

What are the Budget changes?

On Tuesday 10 May, the Federal Government decided to progressively change the current statutory percentage for calculating Fringe Benefits Tax on salary sacrificed cars from a tiered rate to a flat rate of 20%, regardless of the kilometres travelled.

The new statutory percentage rate will apply to all leases commencing after 7.30pm (AEST) on Tuesday 10 May 2011 and will be modified each year within the term of the lease over the next four years.

What is a “tiered” and “flat” statutory percentage rate?

A statutory percentage rate is applied to calculate Fringe Benefits Tax on salary sacrificed cars. It is determined by the Australian Tax Office.

Leases entered into before 7.30pm (AEST) on 10 May 2011 have what is known as a “tiered rate”, or a “variable” statutory percentage rate based on kilometres travelled categories (A in the table below).

A “flat” or “standard” statutory percentage rate is applied when calculating Fringe Benefits Tax on salary sacrificed cars regardless of the kilometres travelled (E in the table below).

By 1 April 2014, every lease customer, regardless of whether they drive less than 15,000km or over 40,000km, will have a 20% flat rate applied to calculate their FBT.

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

How do the transitional rates work?

All new leases commencing after 7.30pm (AEST) on Tuesday 10 May 2011 will apply a transitional set of statutory rates that will be modified each year until it

gradually reaches a 20% standard flat rate by 1 April 2014 – there will no longer be four different statutory rates.

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

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

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.

I was leasing a car before the Budget, how does this affect me?

There is no change for customers who commenced their novated lease before 7.30pm (AEST) on 10 May 2011. You will continue to derive the same benefits and tax savings selected when joining our program.

Your lease will continue to operate as is over the term of your lease until it expires. If you then decide to lease a new car, or re-lease your existing car with us, a new statutory percentage rate will apply when calculating Fringe Benefits Tax on your salary sacrificed car.

I'm considering leasing a car, how does this affect me?

The new statutory percentage for calculating Fringe Benefits Tax applies to customers who commence a novated lease after 7.30pm on Tuesday 10 May 2011.

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 you will have a rate at the start of your lease, which will be revised each year until 1 April 2014 when a 20% standard rate is achieved.

Alternatively, if a customer nominates to travel less than 25,000km during the FBT year, they will be on a flat statutory rate of 20% for the term of their lease.

What is the commencement date of my lease – when I receive an estimate/proposal, when the vehicle is ordered, or when I take delivery of the car?

We are awaiting further clarification on this from the Federal Government as it is important when applying the FBT calculation changes. We will notify you of the outcome and any other important changes that may impact our customers.

My lease is due to expire before the end of the FBT year (31 March 2012), how does the change affect me?

Your lease will continue to operate under your existing statutory rate until such time as the term of your lease ends. If you decide to lease a new car, or re-lease your existing car with us, the Government's new statutory percentage rates will apply when calculating Fringe Benefits Tax on your salary sacrificed car.

What if I change my employer or finance company? Can I do a mid-lease transfer and reduce my kilometres travelled category to below 15,000km each FBT year to take advantage of the new statutory rates?

We are seeking advice from the Federal Government as to whether a mid-lease transfer is classed as a "new lease" or not. We will notify you of the outcome and any other important changes that may impact our customers.

Will the 15,000-24,999km distance travelled category ever change from 20%?

According to the Budget papers, a flat 20% statutory percentage will apply to every new lease from 1 April 2014. Any change to this is entirely at the Government's discretion.

As always, we will notify you of any changes to this and any other important changes that may impact our customers.

My lease is due to expire before the end of the FBT year (31 March 2012), what if I decide to extend my lease, how does the change affect me?

We are awaiting further clarification on this matter from the Federal Government. We will advise you of the outcome and any other important changes that may occur.

If I was leasing my car before the Budget, can I change my statutory rate bracket depending on my nominated kilometres travelled?

As is currently the case, drivers may change brackets in their respective statutory rate scale depending upon their achieved travel rate.

For example, if you nominated to drive between 25,000-40,000km but due to a change in circumstances you will only drive 15,000-24,999km then you can elect to change your distance travelled category.

Can I refinance my current lease to take advantage of the new brackets?

Yes, but you should seek your own independent professional advice before making a decision with respect to refinancing your current lease to ensure it is to your advantage.

For further enquiries contact:

Interleasing

Customer Care Centre 1800 980 500

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