6.16 FINANCIAL ASSISTANCE FOR STAFF TO UNDERTAKE FURTHER STUDY

ATTENTION

These guidelines are currently under review while UTS investigates the effect of Australian Tax Law on the payment of the financial assistance.

Until such time as this review has been completed and replacement guidelines are issued, the University will marginally tax the financial assistance provided under these guidelines. The information on taxation in this guideline will not apply. Staff should seek advice from their accountant or tax agent as to whether they can claim the tax paid by the University on the financial assistance as a tax deduction in their income tax return.

For further information or assistance contact the Manager, Tax and Insurance, ext 4670.

PURPOSE

UTS supports and encourages the development of its staff. One of its key objectives is to develop an environment of ongoing individual, team and organisation learning. As part of this strategy, UTS provides financial assistance to staff wishing to undertake further study which will be of benefit to the university and the staff member. Financial assistance is provided at two levels as described below.

1) UTS maintains a central fund which provides financial assistance for staff studying at UTS. The provisions of this assistance are outlined in the policy, "Financial Assistance for Staff Studying at UTS" (hereafter referred to as "the policy") which should be read in conjunction with these guidelines.

2) Individual work areas may wish to provide financial assistance to staff in areas that fall outside the provisions of the policy, ie assistance for staff studying at institutions other than UTS or to supplement the assistance provided by the University's central fund.

These guidelines provide the framework in which financial assistance may be provided outside the policy, provide advice on how to apply for both types of financial assistance, outline the taxation implications of receiving financial assistance and give answers to frequently asked questions.
APPLICATION OF THESE GUIDELINES

These guidelines apply to:

> In the case of the central fund - award courses at UTS; and

> For assistance offered by work areas - ongoing courses of study (over several weeks, a term or one or more semesters) offered at educational institutions such as universities, TAFE, community or private colleges. These guidelines are not intended to apply to the normal staff development workshops which are of short duration.

WHICH STAFF MEMBERS ARE ELIGIBLE TO RECEIVE FINANCIAL ASSISTANCE?

All full- and part-time staff appointed

> for an indefinite period

> on a fixed-term contract in excess of 12 months, or

> on successive fixed-term contracts (excluding casual employment) without a break in employment, with continuous service in excess or 12 months

are eligible to receive financial assistance.

Casual staff are not normally eligible to receive financial assistance. However, long-standing casual academics may be eligible for financial support to complete the Graduate Certificate in Higher Education, Teaching and Learning, if this is deemed to be of benefit to the University. Such requests must be endorsed by the faculty and the Institute of Interactive Media and Learning.

For work areas contemplating approving financial assistance to staff on fixed-term contracts which is outside the policy or at the higher level offered to some staff undertaking higher research degrees, it is expected that the expertise they gain from the course would be of significant benefit to the University during the life of their contract. Thus, the benefit accruing to the University as a result of paying for a course for a staff member with over 12 months service who has only six months remaining of a contract, may not be sufficient to warrant such payment. It will be up to each Dean/Director to make a judgement about the nature of the course, the length of the contract and the subsequent value to the work area.

WHAT LEVEL OF SUPPORT CAN BE OFFERED?

1) From the central fund:

all staff

Upon successful completion of the semester, staff are able to claim reimbursement of their course fees up to a maximum of $1,000 per semester (autumn, winter, spring or summer) with a maximum of $2,000 being reimbursed in any one academic year. For full-year subjects staff may apply to be reimbursed at the end of each semester. In the case of courses attracting HECS, staff will be paid the equivalent of the up front HECS liability to the maximum amount specified above. Also, payment is made regardless of whether the staff member chooses to defer payment of HECS. Payment will also be made to staff undertaking fee-paying non-research postgraduate courses who chose to take out loans under the Postgraduate Education Loans Scheme (PELS).
**staff undertaking research higher degrees**

As part of UTS's strategy to develop and enhance its academic research profile, staff whose positions contribute directly to a faculty or centre's academic research will be supported to develop their research skills through the completion of relevant higher degrees by research. These staff will occupy UTS sponsored research degree places rather than government-funded HECS exempt places. Such places will attract a 40% discount on fees as part of the program of research degree merit scholarships. UTS will meet the remaining 60% of fees for eligible staff who must demonstrate their direct contribution to the University's academic research profile and, in the case of staff on fixed-term contracts, their capacity to continue to contribute (refer above). Staff will be eligible for sponsorship only for the maximum period of candidature for the degree they are undertaking. Continued sponsorship after this period will be at the discretion of the University. Staff undertaking research higher degrees who are not eligible for this level of support may still apply for the financial assistance (up to $2,000 per academic year) which is available to other staff.

