

TFM : NOVATED LEASING
DRIVE WITH CONFIDENCE

Frequently Asked Questions

tfmnovated.com.au/qld-government

ANY MAKE OR MODEL - THE CHOICE IS YOURS

Novated Lease Frequently Asked Questions

WHY TFM?

With over 30 years' experience, we have designed our novated leases as a simple, transparent and tax-effective way to drive the car of your choice. We pride ourselves on true transparency, while also providing competitive interest rates, fees and charges. All fees and interest rates are clearly identified on our quotations.

We're uniquely placed in our industry as one of the few providers using our own funding sources, which translates to a truly competitive and transparent interest rate for our customers.

WHAT IS A NOVATED LEASE?

A novated lease is a three way agreement between you, your employer and a financier. It simply means that your employer usually pays for your car lease and car running costs out of your salary package through a combination of pre-tax and post-tax salary deductions.

A novated car lease allows you to drive the car you want – any make or model, without compromising your lifestyle. It can provide you with GST savings on the purchase price and running costs of a new or used car or even the car you currently drive. It also gives you the convenience of cashless motoring. Plus you can access TFM's discount programs for great deals on finance, fuel, maintenance and repairs.

HOW DOES IT WORK?



Lease set up – Employee chooses a car that they wish to drive, and a novated lease arrangement is set up between the employee, employer and TFM (subject to eligibility and lending criteria).



Payments made – Employer makes payments to TFM from the employee's salary.



Employee saves – Employee gets the car they want, saving on tax and running costs including car price, fuel, maintenance and tyre purchases.



Cashless motoring – Employee enjoys the convenience of cashless motoring.

THE CAR CHOICE IS YOURS

TFM will finance just about any car – even if it's not a Toyota. You can choose a car of any make or model to suit your personal and business lifestyle. You can also lease a used car, however some restrictions may apply, contact us for more details.

You will need to stick to vehicles that are FBT law cars. Therefore, the vehicle will need to be designed to carry less than nine occupants and also have a total designed load carrying capacity of less than one tonne. Boats, caravans, trucks and motorbikes cannot be novated.

You can source the car yourself or our novated leasing consultants can source pricing from our comprehensive dealer network to ensure the best vehicle prices are passed onto you. Either way, it's a good idea to check if your employer has restrictions on cars that can be leased.

HOW MANY KILOMETRES DO I HAVE TO DRIVE FOR A NOVATED LEASE TO BE OF BENEFIT?

Under the Statutory Formula method, regardless of kilometers you drive, the Statutory Rate used for calculating FBT is a flat 20%.

Other things being equal, the greater the number of kilometers travelled, the greater the novated lease benefit. In most circumstances a novated lease for a car will benefit you, however, you should always seek independent financial advice in determining the benefits.

AM I ELIGIBLE?

Check your employer's salary packaging/novated lease/motor vehicle policy to see if you are eligible to package a car via a novated lease.

WHAT IS INCLUDED?

Upfront costs:

- ✓ Car price and accessories
- ✓ Dealer delivery charges
- ✓ First year registration and CTP insurance
- ✓ Novated lease establishment fee
- ✓ Personal Property Security registration fee

Running costs:

- ✓ Mechanical repairs, maintenance and servicing
- ✓ Comprehensive insurance
- ✓ Fuel
- ✓ Registration/CTP renewals
- ✓ Replacement tyres
- ✓ Roadside assistance

WHAT ISN'T INCLUDED?

- ✗ Tolls
- ✗ Fines
- ✗ Parking

HOW DO I PAY FOR THE RUNNING COSTS OF THE CAR?

Fuel

Enjoy the convenience of cashless motoring with a TFM Motorpass fuel card. Accepted at around 90% of petrol stations across Australia, it's a smart way to buy fuel, oil or carwash services. You'll also receive discounts off the pump price.

Servicing and maintenance

TFM has an approved repairer network to ensure you get the best result every time.

You can pay upfront but we recommend using our preauthorisation and payment service.

When you book your car in for a service, and when you drop the car off, make sure to let them know the vehicle is on a Novated Lease with TFM and they'll call us to authorise and pay for the service/repairs, through already collected salary contributions. We can negotiate the best deal on your behalf, as well as enforce and extend any warranty claims and ensure like-for-like manufacturer-specified parts are used.

Replacement tyres

TFM has an approved tyre replacement network to get you the best result every time. This includes big name brands such as Bob Jane, Beaurepaires, Bridgestone, Goodyear and MyCar. You can either pay up-front or, as we recommend, use our pre-authorisation and payment service. Just let your repairer know your car is managed by TFM and they'll call us to authorise the replacement before they start work. This means we can also negotiate the best deal on your behalf.

Registration and CTP renewal

Forget the run-around on paperwork. We handle all the CTP and registration requirements for your car.

Rest assured knowing your car will be registered on time and all inspections are completed and comply with the relevant authorities.

We'll also keep you updated with regular reminders, and you can easily check on the status of your car via our intuitive self-service online portal.

