

# PROJECT AGREEMENT ON FINANCIAL ASSISTANCE FOR POLICE OFFICERS

An agreement between:

- n the **Commonwealth of Australia**; and
- n New South Wales.

The output of this project will be financial assistance to share the costs of reimbursing New South Wales' police officers for additional taxes they pay for voluntary superannuation contributions that exceed the annual concessional contributions cap.

# Project Agreement on Financial Assistance for Police Officers

## OVERVIEW

1. This Project Agreement (the Agreement) is created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) and should be read in conjunction with that Agreement and its Schedules, which provide information in relation to performance reporting and payment arrangements under the IGA FFR.

### **Purpose**

2. This Agreement will support the delivery of financial assistance from the Commonwealth to New South Wales. The Parties will share equally the costs of reimbursing New South Wales' police officers for additional taxes they pay for voluntary superannuation contributions they make in each of the financial years from 2016-17 to 2019-2020 which, in total for the year, exceed the annual concessional contributions cap due to the impact of compulsory employer contributions to superannuation for death and disability insurance premiums.

### **Reporting Arrangements**

3. New South Wales will report annually against the agreed milestones during the operation of this Agreement, as set out in Part 4 – Project Milestones, Reporting and Payments.

### **Financial Arrangements**

4. The Commonwealth will provide an estimated total financial contribution to New South Wales of up to \$15.16 million in respect of this agreement, as set out in Part 5 – Financial Arrangements.

## PART 1 – FORMALITIES

5. This Agreement constitutes the entire agreement for this project.

### **Parties to this Agreement**

6. This Agreement is between the Commonwealth of Australia (the Commonwealth) and New South Wales.

## Term of the Agreement

7. This Agreement will commence as soon as the Commonwealth and New South Wales sign it and will expire on 30 June 2023 or on completion of the project, including final performance reporting and processing of final payments against milestones, unless terminated earlier or extended as agreed in writing by the Parties.

## PART 2 – PROJECT OUTPUT

### Outputs

8. The outputs of this Agreement will be financial assistance comprising:
  - (a) half of the actual amount New South Wales reimburses its police officers for additional taxes they pay on eligible excess concessional contributions that are made in each of the financial years from 2016-17 to 2019-2020 that, in total for the year, exceed the annual concessional contributions cap due to the impact of compulsory employer contributions to superannuation for death and disability insurance premiums; and
  - (b) half of the actual amount (if any) New South Wales pays in fringe benefit tax (FBT) in respect of these reimbursements to its police officers.

## PART 3 – ROLES AND RESPONSIBILITIES OF EACH PARTY

### Role of the Commonwealth

9. The Commonwealth will be responsible for:
  - (a) monitoring and assessing the delivery of the project against milestones to ensure that outputs are delivered within the agreed timeframe;
  - (b) providing a consequent financial contribution to New South Wales to support the implementation of this Agreement; and
  - (c) providing a calculator which will allow New South Wales to determine which excess contributions are eligible for reimbursement, and how much the reimbursement will be.

### Role of New South Wales

10. New South Wales will be responsible for:
  - (a) all aspects of delivering on the project outputs set out in this Agreement;
  - (b) assessing and certifying the eligibility of the affected police, and reimbursing them; and
  - (c) reporting on the delivery of outputs as set out in Part 4 of this Agreement.

### Shared roles

11. The Parties will meet the requirements of Schedule E, Clause 26 of the Intergovernmental Agreement of Australia's Federal Financial Relations, by ensuring that prior agreement is reached on the nature and content of any events, announcements, promotional material or publicity relating to activities under this Agreement, and that the roles of both Parties will be acknowledged and recognised appropriately.

## PART 4 – PROJECT MILESTONES, REPORTING AND PAYMENTS

12. Table 1 summarises the milestones for the project, their relationship to the outputs, relevant reporting dates and expected payments to be made. The Commonwealth will make payments subject to performance reports demonstrating the relevant milestone has been met.

**Table 1: Performance requirements, reporting and payment summary**

Output	Milestone	Report due	Payment
Temporary financial assistance in accordance with clause 8 of this Agreement	NSW has made reimbursement payments to relevant recipients for eligible excess concessional contributions and related FBT (if any) for 2016-17 in accordance with clause 17 of this Agreement	31 October 2018	In accordance with this Agreement
	NSW has made reimbursement payments to relevant recipients for eligible excess concessional contributions and related FBT (if any) for 2017-18 or earlier in accordance with clause 17 of this Agreement	31 August 2019	
	NSW has made reimbursement payments to relevant recipients for eligible excess concessional contributions and related FBT (if any) for 2018-19 or earlier in accordance with clause 17 of this Agreement	31 August 2020	
	NSW has made reimbursement payments to relevant recipients for eligible excess concessional contributions and related FBT (if any) for 2019-20 or earlier in accordance with clause 17 of this Agreement	31 August 2021	
	NSW has made reimbursement payments to relevant recipients for eligible excess concessional contributions and related FBT (if any) for 2016-17 – 2019-2020, in accordance with clause 18 of this Agreement.	31 March 2023	

13. If a milestone is met in advance of the due date, where the relevant performance report demonstrates that the milestone has been met, the Commonwealth may make the associated payment earlier than scheduled provided it falls within the same financial year as the original due date.