(Special arrangements exist for staff employed prior to 1 January 1997 and who commenced their studies prior to this date. For further information refer to Organisation and People Development in Human Resources Unit (HRU).

2) There is no limit to the amount of financial assistance that can be made by work areas. However, the level of benefit to the University and fairness of the quantum of support being offered to one individual in relation to other staff in the work area needs to be taken into account. In addition to fees, other education expenses such as the purchase of textbooks and travel and living expenses may be supported.

3) Eligible staff under these guidelines are not required to pay the UTS student union service fee as the University pays for all such staff to be members of the Union. In order to be exempted from the service fee, staff need to show a current staff ID card upon enrolment. ID cards may be obtained by appointment from Staff Services HRU. Staff are liable for all other fees.

**HOW DO STAFF APPLY FOR FINANCIAL ASSISTANCE FROM THE CENTRAL FUND?**

Staff need to complete an application form for financial assistance which can be obtained from the HRU. This should be done prior to commencing a course. Fresh approval needs to be obtained at the start of each semester. Staff new to UTS should have their courses approved for financial assistance as soon as possible after commencing employment. Staff who commence employment after already commencing an award course at UTS will be eligible for financial assistance for that semester provided that they commenced employment within one month of the census date. Once formal approval is granted (for other than higher research degree courses), reimbursement of fees can be claimed using the appropriate form (which can be obtained from the HRU) upon successful completion of the semester. For staff undertaking higher research degrees, once formal approval is granted then sponsorship can be confirmed with the Fees Office prior to enrolment.

**HOW IS FINANCIAL ASSISTANCE OBTAINED FROM A WORK AREA?**

This is done by negotiation between the staff member and supervisor and approved by the relevant Dean/Director. Following approval, any request for payment of fees should be made in writing to the Financial Accountant, Financial Services Unit (FSU). The request should provide details of the course, ie name, institution, duration, justification of
the benefit to the work area and the method of payment, eg to the institution or as a reimbursement to the staff member and the relevant invoices or receipts.
WHAT ISSUES DO SUPERVISORS AND MANAGERS NEED TO TAKE INTO ACCOUNT WHEN OFFERING FINANCIAL ASSISTANCE TO A STAFF MEMBER OUTSIDE OF THE CENTRAL FUND?

> Any course which is supported by the University must be of significant benefit to the University as well as the individual. It would normally be expected that the expertise gained from the course would be of direct relevance to the staff member's job.

> It is important that supervisors and managers be aware of equity considerations when making decisions about offering financial assistance to staff for study purposes. Financial resources are limited and such decisions need to be transparent, justifiable and fair.

> The fringe benefits tax (FBT) implications need to be investigated and determined prior to financial assistance to a staff member being agreed. Courses supported by the University need to be of direct use and relevance to the staff member's current job and must not be seen to be in lieu of salary in order not to attract FBT. It is important to be aware that reimbursement of fees for courses attracting HECS will incur FBT (for further details refer below).

> A ruling from the Financial Services Unit (FSU) must be sought before approving financial support for a staff member if there is any doubt about its effect on the University’s tax liability.

> It should be made clear to the staff member when offering financial assistance whether the assistance is intended to cover the entire duration of the course or will be offered on a year-by-year basis.

HOW ARE PAYMENTS MADE?

From the central fund
Staff (other than those being sponsored to undertake higher research degrees) are able to claim their entitlement to financial assistance upon the successful completion of the semester using the appropriate form. Tax may or may not be payable depending upon the circumstances (refer below). Assistance will be paid at the end of each semester regardless of whether the staff member chooses to pay the HECS up front or defer payment. This also applies to staff utilising PELS. Staff undertaking fullyear subjects may be reimbursed at the end of the semester subject to the appropriate grading or satisfactory progress report being sighted. All payments are paid directly into the staff member's bank account. Sponsored staff undertaking higher research degrees will not be invoiced for this portion of their fees.

From work areas

> If fees are to be paid in full, it may be easier for the University to pay them directly.

> If partial support is to be made, the staff member may pay the fees and be reimbursed the agreed amount. Payments are made directly into the staff member's bank account.
WILL TAX NEED TO BE PAID?

There are two circumstances in which tax may need to be paid, as described below.

