

Novated lease guide



Contents

1. What is novated leasing?	4
2. Understanding the costs	8
3. Understanding the tax benefits	11
4. Helping keep track of your novated lease	13
5. Getting started	14
6. Additional lease information	14
7. Lease end options	17
8. Glossary of lease terms	18

When it comes to choosing a novated lease provider, Toyota Fleet Management (TFM) is the partner you can trust. Backed by the strength of the Toyota Group, we have over 30 years' experience in financial services. Which is why we're one of Australia's leading providers of fleet management products and services.

This guide is designed to explain how a novated lease works and the benefits for you. As you'll soon discover, a TFM novated lease can help you enjoy tax benefits, and save on the costs of purchasing and running a car.

We believe it's important that you get all the information you need to make the right decision. That's why you'll find all of our rates, fees and charges are crystal clear. We believe in being open and honest with our customers and making sure you get the best deal on your novated lease.

While you're reading through the following pages on how novated leasing works, you'll probably think of a few questions. Don't worry. Our team of experts are on hand to make the process straightforward for you. We do it every day for some of Australia's leading brands.

Just call our novated lease team on **1300 888 870** or visit toyotanovated.com.au

1 What is novated leasing?

Novated leasing simply means that your employer pays for your car lease out of your salary through a combination of pre-tax and post-tax salary deductions. A novated lease allows you to drive the car of your choice, without compromising your lifestyle.

And you could save thousands on the purchase price and running costs of a new or used car, or even the car you currently drive.

It also offers the convenience of cashless motoring and access to TFM's discount programs, so you'll receive great deals on finance, fuel, maintenance, tyres and repairs.



1.1 How does novated leasing work?

 Lease set up	 Payments made	 Employee saves	 Cashless motoring
The employee chooses a car, and an agreement is set up between the employee, the employer and TFM.	The employer makes payments to TFM from the employee's salary.	The employee gets the car they want, saving on tax and running costs including vehicle price, fuel, maintenance and tyre purchases.	The employee enjoys the convenience of cashless motoring.

1.2 Benefits of a novated lease

From tax and cost savings through to control, flexibility and convenience, a TFM novated lease benefits you by:

Convenient cashless motoring

- All costs can be packaged as one payment deducted from your salary, handy for budgeting purposes
- The TFM Fuel Card, a convenient way to pay for fuel
- Repairs and servicing managed via our Repair Authorisation Centre (no need to keep receipts)
- Lease any make and model, including new, used or demonstrator cars, even if it's not a Toyota
- If you change jobs you can continue the lease yourself or 'novate' it to your new employer.

Tax savings

- Take advantage of GST credits (input tax credits) on the initial purchase price, and running costs where available.
- PAYG Tax can be reduced by paying for your car and running costs through pre and post-tax salary deductions.

Reduced purchase price and running costs

TFM corporate fleet discounts can significantly reduce the on-road price of a car. We manage your running costs, giving you access to discounted fuel, servicing, tyres and maintenance.

Novated lease benefits



Choose any car

Pick any make or model to suit your lifestyle – not just a Toyota. And, if needed, you can salary sacrifice more than one car.



Save on tax

Your car can be paid for via pre and post-tax salary deductions, reducing your PAYG tax.



Access fleet pricing

Access discounted fleet prices with the buying power of TFM behind you.



Everything's sorted

Put your mind at rest knowing that TFM manage your registration renewal, servicing, warranty repairs, tyre replacement, insurance, roadside assistance and fuel purchases.



Competitive interest rates

Cutting out the middle man means better interest rates on your novated lease for you.



Complete transparency

Across all rates, fees and charges, so you can see you're getting a great deal.



TFM fuel card

Enjoy convenience and discounts with a wide range of fuel providers nationwide.



GST credits

Take advantage of GST credits on the car purchase and running costs.

