



CHALLINOR

Novated Lease

A financing option that could really suit you

Of the assortment of loan products available today, novated leases are a way to use your pre-tax dollars more effectively, but what exactly are they? Some of you may or may not know what a novated lease is but the product itself is very generic and offered by most Australian banks. Typically a novated lease is available as part of a client's salary package with the payments being made from 'pre-tax' salary. For those that don't know, making your car payments 'pre-tax' means loan payments are made from your gross wage and not your net wage and many opt for this method of finance as there are clearly tax benefits for this.

Before getting into the nuts and bolts of novated leases, I would like to clearly state that when considering anything to do with tax planning for your situation, you should always speak with your accountant or tax professional.

Novated lease products were quite popular many years ago but their popularity has reduced somewhat today. Like a traditional lease, the loan structure must follow the Effective Life guidelines as set by the Australian Tax Office (ATO), meaning the loan term must have the

appropriate balloon for a 1, 2, 3, 4 and 5 year loan term.

For employers, the novated lease product provide a couple of key benefits. The first one is the employee will receive an allowance for the vehicle which will generally cover the loan payments and some business running costs. This allowance figure will be determined by the employer/employee in the employment contract. On this method, the employee has a vehicle to be used for their business duties as part of their job and is compensated for it.

Secondly, under a novated lease, the vehicle actually stays with the employee after they leave the company. As the employee receives the vehicle allowance / vehicle as part of their employment contract, the vehicle and loan transfer to the employee should their employment be terminated. This will also give the employer that added benefit of not 'owning the vehicle or the debt'. With the employer not owning the debt for the vehicle, they are freed up should they wish to pursue other commercial obligations.

The key benefit for the employee under a novated lease is that they get to choose the vehicle most suitable to their business



and personal needs. As most employers normally stipulate a modern well-presented vehicle, this does give significant scope on the choice of vehicle for the employee, ie, a 4WD!

Depending upon the employees use of the vehicle, the big bonus is the 4WD can be 'purpose built' and fitted out with lockers, tool boxes, ladder rack, whatever is required for the vehicle to complete their work obligations and still be used for their own personal use on the weekends, heading outdoors and touring the country!

Dave Challinor

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With over 20 years of banking and finance experience, Dave has been exposed to and witnessed every possible change in the financial environment. From bank policy shifts to continually increasing governmental legislation, there is really no form of lending that Dave has dealt with. Being the owner of Fortified Finance & Leasing in Brisbane's North, Dave stays abreast of any changes in lending requirements that affects any consumer.