

## SALARY PACKAGING PORTABLE LAPTOP, NOTEBOOK COMPUTER OR MULTIPLE FUNCTION ELECTRONIC DEVICE GUIDELINES

**Authorised By:** These guidelines were approved by the Executive Director, Student and Staff Services and the Executive Director, Finance and Infrastructure. As from 1 January 2007, the Vice-President (Services and Resources) is responsible for this policy.

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Any person who requires assistance in understanding any aspect of this document should contact Human Resources Service Centre on ext. 31111.

### 1. PURPOSE OF GUIDELINES

These guidelines outline the requirements, limitations and procedures involved in salary packaging a portable laptop notebook computer or multiple function portable electronic devices and the income tax, fringe benefits tax (FBT) and goods and services tax (GST) implications of doing so.

### 2. SCOPE

All employees (except casual employees) of the University of Adelaide have the option of entering into a salary packaging arrangement (portable computer), whereby they agree to a reduction in salary in return for purchasing an item as indicated in clause 3 below. The item purchased must be purchased primarily for use in the employee's employment.

### 3. DEFINITIONS

**Portable laptop/notebook computer:** A computer that is relatively small in size and can be operated without external power source.

**Multiple function portable electronic device:** A device such as a mobile phone or personal digital assistants or similar item which has email, internet, diary, photographic or GPS functionality.

**FBT year:** 1 April to 31 March

**Reportable Fringe Benefit:** The grossed-up value of fringe benefits reported on an employee's payment summary.

## **4. POLICY PRINCIPLES**

### **4.1 Requirements/Conditions**

- 4.1.1** The computer must be a portable laptop, notebook computer (not a desktop computer) or multiple function portable electronic device.
- 4.1.2** The employee must have acquired the portable laptop, notebook computer or multiple function portable electronic device primarily for use in the employee's employment with the University of Adelaide.
- 4.1.3** The employee must purchase the portable laptop, notebook computer or multiple function portable electronic device in full and a valid tax invoice with the staff member's name clearly stated.
- 4.1.4** The tax invoice must state that the computer is a portable laptop or notebook computer or identify the type of multiple function portable electronic device. If this is not stated, Human Resources/Finance Services may refuse the application.
- 4.1.5** As part of the salary packaging arrangement, an administration fee of \$50.00 will be charged for each portable laptop, notebook computer or multiple function portable electronic device purchased.
- 4.1.6** The total cost involved in salary packaging the portable laptop, notebook computer or multiple function portable electronic device must be deducted from an employee's pay in the fastest way possible. The number of pays will depend upon the staff member's available taxable income.
- 4.1.7** Where possible salary deductions for a portable laptop, notebook computer or multiple function portable electronic device should occur within one FBT year. If the deductions occur over 2 FBT years, another portable laptop, notebook computer or multiple function portable electronic device cannot be purchased and be treated as an exempt fringe benefit until the beginning of the third FBT year.
- 4.1.8** If there are any outstanding amounts after the resignation or termination of an employee, the remaining amount will be deducted from the staff member's salary and any remaining leave entitlements.

### **4.2 FBT Implications**

- 4.2.1** Certain work related items provided to employees as expense payment, residual or property benefits are exempt from FBT when they are purchased primarily for use in the employee's employment. These items include portable laptop, notebook computer or multiple function portable electronic devices.
- 4.2.2** The FBT exemption in relation to a portable laptop, notebook computer or multiple function portable electronic device is limited to the purchase or reimbursement of one portable laptop, notebook or multiple function portable electronic device per employee per year for items that have substantially identical functions.
- 4.2.3** If more than one portable laptop, notebook computer or multiple function portable electronic device of substantially identical functions is salary packaged during an FBT year, the taxable value of the item will appear on the employee's payment summary as a reportable fringe benefit and the employee will be liable for FBT.

**4.2.4** In the event that the ATO determines that the item to which salary sacrifice relates was not primarily use in employment, the employee will be required to pay back to the University any fringe benefits tax deemed payable by the ATO and any penalties and interest imposed on the failure to pay FBT in respect of the salary sacrifice arrangement.

#### **4.3 GST Implications**

**4.3.1** When an employee purchases a portable laptop, notebook computer or multiple function portable electronic device they are required to pay GST.

**4.3.2** Where a portable laptop, notebook computer or multiple function portable electronic device is salary packaged (i.e. received in lieu of salary) the employee is not subject to GST on the purchase of the computer. Only the GST exclusive amount of the computer is salary packaged. Therefore, the University will reimburse the employee for the GST paid on the purchase of the portable laptop, notebook computer or multiple function portable electronic device.

**4.3.3** The University will claim the input tax credits relating to the purchase of the portable laptop, notebook computer or multiple function portable electronic device.

#### **4.4 Income Tax Implications**

Salary packaged portable laptop, notebook computer or multiple function portable electronic devices will not be assessable under income tax laws and will not be included on the employee's payment summary either as a salary component or a reportable fringe benefit.

