

Novated Car Lease

– You Can Save Further Tax

A novated lease is simply a way of financing a new car (or 2nd hand). It does have the additional benefit of also saving you income tax (as some payments for the car lease are 'pre tax'), electric cars in particular (see below).

The benefits of a novated car lease include:

- Tax savings, including income tax and GST (on running costs and the purchase price).
- Everything is budgeted. You have one regular pay deduction for all your costs (lease, petrol, insurance, rego etc.).
- You choose the car. Whether it's new or second hand. We can help you find a car at a competitive price, using our extensive dealer network.
- At the end of the lease, you can buy or sell the car, or simply 'rollover' the lease. You choose.

What Does a Car Lease Cost ?

That depends on the car you lease and how far you travel. The good news is that your payments are 'fixed' and based on:

- The leasing cost (this is like a 'loan' repayment on a car); and
- Running costs (petrol, repairs, insurance, tyres, rego, repairs etc).

For example, if your annual lease ('loan') was \$8,000 and your estimated annual running costs were \$5,000, then your total estimated annual costs are **\$13,000**. If you are paid fortnightly, then **\$500** a fortnight (\$13,000/26) is paid from your wages.

Under a novated care lease, it is a **fixed** budget. In our example, it is \$500 a fortnight. At the end of your lease, your account is reconciled, and if you spent less than expected, you will receive a refund (and vice versa).

How is the Money Deducted From My Pay ?

The amount deducted from your pay will depend on how much your car lease costs (as outlined above). The good news is that a portion of your car lease cost is deducted pre tax, saving you further income tax. We calculate that for you, using ATO rules. This is best demonstrated by an example. Let's assume you 'buy' a \$30,000 car and your annual lease cost is \$13,000 pa.

A portion of your total leasing cost is deducted from your pay **after tax**. The ATO says this amount must be **20%** of the price of the car. Therefore, if you lease a \$30,000 car, the annual **after tax** amount is **\$6,000** (\$30,000 @ 20%). If your total lease payment is \$13,000 pa, and \$6,000 is deducted from your pay after tax, then the remaining portion of **\$7,000** is deducted from your pay pre tax. Your fortnightly payslip will show a \$500 pay deduction as follows:

- Novated lease – pre tax \$269 (\$7,000 pa) Income tax is **saved** on this amount
- Novated lease – post tax \$231 (\$6,000 pa) This is paid from after tax money

Importantly, your normal salary packaging amounts (**\$15,900** for expenses and **\$2,650** for dining) are still available in **full**. The amount deducted pre-tax for your novated car lease (\$7,000 pa in our example) is an additional tax saving opportunity.

GST savings are additional. GST (10%) is saved on the price of the car, and all car running costs.

'Bonus' Tax Savings for Electric Cars

The tax savings are even greater for electric cars. If you lease a zero or low emission vehicle (up to a value of about \$90,000) all payments are deducted from your pay, **pre tax**.

In our example above, the pay deduction would be **\$500 pre tax**, meaning income tax is saved on **\$13,000 pa**.

For plug-in hybrid electric cars, this opportunity on exists until **1 April 2025**. So, act now.

Get a Quote. It's Free. No Obligation.

Your next step is to get a free quote. GO Salary has partnered with experienced car leasing experts, **Enlist**. They provide a professional, friendly car leasing service. For a free, no obligation quote, phone **1300 773 829** or visit enlist.com.au.

Questions ?

Ask Amy at gosalary.com.au or call / email us. We are here to help.