



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party

Proposal No: C1625

Date Referred: 10/03/2023

Date Published: 20/03/2023

Proposal Title: Better salary packaging for low-income healthcare workers

Cluster: Health

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	20,000	20,000	20,000	60,000
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Balance:	-	(20,000)	(20,000)	(20,000)	(60,000)

Capital Expenditure	-	-	-	-	-
Capital Offsets					
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(20,000)	(20,000)	(20,000)	(60,000)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(20,000)	(20,000)	(20,000)	(60,000)
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Notes and costing assumptions:

This policy proposes to allocate \$60 million (\$20 million each year from 2023-24 to 2025-26) towards removing the NSW Government fees charged to health workers for salary-packaging arrangements. Fees would be removed for some lower income health workers to enable them to retain 100% of the tax benefits derived from the packaging arrangements.

The policy would apply to the health workforce [as defined by NSW Health](#), which includes cleaners, kitchen staff, security, administration, and allied health professionals. Full details of this policy, including defining employee low-income eligibility levels, would be developed on formation of government.

The PBO considers this policy will cost \$60 million to the budget over the forward estimates.

Background

The [public benevolent institution status](#) of the NSW health system and NSW Ambulance Service allows staff who meet certain eligibility requirements to claim up to \$9,009 per year as tax-exempt income. The health agencies charge each participating employee an annual fee for administering their package as part of a longstanding industrial agreement. NSW Health advises that, as one part

Notes and costing assumptions continued:

of efforts to fund productivity-linked pay rises for workers, NSW Health and health unions agreed in 2000 to develop tax-effective salary packaging and share the resulting increase in after-tax remuneration between employer and employee. NSW Health advises that it expects to receive around \$217 million in salary packaging fees from employees in 2023-24 for its share of the benefits under this agreement.

Key assumptions

NSW Health advises that its share of the overall tax saving is currently recorded as a reduction to Employee Related Expenditure. The impact of increasing the employee share of tax savings for some workers under this policy is an increase of \$60 million in expense for NSW Health.

NSW Health notes in the time available it has not modelled the potential impacts of abolishing the current sharing arrangement, although it is likely such an option may increase the attractiveness and take-up of salary packaging among lower income workers, which may further increase the salary packaging administration fees absorbed by NSW Health. The PBO notes the further design of this policy will need to consider these impacts and the implications for funding.