



Novated lease guide



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This guide aims to simplify the workings of a novated lease and its advantages for you. With a carbar novated lease, you'll uncover opportunities for tax benefits and savings on car purchasing and running costs.

We prioritise providing comprehensive information to empower you in making informed decisions. Our commitment to transparency means our fees, and charges are clearly outlined. We believe in fostering openness and honesty with our customers to ensure you're getting the best deal on your novated lease.

As you navigate through the details of novated leasing in the following sections, you may have queries. Rest assured, our team of experts is readily available to simplify the process for you, a service we provide daily to some of Australia's leading brands.

Just call our novated lease team on **1300 620 685** or visit **[carbar.com.au](https://www.carbar.com.au)**

01.

What is novated leasing?

Novated leasing involves your employer covering your car lease by deducting payments from your salary, incorporating both pre-tax and post-tax deductions. This arrangement enables you to enjoy the car you desire while maintaining your lifestyle.

You could stand to save significant amounts on both the initial purchase price and ongoing expenses, whether it's a new vehicle, a used one, or even your current ride.

Additionally, novated leasing provides the convenience of cashless motoring and grants access to carbar's discount programs, enabling you the ability to benefit from excellent deals on finance, fuel, maintenance, tyres, and repairs.

1.1 How does novated leasing work?

Step 1

Get in touch with our dedicated team for a quick consultation. Our Team can create an initial quote on the car you want.

Step 2

If you're happy to proceed, we'll move to get credit approved. We'll walk you through the application process to check your finance serviceability.

Step 3

Through our partnerships, we can help source your vehicle of choice. We'll then work with your employer to organise the lease deductions from your pay.

Step 4

Drive Away in your new car! Enjoy the benefits of cashless motoring.

1.2 Benefits of a novated lease

A carbar novated lease benefits you by:

Tax Savings

All expenses are consolidated into a single payment deducted from your salary by your employer.

- PAYG Tax can be reduced by your employer paying for your car and running costs through pre- and post-tax contributions from your salary.
- Take advantage of potential GST savings on the purchase price of the vehicle and running costs where available.

Cashless Motoring

All expenses are grouped into a single payment deducted from your salary.

- All costs are budgeted and conveniently grouped into one handy deduction from your salary.
- Repairs and Servicing is managed through our repair authorisation process limiting overspending.
- Fuel Card/s included.
- In case you leave your job, you have the option to either continue the lease independently or transfer it to your new employer through novation.

Reduced Running Costs

We manage your running costs, giving you access to discounted fuel, tyres, servicing and maintenance. Even the possibility of a reduced purchase price!

02.

Understanding the costs

2.1 Costs Associated with Novated Lease Financing

Your salary deductions for a novated lease are determined by considering the following factors:

- The total cost of the car, inclusive of any accessories
- Duration of the lease.
- Current interest rates.
- Residual value.

When financing a car through a novated lease, a GST credit is created which reduces the financed amount.

An overview of what your carbar novated lease encompasses:

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

It's essential to note that deposits or trade-ins cannot diminish the financed amount with novated leasing; the entire car purchase price must be financed.

2.2 Car Running Costs

We streamline the management of your car's operating expenses saving you time through our comprehensive range of services. The running costs covered in your salary deductions include fuel, servicing and maintenance, tyres, registration, and insurance renewals. These costs are tailored to your lease term and the expected number of kilometres you'll travel.

Fuel Card

Enjoy the convenience of a fuel card/s. We've partnered with a number of major fuel providers across Australia to provide the smoothest service possible. It's a convenient way to purchase fuel, offering discounts at all participating outlets.

Service, maintenance and tyres

carbar's repair authorisation team boasts an extensive network of maintenance facilities. Alongside exceptional service, we offer the following benefits:

- Accurately predict service and maintenance costs.
- Provide an extensive repair and service network.
- Prevent over-servicing while maintaining your car to the highest standards, thereby maximising its market value.
- Negotiate discounts on parts & labour rates.
- Uphold and safeguard warranty claims.

Registration and CTP insurance

As part of your novated lease, registration and Compulsory Third Party (CTP) insurance renewals are budgeted for. Since the car is registered under your name, you'll receive the renewal notice directly from your state or territory provider. You'll be responsible for making your own registration and CTP payments. Simply, raise an expense claim and we'll reimburse you back the money.

Comprehensive Insurance

Included in your novated lease budget, comprehensive insurance can be arranged through carbar or your preferred insurer. carbar can facilitate payment on your behalf on provided insurance or reimburse you if you choose your own insurer. It's important to note that maintaining insurance coverage for your car is your responsibility at all times.

