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# Novated Leasing for Employers and Employees



Boost Salary Packaging



## What is a novated lease?

To attract and retain the best people there are many factors in an employee's choice of employer but none more important than the salary packaging on offer.

Boost Salary Packaging novated leasing offers companies a cost effective and hassle free way to provide the key benefits of a car as part of an employee salary package.

It can potentially allow the employee to reduce their tax bill by paying for the car and all of its running and maintenance costs from their pre-tax salary.

## Advantages

At the same time it frees the company from the administrative and financial burdens of owning and operating a car fleet.

Our highly trained consultants understand the benefits of novated leases and how to structure the most effective lease for your employee's situation.

We don't operate via call centres, we provide tailored solutions for your employees.

## Choice and flexibility

Choosing the car that suits your lifestyle!



## Items to be included as budgeted

- Fuel
- Maintenance
- Comprehensive insurance
- Registration/CTP
- Tyres
- Management fees

## Items excluded

Tolls, parking, windscreens  
(unless included in budget)



## How does it work?

A novated Lease is a three-way agreement between the employer, employee and Boost Salary Packaging.

The employee chooses the type of motor vehicle they want

E.g. New or used; sedan or wagon or 4WD or sports coupe etc

The company, employee and Boost Salary Packaging then enter into a full novation agreement, where the company assumes the lease obligations for the employee and agrees to the monthly lease rentals to Boost Salary Packaging while the employee continues to work for the company.

If the employee selects a novated finance lease, the employee enjoys the full use of the vehicle for the term of the lease and assumes responsibility for the residual at the end of the lease.

A novated lease includes vehicle-running costs for the term of the lease.

Vehicle running costs include: maintenance, fuel, tyres, vehicle registration and CTP insurance.

Comprehensive vehicle insurance can also be included.



## Novated Finance Leases are portable

If the employee ceases employment before the lease expires your employee is responsible for the remaining obligations of the lease. Your only responsibility is to immediately inform Boost Salary Packaging if this situation arises to ensure all required deductions have occurred before last payment is made to employee, they simply take the vehicle and the finance lease to their new employer. A novated finance lease is portable.

GST is payable on the vehicle lease rentals but most companies can claim the GST as an input tax credit.

Boost Salary Packaging will provide the company with an annual Fringe Benefit Tax (FBT) liability estimation for each lease.

### *Advantages for the employer*

- No capital is required to fund the purchase of vehicles
- Flexible to accommodate a diverse range of salary packages and car preferences
- No requirement to buy and maintain a fleet of company cars
- Reduced fleet administration costs; due to no unwanted cars or disposal problems when employees leave
- Removes the vehicle off balance sheet
- An excellent method to improve remuneration offer to potential or existing employees
- Potentially reduced payroll tax and work cover expenses, subject to state and territory laws
- Annual FBT report provided for each driver

### *Advantages for your employees*

- Assist in sourcing of vehicle and purchase discounts on vehicle
- Flexible lease terms
- Ability to cost effectively package a vehicle of their choice, without having to arrange a deposit
- The opportunity to reduce gross annual salary, leading to lower income tax and higher net salary
- Vehicle operating costs such as maintenance, tyres and fuel running costs are effectively "GST free"
- Acts as a budgeting tool, as all vehicle-running costs are packaged into one monthly payment, automatically deducted from the employee's salary
- Opportunity to package more than one vehicle
- Vehicle reports for employees showing all costs and budgets up to date; electronically sent out each month.



# Employee Obligations



## EMPLOYEE CONTRIBUTION METHOD

To eliminate the impact of FBT to the employee; and make the novated lease more cost effective an additional employee contribution is made. This ensures that the employer is not impacted by any FBT liability whilst the employee benefits from a more advantageous salary effective lease.

The employee contribution method is well established in tax law and allows an employee to make a contribution towards the running cost of their motor vehicle from their after tax (net) salary.

Thus, there is a gross deduction and a net deduction. These two figures make up the total monthly novated lease deduction and eliminate any FBT liability.

