



**Audi Financial Services**



## **Guide to a Novated Lease**

Previously, novated leases were a benefit typically available to big corporates, government, and institutions. We're changing the game with a novated lease through Audi, by unlocking the opportunity for employees of small to medium businesses to access the benefits of a novated lease directly through our dealership – making an easy, one-stop-shop.

### **What is a novated lease?**

A novated lease is an ATO approved way to finance a new car that could save you thousands of dollars.

Novated leasing is the technical term for salary packaging a car. It's an agreement between you, your employer and Audi Financial Services that lets you pay for a car and car-related expenses using a combination of pre and post-tax dollars from your salary. Plus when you take out a novated lease on an eligible electric car you can pay 100% from your pre-tax salary.

By unlocking your pre-tax salary to pay for some of your car, you could pay less in income tax throughout the year. Enjoy the benefits of a new car, plus the potential benefits of reducing your taxable income, through novated leasing.

A novated car lease allows you to drive the car you want without compromising your lifestyle.

### **What are the benefits of a novated lease?**

Benefits to you

- No upfront deposit required
- No upfront GST payable on the cost of your car
- Flexible lease terms from 1-5 years
- Bundle car payments and ongoing driving costs into one regular payment

## How does a novated lease work?

A novated lease allows for your employer to take money directly from your pay to make payments for your vehicle and its car-related expenses. Some or all of this money is taken before you are taxed on it, meaning you do not have to pay tax on that portion of your income throughout the year.

Fringe Benefits Tax (FBT) applies to novated lease vehicles and is applied at the same rate regardless of kilometres travelled.



What is FBT? Your employer pays Fringe Benefits Tax (FBT) on benefits provided to you or your family. FBT is separate from income tax and is based on the benefit's taxable value, usually the cost to your employer. Some benefits, like car benefits, use a set formula to calculate FBT, which may differ from the actual cost.

We use the Employee Contribution Method (ECM) on novated leases. This is where a portion of the vehicle lease cost is deducted as an 'employee contribution' from your post-tax salary effectively eliminating the FBT and improving the tax-effectiveness of your novated leasing arrangement.

By reducing or eliminating the FBT, ECM lowers the overall packaging cost and increases the employee's disposable income.

A novated lease requires your employer to be willing to participate. Our team will guide them through the process and help to set everything up, making everything easy for them.

## What's included

With novated leasing, you can bundle your car payments and on-going driving costs into one easy regular payment taken from your salary.

Even better, by taking some of that payment out of before-tax salary (or 100% before-tax for an eligible electric car), you could save thousands in taxes every year.

And with a novated lease, it's possible to save GST in more ways than one – a novated lease can slice the GST on the driveway price and running costs too. You could skip the upfront GST on cars up to \$69,674 (for driveway prices over that value, GST only applies to the excess.)

One regular payment includes:



Finance

+



Fuel/Charge

+



Registration

+



Insurance

+



Servicing

## Getting started

You choose a car and a novated lease is set up between you, your employer and Audi Financial Services.



### Easy payments

Your employer makes the novated lease payments on your behalf from your pre and post-tax salary.

With eligible EVs, payments would be 100% from your pre-tax salary with the current EV Discount.



### Enjoy the benefits

You enjoy the car you want whilst having the chance to save on tax and the ease of one regular payment for all your car-related expenses including finance, fuel or charging, servicing, registration, insurance and tyres.



### End of lease options

At the end of the lease, you can extend the lease, buy the car outright or trade it in and get a new car.

## What is the government Discount on electric vehicles?

The Australian Government's EV Discount initiative is a fringe benefits tax (FBT) exemption that is only available with a novated lease on an eligible electric car. To be eligible, cars need to be valued below the luxury car tax threshold.

A novated lease for an eligible EV lets you pay entirely with your pre-tax salary, offering greater savings over time, especially compared to a petrol car.

Under this bill, eligible electric vehicles can be leased or purchased without the need to pay FBT, resulting in substantial savings for Australian drivers. This incentive, combined with the benefits of novated leasing, can make the transition to an EV even more financially attractive.

## Which EV's are eligible?

- Priced below the luxury car tax threshold of \$91,387
- Must be a battery electric vehicle (BEV)
- Only for leases first held and used after the 1st of July 2022

## Who is eligible for a novated lease?

Any full-time or part-time employee in Australia is eligible for a novated lease, subject to your employer's salary packaging policy.

Ask your employer if you are eligible to package a vehicle via a novated lease. Then, check if your employer has an agreement with us. If not, no problem, we can advise you on how to get one in place.

## What's next?

Select your car



Get a quote to see how much you could save



We'll connect you with your salary packaging consultant to start the process



They'll connect with your employer to start the paperwork



Sign the paperwork



Collect your car from the dealership

## FAQs

- **What's the difference between a novated lease and a traditional car loan?**

With a car loan, you'd be making repayments with your post-tax salary. With a novated lease, your payment uses some of your pre-tax salary, which could lower your taxable income.

- **What's included in my novated lease payments?**

Your novated lease payments include your car finance along with registration, compulsory third party insurance (CTP), comprehensive insurance, charging/fuel, maintenance and tyres.

We'll discuss everything and allocate a tailored monthly budget. The best part is, your budget can be carried over to the next month, or paid out with your salary.

- **Can I package up the cost of charging my EV from home?**

Yes, you can salary package electricity costs within your EV lease. You must be able to demonstrate specifically how much energy – and the cost of the energy – is going towards charging your EV. This can be either obtained through a separate smart meter installed in your home, or by purchasing a fast, in-home charger with the metering included within it.

- **Can I package up the cost of buying and installing and EV charger at home?**

If it's included in the cost of the car, then the cable charger will be bundled neatly into your novated lease payment.

Unfortunately, the current ATO rules don't allow in-home wall box chargers or third-party chargers bought separately to be bundled into a novated lease.

- **Can I claim the cost of using a public charger?**

A lot of public chargers, like those at shopping centres, are free to use. For the ones that require a payment, just keep the receipts and claim them through your budgeted account.

- **What happens at the end of my novated lease?**

At the end of your lease there are three options available to you:

- Upgrade to a new car, which means you take out a new novated lease or other finance loan type that suits your needs. All you need to do is trade in your current vehicle and pay any amount owing.
- Extend your lease by refinancing the residual amount (the balloon payment you owe at the end of your lease) and keep making regular payments.
- Keep your car, buy your current car outright by paying the residual amount.


- **What is a residual value?**

A residual value is the value of the car at the end of the lease term. The residual value is agreed when you take out a novated lease and is used to calculate the monthly lease payment. This value is incorporated into your novated finance lease.

All novated leases require you to pay a residual (aka 'balloon') GST inclusive amount when the lease ends.

- **What happens if I change jobs during my novated lease term?**

If you change jobs, you simply take the car with you and continue to make the car finance repayments directly or transfer your novation agreement to your new employer. If you or your new employer choose not to have the novation agreement transferred to your new employer, the finance payments will be for the car only and will need to be made from your post-tax salary and you will not have the option to bundle running costs into your payment.



## Talk to a Audi Specialist

When you're choosing a car, expert advice makes all the difference. And when you're getting car finance you should expect the same level of expertise.

Our Business Managers are experts in Audi vehicles and car finance. They are committed to helping you navigate the available options to find the perfect solution for you, so you can get behind the wheel of your dream Audi faster.

**Visit your participating Audi dealership to speak to a Business Manager today or get in touch with our financial services team by calling us on 1 300 734 567. We're available Mon - Fri 9:00am - 5:00pm (AEST).**

**[www.audi.com.au](http://www.audi.com.au)**

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