Roadside Assistance

carbar offers the peace of mind provided by roadside assistance, all budgeted in your novated lease.

Reimbursement

For all personal car-related expenses, including fuel charges, re-registration and insurance, reimbursement can be easily facilitated. Simply login to the online driver portal to raise an expense claim.

Fees and Charges

Carbar applies an ongoing monthly management fee as part of your novated lease. Additional fees may be incurred for variations or excess reimbursement requests, as well as for changes to your agreement.



03.

Understanding the tax benefits

3.1 What is FBT?

When you opt for novating a car, your lease expenses are packaged within your salary. However, since you receive an advantage from this arrangement, it falls under the category of a 'fringe benefit' as per taxation law.

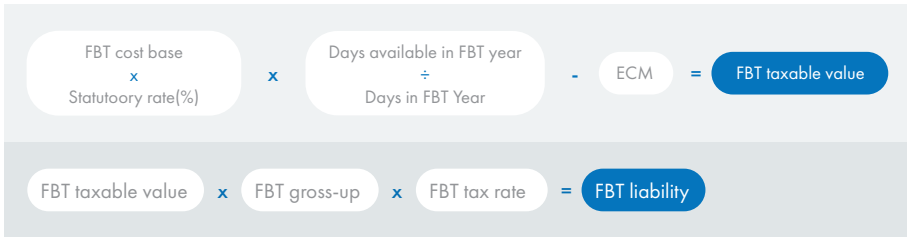
Consequently, two types of tax come into play. PAYG tax for your cash salary and fringe benefits tax (FBT) for your car. The FBT year extends from 1st April to 31st March. FBT on cars can be calculated in two ways: the Statutory Formula Method and the Operating Cost Method. carbar uses the Statutory Formula Method to calculate FBT.

Statutory Formula Method

The Statutory Formula Method relies on the value of your car to determine the taxable value. It doesn't differentiate between private and business usage, and the amount of FBT remains consistent. This method is particularly favoured for novated leases, as many employees primarily use their cars for personal (private) purposes.

Under the Statutory Formula Method, your employer can mitigate your FBT liability by making after-tax contributions from your salary towards the car's operational expenses, equal to the FBT taxable value. This approach is known as the Employee Contribution Method (ECM). Essentially, a set amount is established and deducted from both your pre-tax and post-tax income to offset the FBT liability.

FBT calculation using ECM



FBT can differ depending on your employer's FBT status. If you're unsure of your FBT status, contact us and we can clarify.

3.2 Days not available

There are occasions when your car may not be accessible for travel, entitling you to a reduction in FBT. 'Days not available' applies under the following circumstances:

- When your car is out of commission due to accident or mechanical repairs for three or more entire business days.
- When you leave your car on company premises and surrender the keys to an authorized individual for one or more entire business days.

04.

Managing Your Novated Lease

4.1 Novated Online Account Information

You have the convenience of tracking your novated lease details and activities anytime through our Novated Online self-service portal, accessible at <https://carbarnovated.driver-portal.catch-e.com/en/login/>

This portal provides comprehensive itemized expenditure related to your account. You can review a summary comparing your budget to actual expenditure and access detailed information for each item. This allows you to monitor your lease progress at a glance and make any necessary adjustments.

4.2 Legal Documentation

Your novated lease agreement clearly outlines your legal obligations to carbar, your employer, and yourself, ensuring transparency and clarity.

4.3 FBT Declaration

At the conclusion of each FBT year (ending on 31st March), you may be required to sign an FBT declaration, which specifies the number of kilometres you travelled during the FBT year, ensuring compliance with regulatory requirements.

05.

Getting started

It's simple – just reach out to our team of novated leasing experts, who will readily assist you through the process and address any queries you may have.

Once your car is prepared for pickup from the dealer, a consultant can swiftly get you started. Just follow these four straightforward steps:

Enquire with Us

Contact us on 1300 620 685 to get a quote, analysis of the benefits and begin the process towards your novated lease.

1.

Apply

Complete and submit the application with any supporting documents.

2

Drive Away

Sign the lease documents with your employer and return them to us. Once your car is delivered, your salary deductions will commence.

3

06.

Additional lease information

6.1 Lease terms

Carbar provides flexibility with lease terms ranging from 12 to 60 months.

6.2 Eligible cars

You have the freedom to select a car of your choice, regardless of make or model, to suit your lifestyle. This can include new or used passenger sedans, hatchbacks, SUVs, or 4WDs.

