



the right car. right now

novated leasing + you



what is a “novated lease”?

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

why?

Because a novated lease allows your vehicle to be treated as a “company car” and company cars have long been associated with some rather attractive tax benefits.

A novated lease allows you to pay for some or all of your vehicle with pre-tax dollars, reducing your taxable income.

additional savings

A novated lease also offers GST savings on the:

- purchase price of the vehicle
- finance
- running costs, including fuel

Convenience-wise, there are a number of benefits such as arranging the payment of insurance and registration and the use of a maintenance card for fuel, tyres and servicing costs.

who uses a novated lease?

There are many employers, both private and government, who allow their employees to use novated leases as part of their salary packaging arrangement, including the Australian Taxation Office.

A novated lease follows a relatively simple structure; it works easily, is tax effective, and most importantly, is all above-board.

how you can save with a novated lease

To show how a novated lease will provide you with a significant saving we will use an example of two employees, Chris and Jenny.

Chris and Jenny both:

- earn \$65,000 a year
- are looking to buy a new vehicle for \$35,000 inc GST and initial on-road costs
- drive about 18,000 kilometres a year
- both utilise 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.

is a novated lease for you?

If you answer **yes** to the following three questions, then you are off to a good start.

1. do you want a vehicle?

Obviously a novated lease can only be of benefit to you if you are actually interested in purchasing a vehicle.

Maybe you are looking for a vehicle to fit the family or perhaps fuel efficiency is top of mind. You might even be thinking about a sports car, or you might choose to novate the vehicle you currently own. Whatever type of vehicle you are after, **nlc** can package it for you.

2. do you need to borrow money to pay for a vehicle?

Very few of us have spare cash to purchase a vehicle outright. A novated lease provides many Australians with the only option that allows them to gain a tax benefit from their vehicle finance.

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

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

introducing chris and jenny

The Scenarios



Chris' employer doesn't offer a novated leasing program.

He has to look at other finance options that are all paid for with after-tax dollars.

Vehicle Purchase

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

▶ **Annual finance cost will be \$8,382 with a 35% balloon payment at the end of 4 years.**



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

Jenny is using a novated lease, so she doesn't pay the GST on the purchase price of the vehicle. The amount Jenny has to finance is \$35,000 less the GST of \$3,086, that is, \$31,914.

▶ **Annual finance cost will be \$7,620 with a 35% Residual Value payment at the end of 4 years.**

features & benefits

personal budgeting made easy

nlc uses its fleet management experience to budget for you, building all the costs into your salary deductions.

Our *customer support department* will monitor your account to ensure that your vehicle usage costs are on track, therefore maximising your benefits.

insurance and registration payments

When salary packaging a vehicle with **nlc**, all of the vehicle costs, including registration and insurance, are factored into your salary deductions. This means that you won't be faced with lump sum payments when registration and insurance bills arrive.

nlc fuel & 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.

You can also ask about our **nlc** platinum card which offers the option of a maintenance vetting program. Each time your vehicle is serviced, the service provider must confirm the work they intend to carry out on the vehicle with **nlc** before proceeding. This ensures that only the required work is done on the vehicle and that warranty claims are made where appropriate.

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

compare the figures

Annual Vehicle Costs

Finance	\$8,382
Insurance	\$1,056
Registration	\$640
Fuel	\$4,862
Maintenance	\$792
Chris' Total Vehicle Costs	\$15,732

Finance	\$7,620
Insurance	\$960
Registration	\$640
Fuel	\$4,420
Maintenance	\$1,020
Jenny's Total Vehicle Costs	\$14,660

How does their pay packet look?

Gross Annual Income	\$65,000
Less Tax	\$14,475
Net Annual Income	\$50,525
Less Total Annual Costs	\$15,732
Chris' Disposable Income	\$34,793

Gross Annual Income	\$65,000
Less Pre-Tax Deduction	\$8,487
Taxable Income	\$56,513
Less Tax	\$11,801
Net Annual Income	\$44,712
Less Post-Tax Deduction	\$6,790
Jenny's Disposable Income	\$37,922

features & benefits continued...



