



Novated Lease

A Novated Lease is a 3-way arrangement between the employee, the employer and the financier, where the obligations under the finance lease are transferred from the employee to the employer through a Deed of Novation, and the employer assumes responsibility for making the lease payments to the financier. The Deed of Novation remains in force until the earlier of the end of the lease term, or until the employee ceases employment.

Fully Maintained Novated Lease

A fully maintained novated lease is an arrangement where all of the operating costs (such as lease rental, servicing and maintenance, registration, tyres and insurance) of the motor vehicle are covered by a single monthly payment made by the lessee to the leasing company. The leasing company takes care of all maintenance and administration costs of the motor vehicle.

Non-Maintained Novated Lease

Under a non-maintained novated lease, the lessee is responsible for all maintenance and other running costs of the motor vehicle.

Flexibility

- The employee can lease the motor vehicle of their choice
- The motor vehicle can be leased where the private use of the vehicle is 100%
- When an employee ceases employment, the responsibility for the lease reverts back to the employee
- The motor vehicle does not appear on the employer's Balance Sheet

Tax Benefits

The concept of novated leasing is central to salary packaging arrangements between an employee and an employer. Under a salary packaging arrangement, an employee agrees to forego a portion of their salary or wages in return for benefits equal to that amount.

For a novated lease, the lease and running costs of the motor vehicle, and Fringe Benefits Tax (if applicable) are deducted from the employee's pre-tax salary, and PAYG is calculated on the reduced salary or wages.

The tax benefit of a novated lease arises from the concessional Fringe Benefits Tax treatment on the car, with the lease and running costs being FBT exempt. Depending on the employee's individual financial circumstances, salary packaging a motor vehicle under a novated lease can have the effect of increasing an employee's net disposable income.



Other Benefits

- The repayments are fixed over the term of the loan
- The term of the loan ranges from 12 to 60 months
- As the financier is the owner of the motor vehicle, they claim the GST on the purchase price, meaning that the employee finances the GST-exclusive amount
- Under a salary packaging arrangement, the employer is entitled to claim an input tax credit for the GST components of the lease payments and other running costs of the motor vehicle
- If the employer passes back to the employee the input tax credits, the employee is effectively paying the lease and running costs net of GST.

To obtain a Novated Lease quotation tailored for you, please complete our attached finance enquiry form. Alternatively, call our friendly finance consultants on 1300 132 700.

Contact Details

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