



novated
leasing
and you

novated leasing and you

why use a novated lease?

A novated lease is a specially designed car lease, and it's worth knowing about. Although most people don't know it, those in the market for a car are usually better off using a novated lease over other types of car finance.

income tax savings

When salary packaging your car with a novated lease, your packaging costs are usually paid with a mix of pre-tax and post-tax dollars reducing your taxable income. This means you will pay less income tax.

GST savings

nlc purchases the car and claims back the GST, so you save the GST on the purchase price of the car.

You may also be able to save on the GST associated with the running costs of the car if your employer's salary packaging policy allows.

convenience

An **nlc** novated lease provides you with convenience, such as the **nlc** fuel and maintenance card which generally means no cash at the pump or service centre, and budget-wise payments, dividing all those large

annual registration and insurance payments into smaller, consistent monthly payments.

who uses novated leases?

Many employers, both private and government, allow their employees to salary package cars using a novated lease, including the Australian Taxation Office.





is an **nlc** novated lease for you?

Answer yes to the following three questions and it's highly likely you'd benefit from salary packaging your next car with an **nlc** novated lease:

1. do you want a car?

Maybe you're looking for a car to fit the family, fuel efficiency could be top of mind, perhaps a weekender or a sports car. Whatever type of car you're after **nlc** can package it for you, even the car you currently own.

As long as the car you are choosing fits the definition of a car as far as the ATO is concerned, and your employer's salary packaging policy.

The FBT Assessment Act states a "car" means a motor car (except a motor cycle or similar car) designed to carry a load of less than 1 tonne and fewer than 9 passengers.

2. do you want to finance the car?

As most of us borrow money to buy a car, it's good to know there is a finance option that provides Australian employees with a tax benefit.

3. do you mainly use your car for private purposes?

Keeping in mind that driving your car to and from your regular workplace every day is considered private use by the ATO, most Australian employees mainly use their car for private purposes.

novated leasing and you

features and benefits

personal budgeting made easy

nlc works with you to budget all the annual costs related to running the car into your salary deductions before entering the lease. This means you know how much is going to come out of your salary every pay.

Our customer support department will monitor your account to ensure that your car usage costs are on track, helping you to maximise your benefits.

insurance and registration payments

Registration and insurance payments are factored into your salary deductions. Those lump sum payments are evenly divided into budget-wise deductions.

nlc fuel and maintenance card

Enjoy the convenience of an **nlc** fuel & maintenance card. Use this card at our many participating outlets and enjoy the advantages of purchasing fuel, maintenance and servicing

without the use of cash or credit cards. Each time your car is serviced, the service provider must confirm the work they intend to carry out on the car with **nlc** before proceeding. This ensures that only the required work is done on the car and that warranty claims are made where appropriate.

nlc has pre-negotiated parts and labour rates with maintenance suppliers to provide you with "better than retail" pricing.

choice of car

nlc doesn't just package new cars, we package used cars as well. You can even package the car you already own! **nlc** can buy your car and lease it back to you under a salary packaging arrangement called a "sale and leaseback".

You could look at this as effectively borrowing against the value of your car, while enjoying all the same tax benefits.

This can be financially worthwhile as you may choose to use the cash for other purposes such as paying off other loans or debt you might have. You may even choose to take a well deserved holiday!

Employee Contribution Method

If your employer allows the Employee Contribution Method (ECM), then some of the cost of your novated lease will be deducted from your pre-tax salary and some from your post-tax salary. **nlc** calculates the optimum mix of pre-tax and post-tax deductions, depending on how many kilometres you drive, to maximise your tax benefit.

Importantly, when using the Employee Contribution Method, there is no Reportable Fringe Benefit to be included on your Payment Summary at the end of the financial year.

Please contact **nlc** for further information on how ECM may benefit you.



novated leasing and you

under the hood of a novated lease

To show how a novated lease provides significant savings we have created a comparison using two employees, Chris and Jenny.

They both:

- Earn \$65,000 a year
- Are looking to buy a new car for \$35,000 inc GST and initial on-road costs
- Drive about 18,000 km's a year, and
- Utilise a 4 year term

They both drive to work each day, run around on the weekend and take the occasional driving holiday, so they have no business usage.

To allow the straightest comparison with a novated lease, we'll look at a generic personal finance product for Chris that is based on the same terms and conditions that **nlc** applies to Jenny's finance.

Chris' story

Chris' employer doesn't offer a novated leasing program. He has to look at other finance options that are all paid with after-tax dollars.

Chris is buying the car as a private individual so he has to pay the GST on the car (10%). Chris will end up financing the GST inclusive cost, \$35,000.

His annual finance cost will be \$8,239 with a 35% balloon payment at the end of 4 years.

Chris' Annual Car Costs

Finance	\$8,239
Insurance	\$1,353
Registration	\$770
Fuel	\$2,970
Maintenance	\$842
Chris' Total Car Costs	\$14,174

How does Chris' pay packet look?

Gross Annual (Taxable) Income	\$65,000
Less Tax	\$14,025
Net Annual Income	\$50,975
Less Total Annual Costs	\$14,174

Chris' disposable income, after tax and car, \$36,801

Jenny's story

Jenny is packaging her new car using an **nlc** novated lease. A consultant will explain to Jenny how a novated lease works, help her choose a car, arrange a test drive, negotiate the best price and organise the delivery of her new car.

As Jenny is salary packaging her car with a novated lease she doesn't end up financing the GST component on the purchase price of the car.

The amount Jenny will finance is \$35,000 less the GST of \$3,086, being \$31,914. Her annual finance cost will be \$7,578 with a 35% Residual Value payment at the end of four years.

Jenny's Annual Car Costs

Finance	\$7,578
Insurance	\$1,230
Registration	\$770
Fuel	\$2,700
Maintenance	\$1,064
Jenny's Total Car Costs	\$13,343

How does Jenny's pay packet look?

Gross Annual (Taxable) Income	\$65,000
Less Pre-Tax Deduction	\$7,141
Taxable Income	\$57,829
Less Tax	\$11,766
Net Annual Income	\$46,063
Less Post-Tax Deduction	\$6,790

Jenny's disposable income, after tax and salary packaged car \$39,273

Jenny's saving after tax compared with Chris is \$2,472 annually or \$9,888 over the life of her lease.

novated leasing and you

more savings

As **nlc** purchases many cars each year, we may be able to access discounts for you that would not otherwise be available.

not everyone earns the same

While the salary used in the "under the hood" section of this brochure is \$65,000, a novated lease will provide a tax benefit for employees earning a salary of \$25,000 and above.

As with anything, attractive tax benefits aren't any good if you can't afford the purchase in the first place. You should ensure you have enough cash to support the way you live before entering into any financial contract.



To see if a novated lease could be of benefit to you, give **nlc** a call on 1800 643 044 and speak to one of our car salary packaging consultants.

Please refer to your employer's salary packaging policy for any restrictions that may apply.

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