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vehicle finance flexibility - new and used

Novated leases are not only for new vehicles; **nlc** will also package used vehicles. Even the vehicle you currently own can be novated by using what we call a *sale and lease back*. This is where **nlc** buy your vehicle from you and lease it back to you under a salary packaging arrangement. You could look at this as effectively borrowing against the value of your vehicle, while enjoying all the same tax benefits.

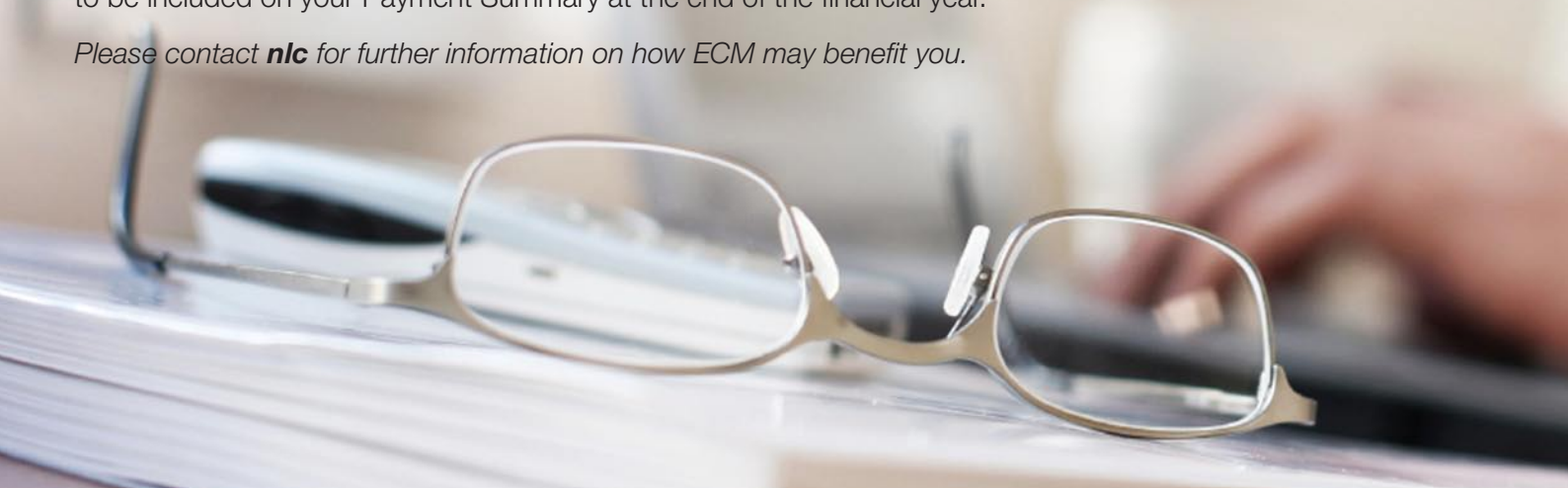
This can be financially worthwhile as you may choose to use the cash for other purposes such as paying off other loans or debt you might have; you may even choose to take a well deserved holiday.

employee contribution method

If your employer allows the Employee Contribution Method (ECM), a variation to the Statutory Formula Method for calculating Fringe Benefits Tax, 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. This is shown in Jenny's example.

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.



the bottom line saving

Disposable Income

Chris' disposable income,
after tax and vehicle,

\$34,793

Jenny's disposable income, after
tax and salary packaged vehicle

\$37,922

Jenny's saving after tax
compared with Chris

Annually

\$3,129

Life of Lease

\$12,516

nlc use a variation to the Statutory Formula Method called Employee Contribution Method (ECM), which allows both pre-tax and post-tax deductions. Please note: tax rates correct at time of printing.





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additional benefits

more savings

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

not everyone earns the same

While the example salary with Chris and Jenny used in this brochure is \$65,000, a novated lease will provide a similar 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.

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

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

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