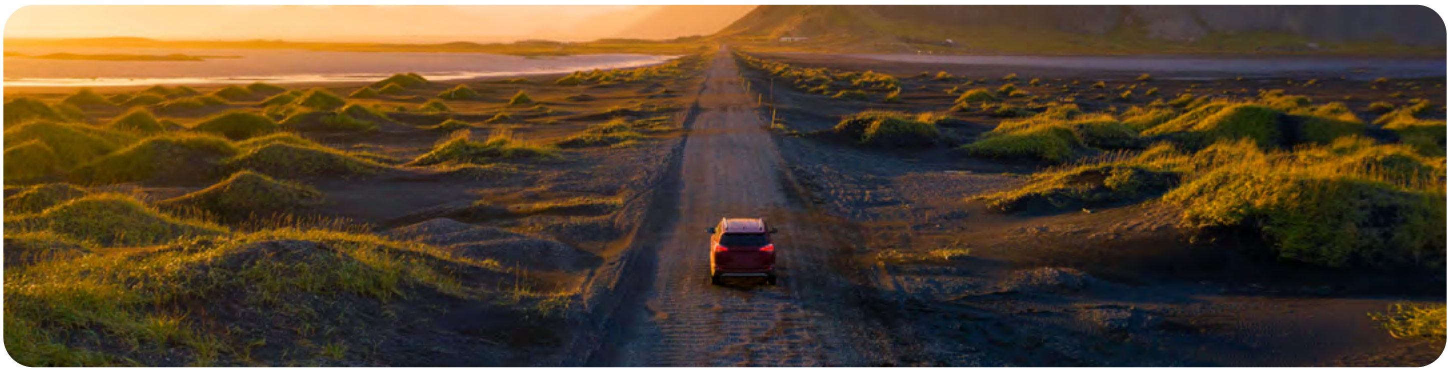
Guide to Novated Leasing in Australia (2024)

Queensland Goverment

easi.

QLD GOV PANEL PROVIDER

P 1300 614 078
E qldgov@easigroup.com.au



What is a Novated Lease?

A novated lease is a three-way agreement between an employee, their employer (in your case, Queensland Government), and a leasing company.

It allows employees to finance a new or used car using pre-tax dollars, which can result in significant tax savings.

The lease payments, including running costs like fuel, maintenance, and insurance, are deducted from the employee’s pre-tax salary, reducing their taxable income.

How It Works

- **Choose Your Car:** Select a new or used car that meets your needs. The leasing company can assist in finding and purchasing the vehicle.
- **Lease Agreement:** Enter into a lease agreement with the Easi and your employer. The employer then agrees to make regular deductions from your pre-tax salary to cover the lease payments.
- **Running Costs:** Include all running costs in the lease agreement. These costs are estimated based on your expected annual mileage and can be adjusted as needed.
- **End of Lease:** At the end of the lease term, you can either pay off the residual value to own the car, trade it in for a new lease, or refinance the residual amount.

Potential Benefits of a Novated Lease

- **Tax Savings:** A novated lease could reduce your taxable income for the year by paying for the car and its running costs with pre-tax dollars.
- **GST Savings:** You could save on GST for both the purchase price and running costs of the vehicle.
- **Convenience:** Bundle all car-related expenses into one transparent payment, making budgeting streamlined. No more nasty surprises when your annual rego comes due right when the power bill arrives!
- **Flexibility:** Choose the car that fits your needs and budget, whether new, used, or even your existing vehicle.

Practical Example on a Tesla Model Y

Example Scenario

Elise is a Registered Nurse (Grade 5) in a Queensland public hospital with a gross salary of $90,000 per year. She's looking at getting a new electric vehicle.

TESLA MODEL Y	
Car Price	$70,000 (including GST)
Lease Term	5 years
Annual Salary	$120,000
Annual Mileage	15,000 km
Cost Breakdown	
GST Savings	$6,364 (10% of the car price)
Pre-Tax Salary Deductions	$14,000 per year (including running costs)
Taxt Savings	Approximately $4,200 per year (based on a marginal tax rate of 30%)
Total Savings Over 5 Years	
GST Savings	$6,364
Tax Savings	$21,000
Total Savings	$27,364

With a novated lease, Elise would save on the purchase price but also reduce her taxable income. In her specific situation, this would result in significant overall savings. It's important to note that this is an example scenario only and your situation and savings will vary.

Frequently Asked Questions

Q1: What happens at the end of the lease term?

At the end of the lease term, you have several options: pay off the residual value to own the car, trade it in for a new lease, or refinance the residual amount.

Q2: Can I choose any car for a novated lease?

Yes, you can choose any car, whether new, used, or even your current vehicle, as long as it meets the ATO's definition of a car and matches your budget and needs.

Q3: Are electric vehicles eligible for novated leases?

Yes, electric vehicles are eligible and can offer additional savings due to exemptions from Fringe Benefits Tax (FBT) for eligible EVs.

Q4: How are running costs estimated and adjusted?

Running costs are estimated based on your expected annual mileage and can be adjusted as needed throughout the lease term.

Q5: What if I leave my job before the lease term ends?

If you leave your job, you could transfer the lease to your new employer, pay off the lease, or refinance it independently.

Q6: How does a novated lease affect my superannuation?

Salary sacrificing for a novated lease may impact your superannuation contributions. It's advisable to consult with a financial advisor to understand the implications.

Q7: Can I use the car for personal use?

Yes, the car can be used entirely for personal use, and you still benefit from the tax savings.

Q8: What is the Employee Contribution Method (ECM)?

The ECM involves making some lease payments with post-tax dollars to offset the FBT liability, reducing the taxable value of the car. For more detailed information and personalised advice, visit easifleet.com.au.

Additional Benefits of Choosing Easi

Myth: Novated Leases are only for new cars

Truth: You can choose to lease both new and used cars, or even your current vehicle.

Myth: Novated leases are complicated to set up

Truth: We don't believe they're any more complex than bank or dealership finance. Fill in a few forms and provide identification — then we handle all the setup and administration to make the process straightforward.

Myth: It's a company car and only for work purposes.

Truth: The car can be used 100% for personal use. You don't even need to drive it to work if you don't need to!

Myth: You need to drive a lot of kilometres to make a lease cost-effective.

Truth: While savings can be more for those that drive more, even if you only drive 5,000km in a year you could be saving thousands.

QLD GOV PANEL PROVIDER

P 1300 614 078
E qldgov@easigroup.com.au

Novated Leasing (QLD) →