NOVATED LEASE

A novated lease is where you can lease the motor vehicle of your choice while your employer pays the rentals and other running costs (if applicable) directly from your salary. The inclusion of a motor vehicle in your salary package may be viewed as an attractive benefit.

Novated leasing is subject to your employer's policy. You will be able to purchase the motor vehicle that you want, provided of course that the repayments can be managed within your overall budget.

You will arrange a lease with a finance company for the motor vehicle, and then novate the agreement to your employer. Under the lease:

- Your obligation of paying the lease rentals is effectively transferred to your employer.

- Your employer's monthly lease payments are deducted from your gross salary and paid directly to the finance company.

- Your employer provides the motor vehicle to you for your unrestricted use.

In the event that you may leave your employment, the novation agreement automatically ceases and your employer no longer has any further obligations on future rentals of the vehicle. The lease reverts to you, unless re-novated to your new employer.

At the end of the lease, the finance company will sell the motor vehicle and may accept an offer to purchase the motor vehicle. You have no obligation to buy. However, in the case of a finance lease, if the sale price is less than the residual value shown in the lease contract, you will be liable for the shortfall.

The benefits of a novated lease to you are as follows:

- Cash savings through the utilisation of pre-tax salary (salary sacrifice). Concessional taxation treatment of motor vehicles under the Fringe Benefits Tax applies.

- Freedom to choose the motor vehicle you want within the guidelines set by your employer.

- The opportunity to retain use of the motor vehicle, even if you change employers.

- The motor vehicle may be leased entirely for your private use.

In regards to establishing a novated lease, you will need to speak with a finance company.