Insurance*

TFM ensures peace of mind when it comes to your car insurance.

Your car must be comprehensively insured for the full insurable value at all times, with TFM noted as an interested party (as financier) on the policy. Whether you choose Toyota Insurance or another provider, TFM provides a renewal and reminder service and will include the budget cost within your lease.

Roadside assistance

Should a breakdown ever occur, then we'll get you back on the road as soon as possible. You can choose our Roadside Assist service, which will cover you for breakdowns across Australia for your entire lease. Or you can elect to use your preferred provider – it's up to you.

*Terms and conditions apply. This advice is general in nature and does not take into account your objectives, financial situation or needs. Before making a decision to purchase any of the insurance products you should consider the appropriateness of the advice taking into account your own objectives, financial situation and needs and refer to the current PDS and Target Market Determination for the relevant product available from participating Dealers, via our website at toyotainsurance.com.au or by calling 137 200. Toyota Car Insurance purchased in a dealership or via the Toyota Insurance National Customer Solutions Centre is facilitated by Toyota Finance Australia Limited ABN 48 002 435 181, AFSL and Australian Credit Licence 392536 as agent for, and on behalf of, the insurer. The insurer of Toyota Car Insurance is Aioi Nissay Dowa Insurance Company Australia Pty Ltd ABN 11 132 524 282, AFSL 443540 (Adica). If Toyota Car Insurance is purchased online, the issuer and insurer is Adica.

WHAT IS FRINGE BENEFITS TAX (FBT)?

By novating a car your lease costs are salary packaged, usually through a combination of pre-tax and post-tax salary deductions, meaning your taxable income is reduced. Your employer is providing you with a car fringe benefit under FBT law.

As a result, two types of tax apply: personal tax and medicare levy for your cash salary and Fringe Benefits Tax (FBT) for your car.

There are two ways to calculate FBT on vehicles: the **Statutory Method** and the **Operating Cost Method**.

The **Statutory Method** uses the value of the car (usually the GST inclusive acquisition cost into lease, but excluding certain on-road costs) and applies a flat 20% statutory rate as a basis for calculating the FBT taxable value. It doesn't take into account private vs. business usage. This method is popular for novated leases, as many employees use their car for little or no business use and the valuation method in such cases is concessional, particularly when the Employee Contribution Method (ECM, employee post-tax) is used to extinguish FBT taxable value.

The **Operating Cost Method** calculates the FBT liability using the total GST inclusive costs of operating the car over the year.

FBT is then payable on the portion of private use. This means the employer will require the driver to run a compliant 12 week logbook to work out the private vs. business use (adjusted each FBT year if necessary for changed circumstances), and record for the employer's records opening and closing odometers in the FBT year to determine kilometres travelled. This method is suited to employees who use the car predominantly for business as it can work out cheaper than the Statutory Method.

There are special FBT rules for employees of Public Benevolent Institutions (PBI's), public and not for profit hospitals, and rebatable employers. Employer FBT exemption or rebate caps per employee per FBT year apply and if the cap was applied first against a novated lease, additional considerations are relevant. Further, special Reportable Fringe Benefit Amount (RFBA) rules apply where employer FBT exemption caps are utilised which means employees carry full RFBA's as if the employer FBT exemption cap did not apply. As the rebate is a rebate against FBT otherwise payable, employees of rebatable using their cap, will also carry full RFBA's for the benefit.

Any FBT liability incurred as a result of a novated leasing agreement will be your responsibility for which you will need to compensate your employer.

WHAT IF I HAVE AN ELECTRIC VEHICLE?

There is no fringe benefits tax (FBT) when an employee selects a vehicle that meets all of the following conditions:

1. The car is a zero or low emission vehicle.*
2. The first time the car is both held and used is on or after 1st July 2022.
3. Luxury car tax (LCT) has never been payable on the importation or sale of the car.

The tax benefits of a FBT exempt vehicle can be calculated using our online calculator at www.toyotafleetmanagement.com.au/novated-lease/novated-lease-calculator

**Zero or low emission vehicles must be either Battery Electric (BEV), Hydrogen Fuel Cell (FCEV), or Plug in Hybrid (PHEV) (for PHEV will not be eligible if first date held is after 1 April 2025 or certain events occur post 1 April 2025 to disqualify the PHEV from FBT exemption from the time of those events), and is a car designed to carry a load less than one tonne and fewer than nine people.*

WHAT IS EMPLOYEE CONTRIBUTION METHOD (ECM)?

To help offset the cost of any FBT payable on the novated lease, TFM utilises what is known as the Employee Contribution Method (ECM). With ECM, the employee makes both pre-tax sacrifice and post-tax contribution, with the post-tax eliminating or reducing the FBT taxable value of the car, therefore eliminating or reducing the FBT payable at the end of the FBT year. ECM is beneficial where the employee's actual highest marginal tax rate is less than the highest marginal tax rate, given the FBT rate is aligned to the highest personal marginal tax rate.

WHAT IS THE ELECTRIC VEHICLE EMPLOYER FBT EXEMPTION?