2 Understanding the costs

2.1 Novated lease finance costs

Your salary deductions are calculated by taking into account the following factors:

- The cost of the car, including accessories
- Lease term
- Current interest rates
- Residual value

Car purchases attract GST. However, TFM can claim a GST credit when we finance a car under a novated lease, reducing the amount financed.

At a glance, your TFM novated lease covers:

- ✓ Car price and accessories
- ✓ Dealer delivery charges
- ✓ Initial registration and Compulsory Third Party (CTP) insurance
- ✓ Purchase stamp duty
- ✓ Luxury Car Tax (where applicable)
- ✓ Establishment fee
- ✓ Monthly management fees
- ✓ Personal Property Security Register (PPSR) fee

Please note: Deposits or trade-ins cannot be used to reduce the amount financed with novated leasing, the full amount of the car purchase price must be financed.

2.2 Interest rates

We don't believe in disguising our interest rates as we have nothing to hide. Our rates, fees and charges are disclosed on our quotes, so it's easy for you to compare and choose the best deal.

Our interest rates are competitive because we have access to our own funding. We continually monitor the market to make sure you get the most attractive deal.

2.3 Car running costs

We take the hassle out of managing your car's running costs, saving you time and money with our range of management services. Running costs covered in your salary deductions include fuel, servicing and maintenance, tyre replacements, registration and insurance renewals. These costs are based on your lease term and the nominated number of kilometres you are likely to travel.

Fuel Card

Enjoy the convenience of cashless motoring with a TFM Fuel Card. Accepted at the majority of fuel providers across Australia, it's a smart way to buy fuel. You'll enjoy discounts on the pump price at all outlets. The TFM Fuel Card can also be used in conjunction with some supermarket docket fuel discount offers for even greater savings.

Service, maintenance and tyres

TFM's Repair Authorisation Centre offers an extensive network of maintenance facilities. Along with great service, it allows us to:

- Negotiate substantial discounts on labour rates and spare parts
- Enforce and protect warranty claims
- Accurately forecast service and maintenance costs
- Provide an extensive repair and service network
- Ensure that like-for-like, manufacturer-specified parts are used
- Prevent over-servicing while maintaining your car to the highest standard, maximising its market value.

Registration and CTP insurance

Your novated lease includes registration and CTP insurance renewals. Because the car is registered and insured in your name, you'll receive the renewal notice from your state or territory provider – all you have to do is forward it to TFM for payment. We'll also keep you updated with regular reminders. Please note that it is your responsibility to ensure that your car is registered and insured at all times.

Comprehensive insurance*

Whether you choose Toyota Insurance or your own insurer, TFM includes this in your novated lease budget and can arrange reimbursement or payment on your behalf. Please note that it is your responsibility to ensure that your car is insured at all times.

Renewal management

Another advantage of a TFM novated lease is that we remind you of any registration, CTP and comprehensive insurance renewals well in advance of due dates. Please note that it is your responsibility to ensure that the car is registered and insured at all times.

Novated lease protection*

TFM offers payment insurance through Toyota Insurance which will continue to pay your lease if you are made redundant. It also provides a car hand-back option if you don't regain employment.

Roadside assistance

If you want the reassurance of roadside assistance or motor club membership, you can include these costs in your novated lease.

Reimbursement

All personal car-related costs such as re-registration and insurance, can be reimbursed simply by downloading a car expense payment request/claim form at toyotanovated.com.au

Fees and charges

TFM charge 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.

3 Understanding the tax benefits

3.1 What is FBT?

By novating a car, your lease costs are salary-packaged. However, because you benefit from this arrangement, it is deemed a 'fringe benefit' under taxation law.

As a result, two types of tax apply: PAYG tax for your cash salary and fringe benefits tax (FBT) for your car. The FBT year runs from 1 April to 31 March.

There are two ways to calculate FBT on cars: The Statutory Formula Method and the Operating Cost Method.

