

# YOUR GUIDE TO NOVATED LEASE VEHICLE PACKAGING



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## Introduction

While most people couldn't imagine living without the freedom and convenience that vehicle ownership provides, there aren't too many people who wouldn't pass up the opportunity to save money and unnecessary hassles associated with keeping their car on the road. A novated lease may mean you can drive the vehicle of your choice, without compromising your lifestyle and can also help minimise income tax.

With a Toyota Fleet Management novated lease you could save money on the purchase price and running costs of a new or used car, or even the car you currently drive. It also allows you to enjoy the convenience of cashless motoring and gives you access to our discount programs, so you'll receive great deals on finance, fuel, maintenance and repairs.

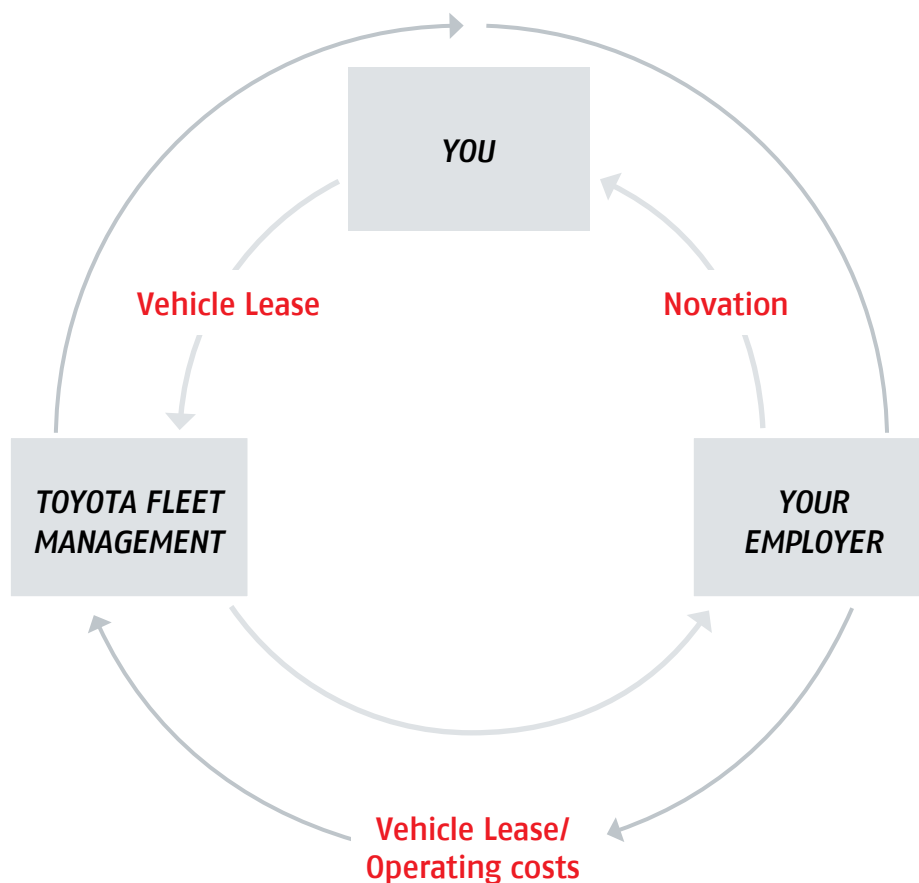
Novated leasing sounds complicated but its basic concept is very simple: your employer pays for your vehicle lease out of your pre-tax salary. You'll find a more detailed explanation of exactly how it works elsewhere in this brochure but the many potential benefits for you are clear:

- ✓ Novated leasing is a legitimate Australian Tax Office-approved form of tax minimisation.
- ✓ Novated leasing allows you to choose the vehicle you want, and you can even decide to sacrifice additional pre-tax salary to package more than one vehicle.
- ✓ The amount financed with a novated lease, and the vehicle's running costs, don't attract GST, meaning a further saving over a post-tax vehicle lease.
- ✓ No cash, no worries – all fuel and other vehicle expenses are covered in the monthly lease payment. We take care of everything, including registration renewal, scheduled servicing, warranty repairs, tyre replacement and fuel payments.
- ✓ Our buying power means the best possible prices on all products and services. For example, by using a Toyota Fleet Management fuel card you'll get a discount everytime you fill up your tank.
- ✓ A novated lease allows you access to corporate fleet discount pricing when you buy a car, saving you even more money.
- ✓ Unlike conventional salary packaging for a company vehicle, with novated leasing it is possible to build tax-free equity in the vehicle.