It's important to note that for FBT purposes, cars are defined as vehicles designed to carry less than one tonne and fewer than nine passengers. Boats, caravans, trucks, and motorbikes cannot be novated under ATO law. Additionally, your employer may have specific exclusions.

6.3 Residual values

At the conclusion of your novated lease, a residual amount will be outstanding. Minimum residual amounts are determined according to ATO guidelines, with percentages specified in the table provided.

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

Example Residual Value Calculation

36 Month lease:

Vehicle cost on road less GST = \$50,000

\$50,000 x 46.88% = \$23,440

At the end of the lease, you'll be responsible for \$23,440 + GST. ie. \$25,784

6.4 Luxury Car Tax (LCT)

Cars exceeding the applicable LCT threshold will incur LCT, calculated on the GST-inclusive value above the threshold. This amount is determined by the supplying dealer and included in the car's purchase price.

6.5 Luxury Car Charge (LCC)

Also known as Luxury Vehicle Adjustment (LVA). Special tax rules apply to lease luxury cars above the luxury car limit. These rules may increase costs for both you and your employer, with carbar managing the complexities of LCC and incorporating additional costs into your lease.

6.6 Reconciling the Lease

Upon lease completion, carbar will reconcile your budgeted expenses and assist with finalising any remaining payments or refunds. Any overspend will be invoiced back to you, while any underspend will be transacted via your employer, with necessary tax adjustments made.

6.7 End of the Lease

Before lease expiration, you may have the option to purchase your car or extend your contract.

6.8 Change in Employment

In the event of leaving your job, you can transfer your lease to your new employer if they agree to a novation agreement. Otherwise, your lease services may cease, and car payment obligations will transfer to you.

6.9 Early Termination

If you wish to terminate your novated lease before the agreed term, please contact us for a lease payout quote.



07.

Lease end options

As your lease approaches its end, you have two flexible choices available:

- Extend your contract
- Purchase your car.

We will reach out to you before your lease ends to discuss your options. Obtaining a new car through another novated lease is straightforward with our dedicated team of experts guiding you every step of the way.

Extend your contract

If you wish to keep the car and continue with your novated lease, you can request a quote to extend the lease for an additional term. The quote will need approval from both your employer and you, and upon acceptance, then a new contract will be put into effect.

Purchase your car

Should you desire to buy the car you've been leasing, we're here to simplify the process for you.

You can purchase the car for the residual value plus GST, as agreed upon when you initiated your lease. We will provide you with a notification containing instructions on how to proceed with payment.

08.

Glossary of lease terms

Australian Taxation Office (ATO)

The Australian Taxation Office (ATO) serves as the primary revenue collection agency for the government. Its responsibility encompasses the management of tax, excise, and superannuation systems, which fund various services for Australians.

Goods and Services Tax (GST)

The standard GST rate is levied on both car acquisitions and operational expenses. As a novated lease holder, you enjoy GST credits on various aspects of your car, including its purchase price (subject to caps or limits), financing, maintenance, tires, operational expenses, and fuel.

Employee Contribution Method (ECM)

This salary packaging method involves deductions from both pre-tax and post-tax portions of your salary, maximizing your tax advantages. For post-tax contributions, your income tax rate effectively replaces the FBT rate.

Residual value

The residual value, predetermined at the lease commencement, represents the outstanding balance on the vehicle at the end of the contracted term.

Cashless motoring

As a carbar novated lease client, there's no need to rely on cash for your car's daily operations. Instead, you can conveniently charge fuel expenses to your Fuel Card. Moreover, carbar handles all aspects of car registrations, renewals, and insurance payments. Additionally, your car's servicing and repair expenses are covered and managed through our Repair Authorization Centre.

Lease

This constitutes a legally enforceable contract between two or more parties, wherein one party provides a product or service, and the other party pays for the utilization of said product or service over a specified duration.

Fringe Benefits Tax (FBT)

FBT is levied on benefits that an employer offers "in relation to employment" to an employee or their affiliate. In the context of a novated lease, your vehicle is subject to FBT.

Novate

To assign the contractual rights and responsibilities of a legal agreement to another entity, such as when an employee transfers the rights and responsibilities of a car lease to their employer.

Luxury Car Tax (LCT)

Luxury Car Tax (LCT) is imposed on vehicles surpassing the Luxury Car Tax threshold.

Financial advice

In Australia, there are tax advantages associated with obtaining a vehicle via a novated lease. Before making any decisions, it is advisable for parties to consult with their tax advisor or financial planner regarding the benefits of this financing method, including its implications under income tax, FBT, GST, or relevant state and territory regulations where applicable.

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