Statutory Formula Method

The Statutory Formula Method uses the value of your car as a basis for calculating the taxable value. It doesn't take into account private vs. business usage and the amount of FBT doesn't change. This method is popular for novated leases, as many employees use their car for little or no business use.

Under the Statutory Formula Method, your employer can offset your FBT liability by making after-tax contributions from your salary towards the car's running costs, equivalent to the FBT taxable value. This is called the Employee Contribution Method (ECM). It means an amount will be set up and deducted from both your pre-tax and post-tax income to offset the FBT liability.

FBT calculation using ECM



* Before making a decision about any of the insurance products, please refer to the current Product Disclosure Statement (PDS) for the relevant product available, via the Toyota Insurance website at toyotainsurance.com.au or by calling 137 200. Toyota Insurance is a division of Aioi Nissay Dowa Insurance Co., Ltd. ABN 39 096 302 466. AFSL Number 254489 (Andia).

FBT calculation using the Operating Cost Method

The Operating Cost Method (commonly known as the Logbook Method) calculates the FBT liability using the total costs of operating the car over the year. FBT is then payable on the portion of private use. This means the driver will need a logbook to work out the private vs. business use. This method is suited to employees who use the car predominantly for business.

FBT differs depending on your employer's FBT status. If you are unsure of your FBT status, please contact us to clarify.

3.2 Days not available

Sometimes your car may not be available for travel. In these instances you are entitled to a reduction in FBT. 'Days not available' is applicable when:

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

4 Helping keep track of your novated lease

Novated Online account information

Your novated lease details and activity can be tracked at any time via our Novated Online self-service portal, novatedonline.com.au

It includes details on your insurance and registration, as well as personal details and itemised expenditure related to your account. You can access a summary of your budget vs. actual expenditure and view detailed information for each item, so you can monitor your lease progress at a glance and make any adjustments accordingly.

Legal documentation

Your novated lease agreement clearly shows details of your legal obligations to TFM, your employer and yourself.

FBT declaration

At the end of each FBT year (31 March) you may need to sign an FBT declaration, detailing the number of kilometres you travelled during the FBT year.



5 Getting started

It's easy, just call our novated leasing experts who will guide you through the process and answer any questions you might have.

Assuming your car is ready to pick up from the dealer, a consultant can have you up and running in no time. Just follow these three simple steps.



6 Additional lease information

A TFM novated lease gives you a choice of terms, cars and ways to manage your lease, to suit your needs.

6.1 Lease terms

TFM offers a choice of lease terms ranging from 12 to 60 months.

6.2 Eligible cars

You can choose a car of any make or model to suit your lifestyle, whether it's a new or used passenger sedan or hatch, SUV or 4WD.

For FBT purposes, a car is designed to carry less than one tonne and fewer than nine passengers. Under ATO law, boats, caravans, trucks and motorbikes cannot be novated.

Your employer may stipulate other exclusions.

6.3 Residual values

At the end of your novated lease you will have a residual amount owing. Minimum residual amounts are determined by the ATO guidelines, as shown in the table below.

Please note: If you decide to offer to purchase your car, any payment will attract GST. This applies at lease end or upon early termination.

ATO residual value table

Minimum residual value – percentage of cost

Term of lease	Residual %
Year 1	65.63%
Year 2	56.25%
Year 3	46.88%
Year 4	37.5%
Year 5	28.13%

6.4 Luxury Car Tax (LCT)

Cars with a GST-inclusive value above the applicable LCT threshold will be subject to LCT. This is payable on the GST-exclusive value of the car above the threshold. This amount is calculated by the supplying dealer and included in the car purchase price.

6.5 Luxury Vehicle Adjustment (LVA)

Special tax accounting rules apply if you lease luxury cars valued above the luxury car limit. These rules re-characterise the lease as a sale and loan transaction. Your employer needs to account for your luxury car as a ‘loan transaction,’ which can result in increased costs for you and your employer. Rather than claiming the lease payments (finance rent element) as a deductible expense, your employer claims interest and depreciation as a taxation deduction. The depreciation charge is capped at the luxury car limit, which is where the increased costs lie.