## How novated leasing works

Novated leasing is a form of 'salary sacrifice' or 'salary packaging'. It is a financial arrangement between the **Financier** (Toyota Fleet Management) and the **Employee** (you).

The 'novated' part refers to the transfer of the lease to your employer, who takes on responsibility of the lease on your behalf. You have responsibility for the vehicle itself. All three parties agree to their individual obligations through a novated lease agreement.



## *Enjoy the benefits of a novated lease*

### *Tax savings:*

- » A vehicle financed through a novated lease is considered a company vehicle for tax purposes – this means you can take advantage of extra benefits.
- » GST credits (Input Tax Credit), on the initial vehicle purchase (capped in accordance with the luxury car limit).
- » GST credits on vehicle running costs including maintenance, tyres and fuel.
- » Fringe Benefit Tax can provide a lower form of taxation when you package all or a significant amount of the vehicle lease and running costs through pre-tax salary (gross) salary.

### *Save on the purchase price and running costs:*

- » You are able to benefit from corporate fleet discount programs which can take a significant amount off the recommended retail price of a car.
- » Vehicle running costs can be managed by Toyota Fleet Management, so you get access to discount servicing and maintenance costs.

### *Convenient and cashless motoring:*

- » Fuel is paid through our fuel card which also provides discounts on fuel purchases through a number of major fuel providers.
- » Vehicle servicing and repairs can be paid through our Repair Authorisation Service.
- » You don't have to worry about keeping receipts or completing log books.
- » Novated leasing acts as a budgeting tool, as all vehicle running costs can be packaged into a single monthly payment, which is automatically deducted from your salary.

*Control and flexibility:*

- » You choose the vehicle you want and where and how you want to drive it.
- » You can lease any make and model of vehicle including new, used or demonstrator vehicles.
- » There is potential for you to build equity in the vehicle, and if at the end of your lease the vehicle's market value is higher than the residual value, you benefit from the difference.
- » There is opportunity to acquire, trade-in or return the vehicle at the end of the lease, with a potential for profit.
- » If you choose to leave your current employer, the vehicle remains with you and you may continue the lease yourself or 'novate' the lease to another employer.

## Novated Lease Vehicle Packaging Comparison

Compare the potential savings for you when you finance a vehicle with a novated lease.

### Toyota Kluger KX-R AWD 3.5I Automatic 5 seat wagon RRP \$45,990

	Private Purchase	with Novated Lease	
Total vehicle on road cost	49,065.50	43,455.50	Fleet discounts reduce the vehicle purchase price
<b>Factors</b>			
Amount financed	49,065.50	39,982.09	Novated lease finance is further reduced by GST credits
Lease term	48	48	
Residual value inc GST	16,015.76	16,015.76	
KM's per annum	25,000	25,000	
<b>Lease Costs</b>			
Finance	921.54	724.62	
Maintenance	50.42	45.83	
Tyres	29.33	26.67	Enjoy the benefit of GST credits for vehicle running costs
Fuel	395.31	359.38	
Comprehensive Insurance	83.33	83.33	
Registration	54.44	54.44	
Management fee	0.00	25.00	
Total package cost	1,534.37	1,319.26	
	<b>Savings per month</b>	<b>\$215</b>	

#### Assumptions made in this example:

All figures and total lease rental are GST exclusive unless otherwise noted. Analysis assumes that employer is eligible for an input tax credit and will pass the benefit to the employees novated lease.

