximum of 40% of total salary. The minimum amount to sacrifice is K1000 per annum.

NEA, HR Branch will make payment on behalf of the employee directly to the service provider. In return, the employee will agree to 'sacrifice' or forego the cost to NEA for providing the benefit.

Employees are required to commence salary sacrifice deductions in the beginning of the year so that the cost is spread out within the calendar year.

Standard Salary Structure

- =

Remuneration structure with salary sacrificing

- = - =

Below is an example of how the calculation will be applied to a Senior Officer who wants to do rental deductions of K800 per fortnight to a landlord and has applied for salary sacrifice option through NEA:

Base Salary = K 58,496.00

Housing Allowance = K 20,000.00

SDMA = K 26,936.00

Total Salary (Base + Allowances) = K 105,432.00 p.a

Total Allowable for Salary Sacrifice = K 42,173 (40% of Total Salary)

Annual Salary Sacrifice Amount:

K 19,200 (Annual)

K 1,600 (Monthly)

K 800 (Fortnightly)

Salary Sacrifice Amount = K 19,200

Unallocated Salary Sacrifice Amount = K 22,973

Total Taxable Salary = K 86,232.00 (Total Salary – Salary Sacrifice Amount)

Salary sacrificing will not change an employee's gross salary or their terms and conditions of employment.

An employee's gross salary will continue to be used to determine calculations for the following entitlements:

- Employer and employee statutory contributions to superannuation;
- Payment of leave entitlements on termination;
- Severance payments;
- Loadings, allowances and deductions, which are calculated as a percentage of salary;
- Overtime and shift penalties; and
- Redundancy benefits.

5.2 Financial Advice

Care has been taken to ensure the accuracy of the information contained in this policy, however it is not the intention to provide comprehensive information with respect to salary sacrificing. Individual circumstances vary and therefore affect the benefits or otherwise of participating in salary sacrificing arrangements.

The NEA encourages all employees planning to participate in the salary sacrificing process to seek independent advice prior to participating in this process. Should not rely on the contents of the policy without first obtaining such advice.

The NEA does not accept responsibility or liability for the result of action taken based on information provided in this policy.

5.3 Items Available for Salary Sacrifice

NEA will allow salary sacrifice for the following items:

5.3.1 Non -Taxable (Tax Exempt) Salary Sacrifice Items:

- Housing rentals
- Mortgage payment
- School Fees from Prep to Grade 12 or Collage excluding other tertiary institutions.

5.3.2 Taxable Salary Sacrifice Items:

- Part of Employee Superannuation Contribution exceeding 15% of gross salary.

Section 7: Technology Hardware Acquisition

Item	Details and Conditions	Application Process
Housing Allowance	<p>A. Where an employee purchases their own home and uses the Housing Allowance to pay the mortgage, they must complete a Housing Allowance Variation Form (Annexure 1) (and lodge this with IRC which must include the following-</p> <ul style="list-style-type: none"> o Copy of the Title o Letter from a financial institution showing mortgage interest o Letter from NCD showing rates etc o Letter from the Valuer-General showing house and land valuation o Copy of payslip showing Housing Allowance paid o Must be in the contract of employment <p>B. Where an employee uses the Housing Allowance to rent a property, they must complete a Housing Allowance Variation Form (Annexure 1) (and lodge this with the Internal Revenue Commission) and include the following:</p> <ul style="list-style-type: none"> • Must include a copy of the lease agreement. • Must complete details of the landlord. • Must include the TIN of the landlord. • Must lodge an annual Income Tax Return <p>Must be shown on payslip and contract</p>	<p>For those with Housing Allowance</p> <ul style="list-style-type: none"> • Employee to complete the Housing Allowance Variation Form and supply supporting documentation to HR who will then submit to the IRC • If successful, employee will provide a copy of the Confirmation of Variation (Annexure 1) from IRC to Payroll • The Salaries and Wages Tax exemption will be applied in the following pay. • Employee will need to re-apply for the variation annually and provide the confirmation to the applicable payroll team otherwise the tax exemption will be stopped at the end of each tax year. <p>No Housing Allowance (Salary Deduction)</p> <p>Employee completes the Salary Sacrifice Form (Annexure 2) providing a copy of the lease agreement signed by both parties or Mortgage documents</p> <p>The landlord must provide the TIN details for the rentals.</p>
School Fees	<ul style="list-style-type: none"> • Employees can elect to salary sacrifice for school fees for Prep to Grade 12 only. • Can only be for the legal dependents (natural-born children or legally adopted children) • Paid by the employer directly to the school. • The receipt must be in the name of the employer. • Payroll makes payment to the school either through cheque or direct deposit on termly basis. • Payroll ensures the employee is charged the notional benefit 	<ul style="list-style-type: none"> • Employee completes the Salary Sacrifice Form (Annexure 2) attaching invoice from the school and submits to HR for assessment. This is normally done in December/January. • HR informs employee of the decision so that we are prepared for the deduction in salary. • If approved, HR passes it on to Payroll to process. The salary is normally reduced by the sacrificed amount and spread over number of pays in a calendar year.

5.4 Eligibility for Salary Packaging

Only employees are eligible for salary sacrifice. Employees must have successfully passed their probation period to be eligible to participate in salary packaging and salary sacrificing under this policy.

5.5 Changing or Terminating Salary Packaging

Employee may choose to cease salary sacrificing at any time provided existing amounts owing to the NEA have been repaid in full.

Upon termination of employment, NEA will recover its monies owed by an employee against any salary, leave and other remuneration that may be due and payable to an employee in accordance with termination of employment.