For payments made by work areas
Where the financial support being offered could be construed as salary. The most likely scenario at UTS is where an employee earns extra income which is not paid directly to the employee but placed in a special purpose account. Funds from this account are then used to pay for a course of study without income tax being deducted. The work area may be liable for fringe benefits tax (FBT) of 94% on the payment and if in doubt, the manager must seek a ruling on FBT from FSU before approving the financial support.

For payments from the central fund or from work areas other than described above
When the course being undertaken would not be allowed as a tax deduction for self-education expenses by the staff member concerned (refer to the examples below). In this case, FBT would be payable. Under the Income Tax Assessment Act "expenses of self-education" are defined as, "all expenses (other than higher education contributions, Open Learning charges and debt repayments under the tertiary student financial supplement scheme) necessarily incurred by a taxpayer in connection with a course of education and undertaken by the taxpayer to gain qualifications for use in the carrying on of a profession, business, trade or in the course of any employment." Thus, all payments made by the University towards HECS courses or fees paid through PELS would be liable for FBT as HECS and PELS payments are not deductible as a self-education expense.

For other than HECS courses or PELS payments, expenses incurred in keeping up-to-date, improving the performance of one's existing duties or enhancing the ability to earn one's present income may be deductible and thus not liable for FBT. In addition, a deduction may be allowed for expenses incurred in obtaining a higher degree or qualification relevant to the employee's profession, if it leads to additional earnings by the taxpayer in the same job or income earning activity. Self-education expenses are not deductible where the study is designed to create a new income-earning activity, even with the employee's current employer. Thus, expenses incurred must have a necessary connection with the employee's production of income. It is not sufficient to simply establish that the employer encouraged the employee to undertake the course.

EXAMPLES OF DEDUCTIBLE SELF-EDUCATION CLAIMS (taken from the Australian Master Tax Guide)

> A management course at a TAFE college was considered deductible to assist an employee to cope with new managerial responsibilities assumed as the result of a promotion. The course assists the employee to better perform the employee's current duties.

> Fees for an accountant's professional year. The professional qualification allows the accountant to increase earnings in the same job.

> A dentist's claim for expenses undertaking a postgraduate degree in periodontics was allowed so that he could expand that aspect of his work in his general practice - as distinct from becoming a specialist periodontist. The dentist is undertaking a course to increase earnings in the same income earning activity.
EXAMPLES OF NON-DEDUCTIBLE SELF-EDUCATION EXPENSES

> A legal officer with the public service was not allowed a deduction for the costs of a six-month pre-admission course at the College of Law or the costs of being admitted as a solicitor. This was regarded as a higher qualification which did not necessarily relate to the performance of the taxpayer's current duties nor would lead to an increase in earnings in the taxpayer's current job.

> A general practitioner who undertakes postgraduate study to become a dermatologist as the study relates to new, rather than current income earning activity.

WHO IS LIABLE TO PAY ANY TAX INCURRED?

The employer, and thus the work area, is responsible for paying FBT. However, in order to obviate the University's need to pay FBT, the payment may be made through the payroll system to the staff member, with income tax being deducted. This means that reimbursement of fees:

for payments made from the central fund for

> courses attracting HECS will be paid as salary with income tax deducted at the staff member's marginal rate

> postgraduate full-fee paying courses that are directly related to the staff member's current position, assist the staff member in carrying out existing duties and where fees are not paid through PELS will incur no tax liability. This must be certified by the staff member's supervisor and approved by FSU prior to applying for payment

> postgraduate full-fee paying courses that are not paid through PELS or are not directly related to the staff member's current position may be paid as salary with income tax deducted at the staff member's marginal rate or FBT calculated and deducted from the payment at the staff member's election (refer to Appendix for further details)

for payments made by work areas for

> courses attracting HECS will incur FBT which the work area will be liable for unless the payment is made through the salary system with income tax deducted at the staff member's marginal rate

> postgraduate full-fee paying courses that are directly related to the staff member's current position, and assist the staff member in carrying out existing duties will incur no tax liability provided the University pays the course fees directly. However, if the staff member pays the fees through PELS and seeks reimbursement, then FBT is payable unless the payment is made through the Salary System with income tax deducted at the staff member's marginal rate.

> postgraduate full-fee paying courses that are not directly related to the staff member's current position will incur FBT for which the work area will be liable. Therefore, it would normally be expected that courses of this type would not receive financial support in addition to that provided by the central fund.
Managers must seek a ruling on the tax implications from FSU before approving financial support for a staff member, if they are in doubt about its effect on the University's tax liability.