Quote prepared as at 1st May 2009. Whilst every effort has been made to provide an accurate representation at time of preparation, costs provided are indicative at time of quoting and subject to change.

Vehicle discounts are based Toyota Fleet discount scheme subject to eligibility.

Finance is a novated finance lease with a residual value calculated monthly in advance and in accordance with Toyota Fleet Management policy and ATO guidelines.

All costs are based on NSW.

Running costs are budgeted and dependent on actual cost with a reconciliation adjustment during and/or at end of lease.

All costs quoted are per month unless otherwise stated.

Comprehensive Insurance is an estimate, actual cost will be dependent on the applicant.

## *Costs involved in novated leasing*

### *Novated lease finance costs*

The total amount financed through your novated lease is calculated by taking into account the cost of the vehicle and its accessories, the lease term, current interest rates and the market value of the vehicle at lease end.

Vehicle purchases attract GST. Toyota Fleet Management can claim a GST Credit (Input Tax Credit) when we finance a vehicle with a novated lease. We'll then pass the benefit of any GST credit to you and reduce the amount being financed (capped by the luxury car limit).

The total amount financed is calculated over an agreed term and broken down into monthly payments.

At a glance – the novated lease financed amount covers

- » Vehicle price and accessories
- » Dealer delivery charges
- » Initial registration and compulsory third party (CTP) insurance
- » Purchase stamp duty
- » Luxury car tax (where applicable)
- » Novated lease establishment fee
- » Register of encumbered vehicles registration fee (REVS or VSR Fee)

### *Vehicle running costs*

All vehicle running costs are included in your monthly lease payments. Running costs may include fuel, servicing and maintenance tyre replacements, renewal of registration and insurances. Your vehicle running costs calculations are based on the lease term and a nominated number of kilometres you are likely to travel.

### *Fuel card*

Buying fuel has never been simpler than with our fuel card. The card provides significant discounts off the pump price (via a rebate) at all BP outlets, as well as at over 80% of service stations operating through the national Motorpass network. The fuel card can also be used in conjunction with supermarket docket fuel discount offers to achieve even greater savings.

### *Service, maintenance and tyres*

Toyota Fleet Management's Repair Authorisation Service uses an extensive network of maintenance facilities to ensure great service and allow the company to:

- » Negotiate substantial discounts on labour rates and spare parts.
- » Enforce and extend warranty claims.
- » Accurately forecast service and maintenance costs, which mean lower monthly charges.
- » Offer a broad repair and service network to minimise any inconvenience to you when vehicle servicing is required.
- » Ensure the use of like-for-like manufacturers specified parts.

These factors, combined with the use of our approved repairers, prevent over-servicing whilst maintaining vehicles to a high standard, thereby protecting your investment in your vehicle.

### *Registration and CTP insurance*

A novated lease vehicle covers the full registration and CTP insurance amounts in your monthly payment. In states where CTP can be purchased separately, our buying power achieves very competitive rates.

### *Comprehensive insurance*

Select between Toyota Insurance or your own insurer, we include insurance budgets and can arrange payment on your behalf.

### *Renewal management*

We will remind you of any registration, CTP and comprehensive insurance renewals well in advance of their due dates and arrange renewal. Please note however that it is your responsibility to ensure that the vehicle is registered and insured at all times.

### *Novated lease protection*

Toyota Fleet Management offers payment and gap insurance which will continue to pay your lease for up to six months and provides a vehicle hand-back option if employment is not obtained within six months, giving you extra peace of mind.

### *Roadside Assistance*

When other services, such as roadside assistance or motor club membership are chosen, you can incorporate these additional costs into your monthly payments.

### *Reimbursement*

All vehicle related costs that are personally incurred, such as re-registering your vehicle, can be reimbursed by completing the personal expense form, located online at **[www.novatedonline.com.au](http://www.novatedonline.com.au)**.

### *Fees and charges*

The fees and charges that may be levied include an establishment fee and ongoing monthly management fees. Variation fees and reimbursement fees may apply if there are excess requests for reimbursement or if you want to change your agreement. All Toyota Fleet Management fees will be fully explained in your employee vehicle policy and also in the novated lease terms and conditions.

