

# FACTSHEET



## Information for Employers – Company Cars and Novated Leases

As you may already be aware, the Federal Government announced a change to the way Fringe Benefits Tax (statutory percentage) is applied to company cars in the 2011-12 Federal Budget released on Tuesday 10 May.

While the final legislation is not yet available for review, with the benefit of direct discussions with the Treasury Department we have gained a much clearer understanding of how the legislation is intended to apply.

As further information comes to hand we will keep you updated. In the meantime, this Fact Sheet provides you with the latest information.

If you have any questions or you would like to discuss ways to minimise the impact of the Budget changes on your business, please contact your Account Manager.

For more information about the 2011-12 Federal Budget please go to [www.budget.gov.au](http://www.budget.gov.au)

### Budget changes and implications

#### Fringe Benefits Tax for company cars

The Federal Government's decision to progressively change the current statutory percentage for calculating Fringe Benefits Tax from a tiered rate to a flat rate of 20%, regardless of the kilometres travelled, came into effect for all leases commencing after 7.30pm (AEST) on Tuesday 10 May 2011.

The statutory rate for each year is detailed in the table below.

- For drivers travelling 25,000km and over during the FBT year the new statutory rates will be modified each year within the term of the lease over the next four years.

So a customer driving more than 25,000km who entered a lease after 7.30pm (AEST) on 10 May 2011 will have a rate at the start of their lease, which will be revised each year until 1 April 2014 when a 20% standard rate is achieved.

- Those travelling less than 25,000km will be on a flat statutory rate of 20% for the term of their lease.
- The Budget changes will see all leases, regardless of kilometres travelled, have a standard statutory percentage of 20% applied by 1 April 2014.
- There is no change to customers who commenced a lease arrangement prior to 7.30pm (AEST) on 10 May 2011.

The transition rates are as follows:

Distance travelled during the FBT year (1 April – 31 March)	Statutory rate (multiplied by the cost of the car to determine a person's car fringe benefit)				
	A. Existing contracts	New contracts entered into after 7:30pm (AEST) on 10 May 2011			
		B. From 7:30pm (AEST) on 10 May 2011	C. From 1 April 2012	D. From 1 April 2013	E. From 1 April 2014
0 – 14,999 km	0.26	0.20	0.20	0.20	0.20
15,000 – 24,999 km	0.20	0.20	0.20	0.20	0.20
25,000 – 40,000 km	0.11	0.14	0.17	0.20	0.20
More than 40,000 km	0.07	0.10	0.13	0.17	0.20

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## Why did the Federal Government choose to move from a tiered statutory percentage to a flat rate to calculate the amount of FBT payable?

According to the Federal Government's Budget website, these changes were introduced to remove the incentive for people to drive their car further in order to obtain a larger tax concession, and in the process burn more fuel.

### How it works

The progressive introduction of a flat 20% rate is designed to reduce the impact it will have on drivers who had previously nominated a higher bracket for their FBT concession because they drove more than 25,000km each year.

## Company Cars

The new statutory percentage may impact some of your company cars and in particular those travelling more than 25,000km.

We are extending to our customers an offer to review their fleet arrangements to minimise FBT moving forward. These reviews will encompass fleet policy, FBT administration, vehicle selection/fit for purpose, OH&S requirements and strategies for minimisation of personal usage.

If you would like to take up this offer please speak with your Account Manager to arrange an appointment.

## Novated Leases

### What this means for your employees

#### There is no change to existing novated lease customers' arrangements

There is no change to customers who commenced a novated lease arrangement prior to 7.30pm (AEST) on 10 May 2011.

#### Vehicle leasing remains tax-effective

This change in policy should not deter people from choosing to salary package their car as there are still valuable tax savings to be made in most cases.

#### Vehicle leasing may benefit more employees

People that travel less than 15,000km per FBT year will now get a greater benefit with a novated lease.

#### Employees who drive high kilometres could still save tax

A novated lease still offers employees with high kilometres potential tax savings and benefits. The benefit has been slightly reduced not removed.

We continue to offer competitive pricing, great service and valuable tax savings to customers.

### Regular odometer readings

Customers will still be required to provide regular odometer readings.

The logo for Interleasing, featuring the word "Interleasing" in a blue, sans-serif font. The 'I' and 'L' are significantly larger than the other letters, and the 'e' is stylized with a dot.