If an electric vehicle under a novated lease meets certain conditions, the employer is exempt from FBT liability, and the employee will only compensate the employer by way of pre-tax sacrifice without any post-tax contribution. This can be a highly tax effective means of driving an EV with even greater packaging gain. However, if an EV qualifies for employer FBT exemption, the employee will carry a full employee reportable fringe benefit amount for the car fringe benefit on his or her annual income statement as if the employer FBT exemption did not apply.

WHAT ARE EMPLOYEE REPORTABLE FRINGE BENEFIT AMOUNTS RFBAS?

For car fringe benefits that are not employer FBT exempt EVs, if there is a FBT taxable value (post-tax employee contribution has not extinguished FBT taxable value), then the employee will carry a RFBA (an amount being the FBT taxable value multiplied by the type 2 gross up rate of 1.8868). Depending on the facts and circumstances of the employee and their family, the carrying of a RFBA may have adverse implications for a number of matters including Medicare surcharge liability, student loan repayment

programs, child support obligations and family tax benefits. However, if there is no FBT taxable value (post-tax contribution has extinguished FBT taxable value), no RFBA will arise for the car fringe benefit.

Special RFBA rules apply for those EVs which qualify for employer FBT exemption – see above.

Special RFBA rules also apply for employees of Public Benevolent Institutions and public and not for profit hospitals where employer FBT exemption caps are used meaning they will carry full RFBAs for the fringe benefit. Also, employees of rebatable employers using their cap will carry fully RFBAs for the fringe benefit.

WHAT IS (INCOME TAX) LUXURY VEHICLE ADJUSTMENT LVA?

If the novated lease is on an income tax luxury car and the employer is income tax paying at company or organisational level, the employer will have some income tax detriment in providing a car fringe benefit over the luxury car limit.

In such circumstances, the employee makes additional pre-tax sacrifice to compensate the employer for the income tax detriments.

For a Government-related employer, or an employer controlled by a Government, it will need to be confirmed whether or not the employer is liable to income tax at organisational level.

WHAT HAPPENS IF I LOSE MY JOB, OR CHANGE EMPLOYERS DURING MY NOVATED LEASE?

If you leave your current employer, let us know straight away. If the new employer is an existing TFM customer, or willing to enter into a novated agreement, or have their own existing provider, you can maintain all existing lease services and simply transfer the lease to your new employer.

Your new employer will need to agree to and sign the novation agreement.

If your new employer does not wish to enter into a novation agreement, your services will cease and you will be required to continue lease payments from your after-tax salary.

Alternatively, you can pay out your lease or make an offer to buy the car which TFM will consider.

WHAT HAPPENS IF I TRAVEL MORE KILOMETRES THAN I SAID I WOULD?

When you set up your lease we will ask you to provide us with an estimated annual mileage (also known as your kilometre allowance). The kilometre allowance is important because it helps us accurately set budgets for your lease services such as maintenance, fuel and tyres.

This can be adjusted at any point during your lease if your circumstances change. For example, if you move house and you have to travel further, you might need to increase your fuel budget. TFM will help to monitor your budgeted lease services throughout your lease and you will be provided with regular quarterly statements to track your budgets.

You can easily check details of your budgeted vs actual position yourself via our online portal or call us and we can look up your account and discuss your budgets with you.

WHAT IS A RESIDUAL VALUE?

Novated lease finance always contains a residual value indemnity carried by the employee. This is a pre-estimate of the value of the car at the end of the lease term and it is agreed when you take out a novated lease. The residual value is also used to calculate the monthly lease payment.

The minimum residual value is set by reference to ATO guidelines and is calculated as a percentage of the car’s original value.

LEASE TERM	Residual values %
12 months	65.63%
24 months	56.25%
36 months	46.88%
48 months	37.50%
60 months	28.13%

WHAT HAPPENS AT THE END OF THE LEASE?

There are a number of options when the end of your lease comes around. These include:

- Make an offer to purchase the car which TFM will consider;
- Extend the lease (subject to eligibility and lending criteria); or
- Return the car (in which case the car will be sold to a third party and depending on the net sale proceeds, the employee may have a shortfall liability or profit from the sale).

IMPORTANT CONSIDERATIONS WHEN YOU CHOOSE A NOVATED LEASE

The implications of salary packaging a motor vehicle through a novated leasing arrangement, including tax savings, will depend on your individual circumstances. These Frequently Asked Questions have been prepared by TFM for general information purposes only, without taking into consideration any individual circumstances. Before acting on any information or entering into a novated leasing arrangement, you should consider your objectives, financial situation and needs, and take the appropriate legal, financial or other professional advice based upon your own particular circumstances.

Getting started

Now you're ready to get started, see how easy it is to get an estimate. You can even compare it to a car loan or cash, then start the application process.



Use our Novated Lease Calculator:
tfmnovated.com.au/qld-government

**Contact one of our consultants on 1300 888 875
or email us at qldgov@toyota.com.au to find out more.**