### *Other points to note*

- » Tolls and parking cannot be incorporated into your novated lease payment.
- » Deposits or trade-ins cannot be used to reduce the amount to be financed. With novated leasing, the full amount of the vehicle purchase price must be financed.
- » Your employer may stipulate other exclusions and these should be noted in the employer's policy.

# Understanding the tax benefits

## *Fringe Benefits Tax (FBT)*

FBT is important to understand as although it can lower the amount of tax you pay, if you are not careful you may incur extra costs. Your FBT is based on the number of kilometres you are likely to travel during the FBT year.

The FBT year is measured from 1 April to 31 March, not on the anniversary of signing your novated lease or the Australian Financial Year.

By novating a vehicle, your lease costs come out of your pre-tax salary, meaning you have less gross income to be taxed upon. However, because you benefit from the arrangement, it is deemed as a salary benefit or 'fringe benefit' under taxation law. As a result, two types of tax apply – income tax for your cash salary, and FBT for your vehicle. You still come out on top under this system if you make sure you meet your kilometre target, which reduces the FBT to be paid.

Projected FBT costs are calculated into the novated lease monthly payment and adjusted accordingly at FBT year end.

Your kilometre target for the FBT year covers both business and personal use of the vehicle. The fuel card captures odometer readings each time you fill up, meaning we are able to track and calculate your FBT obligations in accordance with the Australian Taxation Office (ATO) guidelines. The FBT ATO Statutory Rates are as follows:

## *Fringe Benefits Tax Rates*

Annual kilometres travelled			Statutory percentage
0	to	14,999	26%
15,000	to	24,999	20%
25,000	to	40,000	11%
40,001 plus			7%

### Employee Contribution Method

The most common arrangement for vehicle packaging is the Employee Contribution Method (ECM) which includes both pre and post tax deductions from your salary.

ECM has greater tax benefit than the statutory method if your salary is below \$180,000. By contributing from your post-tax, salary you substitute the FBT rate of 46.5% with your own lower income tax rate, 30% or 40%.

We calculate the correct portion of pre and post tax dollars for you so that the correct amount of post tax dollars are contributed to eliminate FBT and maximise your tax savings.

There are no FBT penalties if you exceed your nominated kilometre target under the ECM method. However if you do not achieve your kilometre target you will be liable to pay a higher FBT amount.

If you earn \$180,000 or more per year, statutory method and ECM salary packaging options deliver the same benefits.

### Days not available

There are specific situations in which your vehicle may not be available for travel. In these instances you are entitled to a rebate on FBT. 'Days not available' is applicable when:

- » Your vehicle is off the road for accident or mechanical repairs for one whole business day or more.
- » You leave your vehicle on company premises and surrender the keys to an authorised person for one whole business day or more.

However, it is important to note that although your vehicle may not be available, Australian taxation laws stipulate your FBT kilometre targets remain unchanged and must be met.

### FBT calculation using the Employee Contribution Method

FBT cost base	x	statutory rate %	/	days in FBT year (365)	x	Days available (days in FBT year less days unavailable)	-	Employee contributions	=	<b>FBT taxable value</b>
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FBT taxable value	x	FBT gross up	x	FBT tax rate	=	<b>FBT liability</b>
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### Simple annual FBT liability calculation (Statutory Method)

(A)	FBT cost base								\$41,342.50
(B)	Distance travelled								25,000
(C)	FBT statutory percentage								11%
(D)	FBT taxable value (AxC)								\$4,547.68
		FBT taxable value	x	FBT gross up	x	FBT tax rate	=		<b>FBT liability</b>
(G)	Gross up								2.0647
(H)	FBT tax rate								46.50%
		(D)	x	(G)	x	(H)	=		
	<b>FBT liability</b>	\$4,547.68	x	2.0647	x	46.50%	=		<b>\$4,366.16</b>