TFM manage the intricacies of LVA for you and incorporate additional costs into your lease as a budgeted amount.

6.6 Lease reconciliation

At the end of your lease, TFM will reconcile your budgeted expenses and help you finalise any remaining payments or refunds. We'll send both you and your employer a summary. If there's an overspend, the difference will be invoiced back to you via your employer. If an underspend occurs, the difference will be refunded to you via your employer, who will make any required tax adjustments.

6.7 Lease end

Prior to lease expiry you may be given the opportunity to purchase your car, or extend your contract.

6.8 Employment cessation

What happens if I leave my job?

If you leave your employer, let us know straight away. If the new employer is an existing TFM customer, or they are willing to enter into a novation agreement, you can maintain all existing lease services and simply transfer your lease to your new employer. Your new employer will need to agree to and sign the novation agreement.

If your new employer does not want to enter into a novation agreement, your services, including your TFM Fuel Card and car running costs, will cease and car payment obligations transfer immediately from your employer to you. You will be required to continue the lease payments from your after-tax income. Alternatively, you may pay out the lease.

6.9 Early termination

If you want to end your novated lease prior to the completion of the agreed lease term, please call us on **1300 888 870** to receive a lease payout quote.

7 Lease end options

There are two flexible options available to you at the end of your lease. You can:

- Extend your contract
- Purchase your car.

We will contact you before your lease is due to end and let you know your options. Getting a new car on another novated lease is easy, with our dedicated team of experts to help you every step of the way. Remember, we can finance any make or model, not just Toyota.

Extend your contact

You may decide to keep the car and continue with your novated lease. If so, you can request a quote to extend the lease for an additional term. The quote will need to be accepted by your employer and yourself and the new contract will be implemented.

Purchase your car

You may want to purchase the car you've been leasing with us. This is not a problem – we're here to make it as simple as possible. You can make an offer to buy the car from TFM for an amount that's not less than the residual value plus GST, as agreed when you took out your lease. Once the offer is accepted, we'll issue you with a notification with instructions on how to pay.

8 Glossary of lease terms

Term	Meaning
Australian Taxation Office (ATO)	The 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.
Goods and Services Tax (GST)	The standard GST rate is applied to car purchases and running costs. As a novated lease customer, you benefit from GST credits on your car's purchase price (capped or limited), finance, maintenance, tyres, running costs and fuel.
Employee Contribution Method (ECM)	This form of salary packaging includes both pre-tax and post-tax deductions from your salary and increases your tax benefits. The FBT rate is effectively substituted by your income tax rate for post-tax contributions.
Residual value	The amount owed on the car at the end of the contracted term, which was agreed at the beginning of the lease.
Cashless motoring	As a TFM novated lease customer, you don't need to use cash for the day-to-day running of your car. You charge your fuel to your TFM Fuel Card. All car registrations, renewals and insurance payments can be made through TFM. Your car servicing and repairs are paid for and managed via our Repair Authorisation Centre.

Term	Meaning
Lease	This is a legally binding agreement between two or more parties, where one party supplies a product or service, and another party pays to use the product or service for a period of time.
Fringe Benefits Tax (FBT)	FBT is applied to a benefit that an employer provides 'in respect of employment' to an employee or their associate. In the case of a novated lease, your car attracts FBT.
Novate	To transfer the contractual rights and obligations of a legal agreement to another party i.e. the employee transfers the rights and obligations of the car lease to their employer.
Luxury Car Tax (LCT)	LCT is applied to cars with values exceeding the Luxury Car Tax threshold.
Financial advice	In Australia, there are taxation benefits to acquiring a car through a novated lease. Before making any decision, 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 or relevant state and territory laws where applicable.

Contact TFM's novated leasing experts

1300 888 870

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