**4.5 Allowable Items with the** portable laptop, notebook computer or multiple function portable electronic device:

- Built-in internals (modem, fax cards)
- Preloaded-software that is part of the overall computer package (as an operational requirement)
- Mouse and keyboard.

**4.6 Non-allowable Items with the** portable laptop, notebook computer or multiple function portable electronic device:

- External modems, printers and fax machine
- Repairs and maintenance
- Insurance
- Finance and credit charges
- Other software.

### **5. PROCESS FOR PACKAGING A PORTABLE LAPTOP, NOTEBOOK COMPUTER OR MULTIPLE FUNCTION PORTABLE ELECTRONIC DEVICE**

**5.1** The staff member purchases the portable laptop, notebook computer or multiple function portable electronic device (note: the staff member has the option to seek independent financial advice before making the purchase).

- 5.2 The staff member completes the Salary Packaging Portable Laptop, Notebook Computer or Multiple Function Portable Electronic Device Form (doc 69K), attaching the original receipt and tax invoice.
- 5.3 Human Resources will ensure the receipt states the computer is a recognisable portable computer, notebook computer or multiple function portable electronic device and make the adjustments to the salary.
- 5.4 The University of Adelaide strongly advises all staff contemplating entering into a salary packaging arrangement to seek independent financial advice.
- 5.5 Staff members who are entitled to make a claim in their individual tax returns relating to a salary packaged item are responsible for maintaining their own adequate records.

## 6. RESPONSIBILITIES

### Staff member:

- Purchase portable laptop, notebook computer or multiple function portable electronic device
- Complete Salary Packaging Portable Laptop, Notebook Computer or Multiple Function Portable Electronic Device [form](#), and attach the original receipt and tax invoice

### Human Resources:

- Ensure the item to be packaged is a portable laptop, notebook computer or multiple function portable electronic device. (Note: if the receipt is unclear in terms of being allowable under this policy, Human Resources will seek advice from the Financial Services Branch to determine if it can be packaged).

### Financial Services:

- Ensure the University claims input tax credits from the purchase of the portable laptop, notebook computer or multiple function portable electronic devices.
- Advise Human Resources if an invalid tax invoice is received.

## 7. EXAMPLE OF SALARY PACKAGING A PORTABLE COMPUTER

- 7.1 Simon wishes to purchase a portable laptop for use primarily for business purposes, using the salary sacrifice option available. Simon's gross pay is \$1500 per fortnight. Simon decides to buy a \$3300 laptop computer, with a GST component of \$300. Simon pays for the laptop (including GST and a portable keyboard and mouse) in total by cash, obtaining a tax invoice in his name and genuine cash receipt. Simon then completes the Salary Packaging Portable Laptop, Notebook Computer or Multiple Function Portable Electronic Device Form and attaches the receipt and tax invoice and sends to Human Resources. Simon's fortnightly salary, after pre-tax deductions is \$1375, therefore the salary-packaged amount will be processed over three pays (\$3000 divided by \$1375 is 2.2 pays, rounded up to three pays in total). The amount of salary packaging per pay will be \$1000 per pay. Please note that this will affect the amount of tax deducted only, therefore there is no impact on the fortnightly salary. Note that the \$50 administration fee will be deducted from the first pay. Simon will receive the

GST component of \$300 back in the first pay and the remaining \$3000 is salary packaged.

**7.2 Summary:**

Simon purchased the laptop computer for \$3,300. Simon completed the Salary Packaging Portable Laptop, Notebook Computer or Multiple Function Portable Electronic Device Form and it was calculated that the packaging would need to be over three pays.

Simon's first salary period when he commenced the packaging arrangement gave an increase in net pay of \$515, which includes the reimbursement of \$300 GST and the subtraction of a \$50 administration fee.

Simon's second salary during his packaging arrangement gave him a net increase in pay of \$265, as does his third (and final) pay under the arrangement.

Therefore, the laptop expense is \$3,300 less \$515, less \$265, less \$265. The out of pocket expense for the laptop is \$2,255, a saving in this case of \$1,045.

Please note: Savings are on a case-by-case basis and may be dependent on other factors in some cases (such as HECS debts etc).

<i>Normal Salary without packaging a portable computer</i>	
Gross pay	1500
Superannuation packaged	-125
Taxation	-290
<b>Net Pay</b>	<b>1085</b>

<i>First salary period when packaging a portable computer</i>		<i>Second salary period when packaging a portable computer</i>		<i>Third salary period when packaging a portable computer</i>	
Gross pay	1500	Gross pay	1500	Gross pay	1500
Super packaged (Pre-tax)	-125	Super packaged (Pre-Tax)	-125	Super packaged	-125
Laptop packaged	-1000	Laptop packaged	-1000	Laptop packaged	-1000
Taxation	-25	Taxation	-25	Taxation	-25
Laptop reimbursement	1000	Laptop reimbursement	1000	Laptop reimbursement	1000
GST Reimbursement	300				
Administration fee	-50				
<b>Net pay</b>	<b>1600</b>	<b>Net pay</b>	<b>1350</b>	<b>Net pay</b>	<b>1350</b>