

Notebook Computer



Packaging a Notebook Computer can be a very tax effective method of acquiring the computer.

Federal Budget 2008-09 tightened the FBT exemption for Notebook Computer by ensuring the exemption only applies where the item is used primarily for work purposes. The measure will apply to the item purchased after 7.30 pm (AEST) on 13 May 2008. The Government will also deny employees depreciation deductions for FBT exempt items purchased after 7.30 pm (AEST) on 13 May 2008. For items purchased before that time, employees will be denied depreciation deductions for the 2008-09 and later income years.

Why would you benefit from packaging a Notebook Computer?

Packaging your Notebook Computer can result in lowering the amount of tax you pay. The cost of acquiring your computer is paid using "pre tax" earnings. The Notebook Computer is exempt from FBT, meaning that the effective tax rate on the earnings used to acquire the computer is nil.

- Only one Notebook Computer can be packaged in a FBT year. If you package a computer in the current FBT year and the reimbursement of its purchase price or the term of the lease runs into the next FBT year, you cannot package a second computer in either of these FBT years.

- If a hand held pc has phone functionality you are not able to salary package the device as personal digital assistant (PDA) if it is first and foremost designed and marketed to be a phone.

What is the tax treatment of a packaged Notebook Computer?

Fringe benefits tax

- A packaged Notebook Computer is exempt from FBT. The basis for the exemption is that the computer is to be provided primarily in respect of your employment.
- The key characteristics of a Notebook Computer are being easily portable, small in size and having the ability to operate without an external power source. You can salary package a new or second hand Portable Computer.
- The exemption will include built in modems and pre-loaded software. The exemption will also cover other peripheral items, but ONLY if they are included in a package deal with the Notebook Computer for a single invoiced price.

Reportable fringe benefits

As no FBT applies, the benefit will not be a reportable fringe benefit on your payment summary.



Notebook
Computer

Example (Indicative only)
Gross Annual Taxable Income \$65,000

Description of benefits packaged (All costs are GST inclusive)

You purchase a portable computer for \$3,300.

Your employer is able to claim the input tax credits (GST) and passes them on to you.

NOTES:

This example is indicative only. You should clarify any question you may have regarding this example by consultation with an accountant, financial adviser or Selectus consultant. An annual fee is payable to Selectus fortnightly from your pre-tax salary.

	<u>Not packaged</u>	<u>Packaged</u>
	<i>Purchase from after tax salary</i>	<i>Purchase from pre tax salary</i>
Gross Salary	\$65,000	\$65,000
Notebook Computer purchase	\$0	-\$3,300
ITC (return of GST) pre-tax		+\$300
Gross Taxable Salary	\$65,000	\$62,000
Tax (including Medicare levy)	-\$14,352	-\$13,364
Notebook Computer Purchase	-\$3,300	\$0
Net Salary	\$47,348	\$48,636
Annual Net Packaging Benefit	Nil	\$1,288 pa

This employee would have saved \$1,288 on the purchase price of the notebook computer as a result of salary packaging



Notebook Computer

Tax tip!

Every employee could benefit from packaging his / her eligible portable computer. This is because there is no FBT on a packaged portable computer

Disclaimers and Disclosures

The provisions of this Fact Sheet and the benefits of packaging your salary using Selectus are subject to the provisions of your employment contract and your employer's policy regarding remuneration packaging.

This Fact Sheet is based on taxation and other laws that are current as at 1 July 2009. It contains general information only which is based on the continuance of present laws and rulings and their interpretation.

The information in this Fact Sheet is not intended as professional advice. You should obtain independent legal and financial (including taxation) advice on salary packaging as it affects your individual circumstances.

GST

- The Tax Invoice for the Notebook Computer will be in the employee's name.
- GST will be charged by the supplier on the purchase of the Notebook Computer.
- Your employer may be entitled to claim an input tax credit for the GST paid on the computer. If this is the case, the amount of this GST input tax credit will be passed on to you by your employer unless your employer advises otherwise.
- Your employer cannot claim an input tax credit if the computer you purchase and package is purchased from a private individual or business that is not registered for GST.
- If you take out a finance lease, the residual value can be packaged and attracts GST.

What choices are available to me?

With Selectus, you select the Notebook Computer (which may be new or second hand) you wish to acquire. You have complete discretion regarding the brand, configuration and supplier of the Notebook Computer.