NOTE: For the above to be correct, the driver must achieve whatever nominated kilometers they state each FBT year e.g. Complete 25,000 km if paying the 11% statutory rate (refer to table on this page)

At the end of each FBT year each driver will be sent an annual FBT declaration which requires them to state odometer reading as of 31/3 that year and send back to Boost Salary Packaging.

An annual FBT summary report will then be provided **(if declaration is returned to Boost)** to the employee / employer which shows budgeted km, actual km, FBT value and employee contribution paid.

The Australian Taxation office in Taxation Ruling IT2509 clearly sets out the income tax and fringe benefit tax implications for a novated motor vehicle lease.

*It is recommended independent financial advice (e.g. accountant) be sought before embarking in a financial novated lease.*

## FRINGE BENEFIT TAX

FBT is calculated annually and is based on the FBT year which runs from 1 April to 31 March

The statutory FBT formula makes no distinction between business and private use of the vehicle; as a result your employee is not required to maintain a logbook.

FBT is calculated as follows:

FBT Payable = FBT taxable value x 48% (FBT rate) x 2.1292 (gross up factor)

Where:

FBT Taxable Value = FBT Purchase Price x Statutory Rate %

The FBT value is determined by the number of kilometres travelled in the FBT year (statutory rate):

Less than 15,000km travelled	26%
15,000 – 24,999km travelled	20%
25,000 – 40,000 km travelled	11%
More than 40,000 km travelled	7%

## What are the benefits of salary packaging vs. running vehicle outside of my package?

**Example 1: I wish to package a medium size vehicle over 3 years. I will drive 25,000 km pa.**

**My Salary is \$90,000. Cost of vehicle is \$25,000**

	Non – Packaged Vehicle pa	Boost Salary Packaging Benefits pa
Vehicle Lease Package	\$0	\$11,373.22
Gross Salary	\$90,000.00	\$78,626.78
Tax on Gross Salary	\$23,000.00	\$18,617.19
After Tax Contribution	\$14,860.54	\$2,750.00
Annual Net Salary	\$52,139.46	\$57,259
Monthly Nett Salary	\$4,344.96	\$4,771.63

**SAVINGS PER MONTH (BY PACKAGING) = \$427.00**

**Example 2: I wish to package a medium size vehicle over 3 years. I will drive 25,000 km pa.**

**My Salary is \$110,000. Cost of vehicle is \$35,000**

	Non – Packaged Vehicle pa	Boost Salary Packaging Benefits pa
Total Gross Salary	\$110,000.00	\$110,000
Vehicle Lease Package	\$0	\$12,945.58
Gross Salary	\$110,000.00	\$97,054.42
Tax on Gross Salary	\$30,900.00	\$25,786.33
After Tax Contribution	\$17,690.14	\$3,850.00
Annual Net Salary	\$61,409.86	\$67,418.09
Monthly Nett Salary	\$5,117.49	\$5,618.17

**SAVINGS PER MONTH (BY PACKAGING) = \$501.00**

## What are the benefits of salary packaging vs. running vehicle outside of my package?

Example 3: I wish to package a medium size vehicle over 3 years. I will drive 25,000 km pa.

My Salary is \$125,000. Cost of vehicle is \$50,000

	Non – Packaged Vehicle pa	Boost Salary Packaging Benefits pa
Total Gross Salary	\$125,000	\$125,000
Vehicle Lease Package	\$0	\$15,304.14
Gross Salary	\$125,000	\$109,695.86
Tax on Gross Salary	\$36,825.00	\$30,779.52
After Tax Contribution	\$21,934.55	\$5,500.00
Annual Net Salary	\$66,240.45	\$73,416.34
Monthly Nett Salary	\$5,520.04	\$6,118.03

**SAVINGS PER MONTH (BY PACKAGING) = \$598.00**

Please call Boost on (02) 8875 7955 if you would like us to work out your personal calculation

## *How do we commence a novated lease management agreement with Boost Salary Packaging?*

Contact Boost Salary Packaging on 02-8875 7955 for more information and one of our consultants will speak to you about your requirements

Or

Visit our website for further information about our products  
[www.boostsalary.com.au](http://www.boostsalary.com.au)

Or

Email : [customerservice@boostsalary.com.au](mailto:customerservice@boostsalary.com.au)



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