### With employee contributions & days unavailable

(E)	Employee contributions (ECM)								\$1,000.00		
(F)	Days unavailable								20		
	FBT cost base	x	statutory rate %	/	days in FBT year (365)	x	Days available (days in FBT year less days unavailable)	-	Employee contributions	=	<b>FBT taxable value</b>
	\$4,547.68 (D)			/	365	x	345	-	\$1,000.00	=	\$3,298.49
	<b>FBT taxable value</b>									=	<b>\$3,402.46</b>
		FBT taxable value	x	FBT gross up	x	FBT tax rate	=		<b>FBT liability</b>		
(G)	Gross Up								2.0647		
(H)	FBT tax rate								46.50%		
		(D)	x	(G)	x	(H)	=				
	<b>FBT liability</b>	\$3,298.49	x	2.0647	x	46.50%	=		<b>\$3,166.83</b>		

*Comparison calculation for non-packaged, statutory packaged and ECM packaged*

Without Salary Packaging		Salary Packaged Statutory		Salary Packaged ECM	
Salary package	80,000	Salary package	80,000	Salary package	80,000
		Vehicle package	15,831	Vehicle package	11,283
		FBT	4,366	Pre tax ECM GST	413
<b>Taxable Salary</b>	<b>80,000</b>		<b>59,803</b>		<b>68,304</b>
less tax payable	19,050	less tax payable	12,688	less tax payable	15,365
less vehicle cost	18,665	less vehicle cost	0	Post tax vehicle	4,548
<b>Total after tax salary</b>	<b>\$42,285</b>		<b>\$47,115</b>		<b>\$48,391</b>

Calculations based on tax rates effective 1st July 2009.

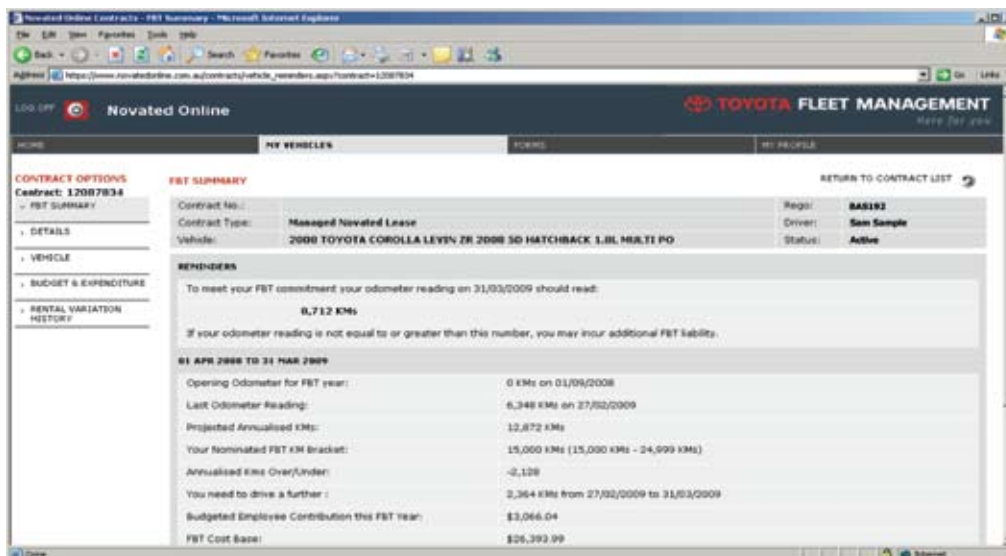
# Helping you keep track of your novated lease

Toyota Fleet Management will keep in touch with you about your novated lease through quarterly reports, via our website and through regular updates.

Importantly, we'll help you with your FBT by letting you know your target odometer reading for 31 March each year and provide a kilometre analysis to keep you on target.

## Account information online

You can easily track the activity and details of your novated lease account at anytime at [www.novatedonline.com.au](http://www.novatedonline.com.au). This online service contains helpful information such as the number of kilometres already travelled and how many you still need to make to satisfy your FBT requirements, your insurance and personal details, and itemised expenditure on your account.



