



# VARA PILOT UPDATE

## FEBRUARY 2022

## VARA Loss of Licence and Reportable Fringe Benefits

Dear member,

In response to your queries, SALPA, in conjunction with the TWU and VIPA have sourced answers in relation to the unexpected appearance of Reportable Fringe Benefits Amounts (RFBA) listed on your 2020 Payment Summaries. These are addressed below.

► **Why was my Enterprise Agreement (EA) loss of licence entitlement listed as a RFBA on my 2020 payment summary?**

Due to changes in the structure of VARA's loss of licence benefit policy, VARA was legally obliged to report loss of licence fringe benefit amounts given to pilots. As the total taxable value of the fringe benefit is greater than \$2,000 during the 2020 FBT year, a reportable fringe benefit amount (RFBA) was required to be reported on a pilot's payment summary.

The RFBA is calculated by multiplying the taxable value of the reportable benefits by a gross-up rate of 1.8868

Changes to VARA's loss of licence policy that triggered this included:

1. The removal of temporary benefits (meaning that in 2020, permanent/capital benefits were not subject to the 'otherwise deductible' taxation rule)
2. Increased premiums due to the group claims history and difficult insurance market conditions. This resulted in the premium per pilot in the company loss of licence policy exceeding the reportable Fringe Benefit threshold of \$2000, triggering the need for RFBA's to be reported on pilot's payment summaries.

► **How is the RFBA calculated?**

The RFBA is calculated by multiplying the taxable value of the reportable benefits by a gross-up rate of 1.8868.

► **Why was a RFBA not noted on my payment summary in previous years?**

In previous years, VARA's loss of licence policy included a combination of both temporary (revenue) and permanent (capital) benefits. This meant that in accordance with ATO taxation rulings, loss of licence benefits were subject to the 'otherwise deductible' rule and not required to be reported on pilot's payment summaries.

There was no RFBA in previous payment summaries because the taxable value of pilot's loss of licence (PLOL) was less than \$2,000. This has changed due to a significant increase in insurance costs.

▶ **Why was there an increase in the RFBA and an updated payment summary issued?**

The reason the RFBA was increased (from \$5,452 to \$8,178) and an amended payment summary issued to pilots was because VARA's PLOL premium was higher than the amount they initially calculated. Because of this, the company was required to amend the RFBA on the pilot's payment summaries.

▶ **What is the impact of having a RFBA on my payment summary?**

Whilst the RFBA reported on your payment summary is not a monetary cost, it is used to determine entitlements to certain income-tested concessions and/or liability to income-tested surcharges e.g. Medicare levy surcharge, super co-contributions, child support obligations, entitlement to certain income-tested government benefits, etc.

▶ **Will RFBA be noted on future payment summaries?**

This will depend on the composition and amount of loss of licence benefits provided by VARA.

▶ **How are VARA PLOL entitlements different to Virgin mainline entitlements?**

The VARA EA is different to the Narrow Body Pilots' EA and as such, results in a different FBT outcome. The main difference is that under the VARA EA, there is a requirement for the company to provide an actual PLOL policy. The VAA Narrow Body EA stipulates the company only has to assist pilots with the provision of PLOL insurance i.e. they don't provide an actual policy.

The other main difference is the reimbursement amount for PLOL in each EA i.e. for VARA pilots, the refundable amount is \$1967 whereas the VAA Narrow Body Agreement amount is \$3004.77.

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SALPA and the TWU are committed to negotiating the best possible outcome for members loss of licence entitlements. As we commence preparations for EA negotiations, we will be sure to prioritise this issue in our log of claims.

The Unions have attempted to engage with VA Management through VARA Flight Operations, with the expectation an explanation of how this has come to pass will be provided and a discussion tabled on how to address these issues. Ultimately, the desired outcome is a re-establishment of the Loss Of Licence Temporary Benefit, as its removal was never discussed, negotiated or accepted by the VARA Pilots

If you have any questions, please contact Paolo Casali, SALPA Deputy Chair at: [paolo@salpa.asn.au](mailto:paolo@salpa.asn.au)

Regards

**Paolo Casali - SALPA Deputy Chair**

**John Lyons - VIPA President**

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