Changes to salary packaging must be requested using the Salary Sacrifice Form and submitted to Human Resources Branch. Where employees want to change existing salary sacrifice arrangements, they must notify the Human Resources Branch of the approved adjustment not less than 5 working days prior to the pay run where changes are to become effective.

5.6 Responsibilities

Employee

- Complying with this policy including obtaining accurate documentation
- Observing the guidelines set out by the IRC.
- Obtaining independent advice regarding salary packaging based on their personal situation.

Payroll Officer

- Processing and modifying HR approved salary sacrifice requests.
- Creation of Salary Sacrifice Deduction Accounts
- Reconciliation of Salary Sacrifice Deductions/Payments
- Payment to suppliers
- Make sure employee is charged notional benefit tax.
- Provide annual returns to employees.

HR Team

- Provide advice, support and assistance with clarifications on salary packaging.
- Assessing and verifying salary sacrifice requests.
- Liaisons with IRC.

Annex 1: Housing Allowance Variation Form

FORM S7	 PAPUA NEW GUINEA INTERNAL REVENUE COMMISSION <i>PNGIRC - Your Partner in Nation Building</i>	PLACE SIGTAS BAR CODE HERE <small>25.4mm x 50.8mm</small>
Salary and Wages Withholding Tax	Taxpayer Identification Number (TIN): <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	

INCOME TAX ACT 1959 AS AMENDED

HOUSING ALLOWANCE VARIATION FORM

FULL NAME AND ADDRESS OF APPLICANT					
NAME OF TAXPAYER:					
CONTACT / REPRESENTATIVE:					
PHONE No:					
E-MAIL ADDRESS:					
MAILING ADDRESS	SECTION No:		LOT No:		
	STREET / SUBURB / DISTRICT:				
	P.O. BOX:				
	COUNTRY:		PROVINCE:		
	CITY / POST OFFICE:				
	CARE OF (C/-):				
OCCUPATION:					
RENTAL DETAILS - Complete Where Allowance is Used to Rent Accommodation					
Date Property First Rented and Rent Payable Per Annum	Date First Rented		Rent Per Annum		
30					
Name and Address of Real Estate Agent	30				
Name and Address of Landlord (or Property Owner)	40				
TAXPAYER IDENTIFICATION NUMBER (TIN) OF LANDLORD: <input type="text"/>					
NOTE: the TIN of the Landlord <i>must</i> be provided or the Housing Allowance Variation form will <i>not</i> be processed. If the Landlord does not already have a TIN, they must complete a TIN registration form and lodge it with the IRC. The form is available at www.irc.gov.pg					
Estimated Housing Expenditure - Complete Where Allowance Used to Purchase Home					
Details of Loan Repayments	Annual Payment of Principal		Annual Payment of Interest		
	60			70	
	Annual Rates and Taxes				Annual Insurance Premiums
	80			90	
	Repairs and Body Corporate Payments <small>(Repairs does not include Improvements / Alterations)</small>	Annual Repairs		Annual Body Corporate Fees	
	Cost of Property and Year of Purchase	Cost of Property		Year of Purchase	
Apportionment of Cost between Land and Buildings	Land Component of Cost		Building Component of Cost		
	140			150	

Other Deductible Expenses - State Nature of Expense	Expense: 160	Expense: 170
	Expense: 180	Expense: 190

TAXPAYER'S DECLARATION - To Be Completed by ALL Applicants

I declare that the information that I have provided is true and correct in every detail and discloses a full and complete statement of the facts. I understand that the law imposes heavy penalties for false and misleading statements.

The estimates of Housing Expenditure are soundly based.

I also acknowledge the requirement to lodge an Income Tax Return after the year of income to which the allowance relates as a precondition for gaining a Housing Allowance Variation.

SIGNED: _____ DATE: _____

EMPLOYER DETAILS - To Be Completed by Your Employer

NAME OF EMPLOYER:	200	
TAXPAYER IDENTIFICATION NUMBER (TIN) OF EMPLOYER:	210	_____
EMPLOYER'S POSTAL ADDRESS:	220	
Amount of Allowance	Per Fortnight	Per Annum
	230	240
Is Allowance Paid Under Low Cost Housing Scheme?	250	<input type="checkbox"/> Yes <input type="checkbox"/> No

Annex 2: Salary Sacrifice Application Form



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SALARY SACRIFICE FORM

EMPLOYEE DETAILS:

Name: _____ Emp#: _____
 Position: _____ Division: _____
 Start Date: _____ Annual Salary: _____

SALARY SACRIFICE BREAK UP:

Salary Sacrifice Items	Sacrifice Amount(K)	Institution	Requirements To Be Attached
Housing			Lease Agreement / Mortgage Documents
School Fee			School fee invoice(s)
Others			Relevant Invoices

HR & PAYROLL VETTING & APPROVAL:

Criteria	Amount (PGK)	Effective Date	Guaranteed? Yes / No
A Salary Sacrificed Budget within: AFTER (NET) PER ANNUM			
Per Fortnightly salary sacrificed amount. Is employee budget within 26 pays?			
If yes, what is maximum gross scale?			
Number of fortnights			
New Rate & Effective Date			
Cease Date			

Human Resource Manager Signature _____ Date: ____ / ____ / ____

EMPLOYEE AGREEMENT & MANAGEMENT SIGN OFF

The employee agrees that any payments made by NEA in advance and not fully recovered from the employee at the time of exit from the organization will be recouped from the employee's final entitlements.

Employee Signature: _____	Date: _____
Human Resources Manager: _____	Date: _____
Executive Manager, CAD _____	Date: _____
Managing Director: _____	Date: _____

Notes

Notes

Contact Information

Office Address

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