The screenshot displays the 'Novated Online' interface for a Toyota Fleet Management account. The main content area is titled 'FBT SUMMARY' and provides the following information:

CONTRACT OPTIONS	
Contract: 12087834	
DETAILS	
VEHICLE	
BUDGET & EXPENDITURE	
RENTAL VARIATION HISTORY	

FBT SUMMARY	
Contract No.:	Reg: BAS192
Contract Type:	Managed Novated Lease
Driver:	Sain Sample
Vehicle:	2008 TOYOTA COROLLA LEVIN ZR 2008 3D HATCHBACK 1.8L MULTI PO
Status:	Active

**REMINDERS**

To meet your FBT commitment your odometer reading on 31/03/2009 should read:

**10,712 KMs**

If your odometer reading is not equal to or greater than this number, you may incur additional FBT liability.

**61 APR 2008 TO 31 MAR 2009**

Opening Odometer for FBT year:	0 kms on 01/09/2008
Last Odometer Reading:	6,348 kms on 27/02/2009
Projected Annualised KMs:	12,872 KMs
Your Nominated FBT KM Bracket:	15,000 KMs (15,000 KMs - 24,000 KMs)
Annualised Kms Over/Under:	-2,128
You need to drive a further :	2,364 KMs from 27/02/2009 to 31/03/2009
Budgeted Employee Contribution this FBT year:	\$3,066.04
FBT Cost Base:	\$26,393.99

## Legal documentation

Novated lease agreement – details the legal obligations of Toyota Fleet Management, your employer and yourself in regard to your novated lease.

## FBT declaration

Prior to 31 March each year you must sign an FBT declaration, detailing the number of kilometres you travelled during the FBT year. This form allows the ATO and Toyota Fleet Management to determine your FBT obligations.

## How do I get started?

It's easy; all you need to do is call our Novated Leasing Centre. Our consultants will guide you through the process and answer any questions you might have.

Assuming that your car is ready for you to pick up from the dealer, a consultant can have you up and running within 1 to 2 weeks.

<b>Step 1</b>	Call us on <b>1300 888 870</b> for more information and to obtain a quote
<b>Step 2</b>	Choose the best option for you and submit a credit application
<b>Step 3</b>	We will assess your application and confirm credit approval
<b>Step 4</b>	We will order the vehicle and confirm a delivery date
<b>Step 5</b>	We will forward you the lease documentation to complete
<b>Step 6</b>	You simply sign the lease documents with your employer and return them to Toyota Fleet Management
<b>Step 7</b>	We will arrange delivery of your vehicle
<b>Step 8</b>	We will notify your employer, arrange payroll deductions and you'll receive a welcome kit from us in the mail.

## Additional lease information

### Lease terms

Toyota Fleet Management offers a choice of lease terms ranging from 12 to 60 months.

### Eligible vehicles

You can choose a vehicle of any make or model to suit your personal and business lifestyle. Whether it's a passenger sedan or hatch, soft-roader or four-wheel-drive you're after, new or used, we can lease it to you. Under ATO law, boats, caravans, trucks and motorbikes can not be novated.

### Residual values

Determining the residual value of your vehicle is a simple calculation – it is calculated based on the amount being financed as a percentage from the lease term (see table below). You have the potential to profit from the arrangement if the market value is higher than the residual value when your lease was signed. By protecting your vehicle and keeping it in good condition you can improve the potential resale value – that's money in your pocket.

**Please note:** If you decide to purchase the vehicle, any payment will attract GST. This applies at lease end or early termination.

### ATO Residual value table

Lease term (months)	Residual value %
12	65.63%
24	56.25%
36	46.88%
48	37.50%
60	28.13%

### Luxury car tax (LCT)

Vehicles with a GST inclusive value above the luxury car limit will be subject to LCT. The current rate of LCT is 33% and it is payable on the GST exclusive value of the vehicle.