## Reporting arrangements

14. New South Wales will provide performance reports in accordance with Table 1 during the operation of the Agreement.
15. Each report will:
  - a) give itemised information for each affected police officer, listing their taxable income, the amount of the excess contribution tax paid on eligible excess concessional contributions, and the amount of the additional income tax paid on the reimbursement and/or the amount of the associated fringe benefits tax—along with a total for these two figures. Each officer would be identified by a reference number generated by NSW, so that their claims can later be audited if necessary; and
  - b) be signed as a true and accurate record by the NSW Police chief financial officer.
16. Reporting dates have been set to allow time for police officers to submit their tax returns, and receive an excess concessional contributions tax assessment. NSW would reimburse the officers upon notification of any excess concessional tax contributions tax, and pay the associated FBT (if any), before it submits its report to the Commonwealth.
17. Reports for reimbursements relating to the 2016-17 to 2019-20 financial years respectively are due by 31 October in 2018, and 31 August in each of the years from 2019 to 2021.
18. A final report for reimbursements relating to the 2016-17 to 2019-20 financial years is due by 31 March 2023.

## PART 5 – FINANCIAL ARRANGEMENTS

19. The Commonwealth will provide an estimated total financial contribution to New South Wales of up to \$15.16 million in respect of this Agreement. All payments are GST exclusive.
  - (a) If claims for reimbursements exceed the estimated financial contribution outlined in Table 2, the Commonwealth will provide further funding to meet half of the additional cost of the claims in accordance with this Agreement.
20. The Commonwealth's funding contribution will not be reduced where New South Wales secures funding from other activity partners.
21. The Commonwealth's and New South Wales' estimated financial contributions to the operation of this Agreement, including through National Partnership payments to New South Wales paid in accordance with *Schedule D – Payment Arrangements* of the IGA FFR, are shown in Table 2.

**Table 2: Estimated financial contributions**

(\$ million)	2018-19	2019-20	2020-21	2021-22	2022-23	Total
<b>Estimated total budget</b>	<b>5.82</b>	<b>9.26</b>	<b>10.16</b>	<b>4.3</b>	<b>0.78</b>	<b>30.32</b>
Less estimated National Partnership Payments	2.91	4.63	5.08	2.15	0.39	15.16
Balance of non-Commonwealth contributions	2.91	4.63	5.08	2.15	0.39	15.16

22. Commonwealth payments will only be made:

- (a) for voluntary concessional superannuation contributions that police officers make in each of the financial years from 2016-17 to 2019-2020 that, in total for the year, exceed the concessional contributions cap due to the impact of compulsory employer contributions to superannuation for death and disability insurance premiums;
- (b) for actual amounts (if any) New South Wales pays in fringe benefits tax in respect of the reimbursements and/or the actual amounts New South Wales pays in additional income to compensate officers for the additional income tax they pay on the compensation;
- (c) on the basis of police officers' marginal tax rates plus the 2 per cent Medicare levy. It does not include reimbursement for the additional Medicare levy surcharge incurred by officers earning more than \$90,000 in the year;
- (d) for police officers who have signed an application form affirming that they have not released, and do not plan to release, any excess concessional contributions from superannuation to pay the excess concessional contributions tax; and
- (e) annually in arrears after New South Wales reimburses police officers for taxes paid on eligible excess concessional contributions made in the financial years 2016-17, 2017-18, 2018-19, and 2019-2020 and after New South Wales has paid FBT (if any) in respect of the reimbursements.

23. The eligible excess contribution amount will be capped at the *lesser* of:

- the notional cap space; i.e. the concessional cap for the financial year minus the compulsory employer superannuation contributions (not including the compulsory *employer* insurance contributions);
- the compulsory *employer* insurance contributions;
- the total voluntary concessional superannuation contributions; and
- the officer's total excess concessional contributions for the year, net of any compulsory *employee* insurance contributions paid from pre-tax income.

24. Payments will not be made for:
- (a) excess concessional contributions which police officers have chosen to release from superannuation;
  - (b) excess non-concessional contributions, since these are under the control of the individual officer;
  - (c) compulsory *employee* insurance contributions paid from pre-tax income;
  - (d) claims made after the final reporting date of 31 March 2023, even if New South Wales or the police officers would otherwise be eligible for reimbursement; or
  - (e) claims for which payments have been made previously.

## **PART 6 – GOVERNANCE ARRANGEMENTS**

### **Enforceability of the Agreement**

25. The Parties do not intend any of the provisions of this Agreement to be legally enforceable, however, that does not lessen the Parties' commitment to this Agreement.

### **Variation of the Agreement**

26. The Agreement may be amended at any time by agreement in writing by both the Parties.
27. Either Party to the Agreement may terminate their participation in the Agreement at any time by notifying the other Party in writing.

### **Delegations**

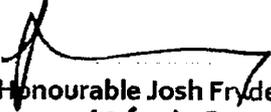
28. The Commonwealth Minister may delegate the assessment of performance against milestones and the authorisation of related project payments to senior Commonwealth officials, having regard to the financial and policy risks associated with those payments.

### **Dispute resolution**

29. Either Party may give notice to the other Party of a dispute under this Agreement.
30. Officials of both Parties will attempt to resolve any dispute in the first instance.
31. If a dispute cannot be resolved by officials, it may be escalated to the relevant Ministers.

The Parties have confirmed their commitment to this agreement as follows:

*Signed for and on behalf of the Commonwealth  
of Australia by*

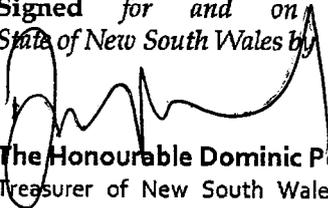


**The Honourable Josh Frydenberg MP**

Treasurer 18/9/18

[Day] [Month] [Year]

*Signed for and on behalf of the  
State of New South Wales by*



**The Honourable Dominic Perrottet MP**

Treasurer of New South Wales and Minister for  
Industrial Relations

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