**HOW WILL LEAVE, RESIGNATION OR NON-COMPLETION AFFECT THE PAYMENT OF FINANCIAL ASSISTANCE?**

**For payments from the central fund**

Staff who take more than one month's leave without pay (excluding parental and sick leave without pay) will not be entitled to financial assistance for the semester(s) in which leave without pay falls unless exceptional circumstances prevail. An example of an exceptional circumstance would be where a staff member with more than five years service takes six months leave without pay for the express purpose of completing an award course which has a thesis component and is directly related to the staff member's job. The mutual benefits to UTS and the staff member would be significant enough to warrant financial support.

Staff whose resignation from UTS becomes effective prior to the census date (the cut-off date for amending subject options) for the semester will not be eligible for financial assistance for that or subsequent semesters.

**For payments from the work area**

Where fees have been paid by the University in advance and the staff member subsequently takes leave without pay, sick leave, resigns or fails to complete the course successfully, such actions will not retrospectively affect payment. Therefore, it is prudent for managers not to authorise the payment of fees too far in advance.

Where the semester/term/course has yet to commence and no payment has been made, it will be up to the supervisor and staff member to negotiate whether fees will be paid when a staff member takes an extended period of leave, dependent upon the circumstances and the likelihood of the staff member's return. In the case of a staff member's resignation, no payment will be made.

Where a staff member fails to complete the course successfully, it will be at the Dean's/Director's discretion to decide whether the University will subsidise a second attempt.

**WHO APPROVES THE PAYMENT OF FINANCIAL ASSISTANT TO A STAFF MEMBER TO UNDERTAKE STUDY?**

Authority to approve financial assistance according to the policy and the parameters in these guidelines rests with each Dean/Director or equivalent who must ensure that the course of study will meet the University's and/or work area's needs and that the employee undertakes the course. However, if request for payment by a work area (not through the central fund) appears to fall outside these parameters, it may be referred back to the originator by the FSU.

Authority to approve continued sponsorship of higher research degrees beyond the maximum period of candidature rests with the Director, Human Resources or nominee.
WHERE TO GO FOR ADVICE?

> Staff seeking more information about financial assistance from the central fund should contact Organisation and People Development HRU.

> Managers seeking advice about the taxation implications of providing financial support to a staff member should speak to FSU before entering into an agreement to pay fees.

> Staff seeking personal taxation advice need to contact a taxation consultant.

> Advice on issues relating to the implementation or interpretation of these guidelines in relation to financial assistance from work areas should be directed in the first instance to Staff Services HRU.

APPENDIX

TAX IMPLICATIONS AND OPTIONS FOR STAFF RECEIVING PAYMENTS FROM THE CENTRAL FUND FOR FULL-FEE PAYING COURSES

Where the full-fee paying course is not considered to assist the staff member in carrying out his/her present duties then reimbursement of fees to the staff member would attract FBT for which UTS, as the employer, would be liable. In order to obviate the need for UTS to pay FBT, the payment may be made through the salary system with income tax deducted at the staff member's marginal rate which is less than the effective rate of FBT, currently 94%. However, with the more expensive full-fee paying courses it is more cost effective for the staff member to pay the FBT rather than income tax. This is because staff members contribute to the fees and this amount can be deducted from the taxable benefit received. In addition, the first $500 of an in-house benefit is exempt from FBT. If the course undertaken falls into this category, payment may be made directly into the staff member's bank account minus the appropriate FBT. Please note that it is up to the staff member to elect on the reimbursement form which method of payment he/she would prefer.

Example

A staff member undertakes a part-time postgraduate course with fees of $5,000pa. UTS subsidises the fees in the form of a $2,000pa payment from the central fund with the staff member contributing the remaining $3,000pa. FBT is payable as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable value of fringe benefit</td>
<td>$3,750</td>
</tr>
<tr>
<td>Less staff member's contribution</td>
<td>$3,000</td>
</tr>
<tr>
<td></td>
<td>$750</td>
</tr>
<tr>
<td>Less exemption (per annum)</td>
<td>$500</td>
</tr>
<tr>
<td>Taxable value</td>
<td>$250</td>
</tr>
<tr>
<td>FBT @ 94%</td>
<td>$235</td>
</tr>
</tbody>
</table>

In this particular example the FBT payable is $235 which is equivalent to about 12% tax which is lower than the marginal tax rate. However, the savings may not be as significant in all cases. Where course fees are lower (around $2,000pa) there is little difference between the FBT payable and income tax.