### *Luxury car tax adjustment*

Special tax accounting rules apply to the leasing of luxury vehicles which are valued above the luxury car limit (\$57,180 at the date of publication). These rules re-characterise the lease as a sale and loan transaction. Your employer needs to account for your luxury vehicle novated lease as a "loan transaction" which can result in increased costs for both them and you. Rather than claiming the lease payments, your employer claims interest and depreciation as a taxation deduction. The depreciation charge is capped at the luxury car limit of \$57,180 which is where the increased costs lie.

We manage the intricacies of luxury car tax adjustments for you and incorporate additional costs into your lease as itemised payments.

### *Lease reconciliation*

We reconcile each novated lease at the end of its term, on stopping employment or upon early termination. This process may take up to 30 days. Both you and your employer will be formally advised in writing of the amount outstanding or owed by Toyota Fleet Management.

### *Lease end*

Prior to lease expiry you may be offered the opportunity to purchase your vehicle, extend the contract or return the vehicle to us.

### *Employment cessation*

If you leave your employer, the novated lease and vehicle payment obligations transfer immediately from your employer to you. All our services, including fuel card and vehicle running costs, will cease.

Unless you decide to re-novate your vehicle with a new employer, you will be required to continue lease payments from your after-tax income. Alternatively, you may pay out the lease or refinance your vehicle with a consumer loan.

### *Early termination*

If you wish to end your novated lease prior to the completion of the agreed lease term, you will need to contact us on 1300 888 870 to receive a lease payout quote. A payout figure will be calculated and the reconciliation process will begin.

# Novated leasing glossary

## *Australian Taxation Office*

The Australian Taxation Office (ATO) is the Government's principal revenue collection agency. The role of the ATO is to manage tax, excise and superannuation systems that fund services for Australians.

## *Cashless motoring*

As a Toyota Fleet Management novated lease customer you do not need to spend actual cash for the day-to-day running of your vehicle. You pay for your fuel on our fuel card and all vehicle registrations and insurance payments can be made us.

## *Employee contribution method*

A form of salary packaging that includes both pre- and post-tax deductions from your salary and increases tax benefits. The FBT rate of 46.5% is substituted for your income tax rate (31.5% or 41.5%) for post-tax contributions

## *Fringe Benefits Tax (FBT)*

FBT is applied to the portion of your salary that is not paid in dollars. In the case of a novated lease, your vehicle attracts FBT charges. The FBT paid can be reduced by ensuring you meet the projected target for kilometers travelled within the FBT year (1 April – 31 March).

## *Goods and Services Tax (GST)*

The standard GST amount of 10 % is applied to all goods and services in Australia, including vehicle purchases and running costs. Novated lease customers benefit from GST exemptions on a vehicle's purchase price, finance, maintenance, tyres, running costs and fuel.

## *Lease*

A legally binding agreement between two or more parties, whereby one party supplies a good or service, and another party pays to use the good or service for a period of time.

## *Luxury car tax*

Luxury car tax is applied to vehicles with values exceeding the luxury car limit, GST-inclusive value of \$57,180.

## *Novate*

To transfer the contractual obligations of a legal agreement to another party.

## *Residual value*

The value of the vehicle at the end of the contracted term which was agreed at the beginning of the lease. This value is used to calculate the monthly lease payments.

## *Statutory method*

A salary packaging method based on pre-tax novated lease payments on a standard schedule provided by the ATO.

## *Tax-free equity*

There is potential for you to profit from the sale of the vehicle at lease end if it is sold for higher than the predicted residual value. This sale does not attract GST.

## *About this guide*

This guide has been developed by Toyota Fleet Management to provide you with comprehensive information about the selection, establishment and ongoing management of a novated lease

## *Financial advice*

In Australia, there are certain taxation benefits to acquiring a vehicle through a novated lease. It is recommended that before making any decision about a novated lease, parties should seek appropriate advice from their taxation consultant or financial adviser regarding the benefits of this financing option, including its treatment under Income Tax, FBT, GST Law or relevant state and territory laws where applicable.



1300 888 870

8.30am – 5pm (EST)

Monday – Friday

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