Invoicing and Payment

The supplier will invoice you for the cost of the equipment.

You will be required to pay the invoice (see below) and provide Selectus with a copy of the original tax invoice for the goods. Selectus will then reimburse the purchase price to you from your pre-tax salary over the agreed period.

Funding the purchase

You have the following options for funding your portable computer purchase:

1. From your own savings;
2. With a privately arranged loan;
3. Using a credit card or no repayments/interest free offer;
4. By taking out a finance or operating lease.

There is no restriction on the term of the loan or lease you use to acquire the computer. However you cannot package another Notebook Computer until the former has been fully reimbursed / repaid and you can only package one portable computer per FBT year.

What other matters need to be considered?

You may purchase and package a second hand Notebook Computer as long as you obtain a valid receipt from the supplier (which may be an individual or a business).





Salary packaging a Notebook Computer Checklist

ACTION

EXPLANATION

Preparation and selecting a Notebook Computer

- | | |
|---|---|
| <p>1. Collect, read and understand the following information:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The salary packaging section of your internal policy document <input type="checkbox"/> Selectus Fact sheet on packaging a Notebook Computer | <p>If you salary package any part of your salary you will have certain responsibilities of which you must be aware.</p> <p>Importantly salary packaging does not benefit everybody at all times. It is your responsibility to ensure it is right for you!</p> |
| <p>2. If you are comfortable with the concepts of salary packaging and wish to continue go to Step 3.</p> <p>If not re-read the above information or seek the advice of a professional.</p> | <p>It is important that you understand salary packaging and your responsibilities.</p> <p>Both you and your employer acknowledge that the laptop is primarily for business use.</p> |
| <p>3. Select the type of Notebook Computer you wish to purchase.</p> | |
| <p>4. Request quotes for your Notebook Computer.</p> | |

Preparing to salary package your Notebook Computer

- | | |
|--|--|
| <p>5. Once you have decided on a Notebook Computer you can now prepare to have it packaged.</p> <p>Before you are to able salary package your Notebook Computer you must obtain a Salary Packaging Agreement/Authority Letter from your employer allowing you to salary package.</p> | <p>You will not be able to commence salary packaging without receiving this Salary Packaging Agreement/Authority Letter which is essential for Selectus to proceed with your salary package.</p> |
|--|--|

Creating your salary package

- | | |
|--|---|
| <p>6. Once you are comfortable with the requirements of salary packaging and your responsibilities place the order to purchase your Notebook Computer.</p> | <p>Ensure you receive a purchase invoice or tax invoice when ordering your portable computer. This document will need to be provided to Selectus before you can receive reimbursements.</p> |
| <p>7. Arrange any finance and documentation if applicable.</p> <p>This step will not be applicable if you are purchasing the Notebook Computer outright.</p> | <p>You will need to decide over how many pay cycles you will be reimbursed for the purchase price of the lap top.</p> |

Salary packaging a Notebook Computer Checklist



Creating your salary package

- | | |
|---|--|
| <p>8. Finalise your salary package by sending the following forms, authorised by your employer to the Selectus Customer Service Centre.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Client Details Form - Notebook Computer PDA <input type="checkbox"/> Salary Packaging Agreement / Authority Letter from your employer allowing you to salary package, if applicable. <input type="checkbox"/> A copy of the Notebook Computer Tax Invoice <input type="checkbox"/> Financial advice received or waiver to receive financial advice, if applicable <input type="checkbox"/> Notebook Computer Declaration signed by you and your employer | <p>Please send a photocopy of your documents to: Locked Bag 4000, Melbourne, Victoria, 3001.
Or fax to Selectus on (03) 8615 4911.</p> |
| <p>9. The Selectus Customer Service Centre will finalise your salary package.</p> | <p>Selectus can only instruct the payroll team to deduct money from your salary after we have received a signed Authorisation.</p> |
| <p>10. Selectus will update the administration system. If all documentation and authorisations have been received Selectus will commence making payments.</p> | |
| <p>11. You will have a PIN and password to the Selectus website to allow you to monitor your salary package.</p> <p>If you do not receive this communication please contact Selectus.</p> | <p>Part of your responsibility is to monitor your package.</p> |

Selectus

<http://www.selectus.com.au>