Novated Lease policy

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Owner: Manager Remuneration and Rewards

Background

nbn recognises that some employees value the choice and flexibility provided in the Australian market place through salary packaging of benefits such as motor vehicles.

nbn has partnered with a designated lease provider (‘Provider’) to give employees the ability to salary package motor vehicle benefits by way of novated motor vehicle arrangements whilst ensuring that we meet our obligations under the Fringe Benefits Tax Legislation.

Purpose

The purpose of this policy is to set out the terms and conditions that apply to the provision of novated motor vehicle leasing arrangements as part of an employee’s Total Fixed Remuneration (‘TFR’). The policy also sets out the roles, responsibilities and obligations of managers and employees in relation to novated motor vehicle leases.

Scope

This policy applies to all permanent and maximum term employees of nbn who apply for and are given approval to participate in novated motor vehicle lease arrangements as part of their TFR.

Policy

Novated Lease

A novated lease is a three-party, legally-binding agreement between an employee, nbn, and the Provider. The employee enters into a financial lease with the Provider and a second document called a novation agreement is used to transfer some of the lease obligations to nbn.

Eligibility

Permanent employees who have not given notice of termination are eligible to apply for a novated lease. Maximum Term employees are only eligible if their remaining employment contract duration exceeds the lease contract period.
The General Manager Rewards and Programs, along with your Function Head, have joint authority and discretion in determining final eligibility of all employees under this policy.

**Novated lease arrangements**

If you meet the eligibility criteria you should contact the Provider to obtain quotes on costs for entering into a novated lease.

The Provider will forward to you details of the proposed lease and any other information to assist you to understand your responsibilities and related costs of these arrangements. The information provided will include a schedule outlining costs covered by the proposed arrangement including:

- lease rental charges
- establishment fees
- service fees
- ongoing management fees
- estimated fuel costs
- estimated maintenance and tyres expenditure
- estimated registration costs
- estimated insurance costs
- estimated Fringe Benefits Tax liability

Consistent with the ATO’s definition of a motor vehicle expense, some items cannot be packaged, including but not limited to, the following:

- traffic infringements
- parking fines
- e-Tag expenses and tolls
- after-market capital items added to the motor vehicle such as roof racks or tow bars

Once the quote is accepted and the novation agreement is executed nbn will arrange for regular deductions to be made from your salary in line with the approved budget/quotation.

**Novated Lease Costs**

The Provider will establish a budget and a running cost account for each novated lease vehicle. If actual expenditure incurred exceeds the approved budget, the employee will be required to re-cost deductions, increasing the portion of TFR allocated.

The Provider will calculate the actual FBT liability based on the annual FBT declaration provided by the employee. If the actual FBT is lower than the amount that has been withheld, the employee will receive a refund processed through Payroll. If the actual FBT liability is greater than the amount withheld nbn will work with you to arrange payment of the additional amount.

Any negative balances at the end of the novated lease will be recovered from the employee via payroll deduction.
Employees may take out a contingency provision with the Provider, where they contribute an additional amount per annum to act as a buffer to avoid negative balances.

**Fuel and Maintenance Card**

A fuel and maintenance card will be provided to you.

The card remains the property of the Provider, who has the right to cancel the card if:

- it believes the card has been used fraudulently; and/or
- your running cost account balance has been exceeded and you and the Provider are unable to agree on a re-cost to recover the outstanding sum.

The Provider may refuse maintenance expenses if it believes they will exceed the approved running cost account balance.

**Business use of Novated Lease Vehicle**

The business use of novated lease vehicles is subject to the current travel and expenses policy. Employees with a novated lease vehicle will not be eligible for kilometre (KM) reimbursement under that policy.

**Types of Vehicle**

The type of vehicle that can be packaged is based on the policies of the Provider. In general, only passenger cars and some commercial type cars (with a carrying capacity of no more than one tonne and able to carry fewer than nine passengers) qualify. Employees are responsible for ensuring that the vehicles selected are appropriate given their personal financial situation and are encouraged to seek independent financial advice before entering into a novated lease.

Luxury vehicles can be packaged. **nbn** will recover any additional costs resulting from the employee’s TFR due to the Luxury Car Non-Deductible Factor as calculated by the Provider.

The Provider will assess, on a case by case basis, transfer of existing leases to **nbn** for new employees. If acceptable, **nbn** will assume responsibility for making the arrangements for the transfer of the existing lease.

**Conditions of Novated Leases**

Employees may choose to package up to a maximum of two vehicles.

It is a condition of entering into a novated lease with **nbn** that each vehicle is comprehensively insured and registered at all times. Employees are responsible for ensuring that this condition is met. Employees are liable for any costs incurred if the vehicle becomes uninsured or unregistered at any time. Employees may purchase insurance directly through the Provider or through another insurer.

All costs associated with the novated lease will be deducted from the existing TFR in accordance with the employee’s pay cycle. This includes any service fees from the Provider such as the establishment, ongoing management, and any early cancellation fees. The timing of the first deduction is dependent upon the applicable payroll calendar.
**Uncontrolled when printed**

**nbn** will not incur any additional costs as a result of an employee’s decision to enter into a novated lease. Employees who choose to apply for a novated lease acknowledge and agree that they will indemnify **nbn** against any loss resulting from their entry into the novated lease (and/or any ancillary transactions).

**Benefits of a Novated Lease**

The novated lease arrangements established by **nbn** provide employees with:

- access to a large dealer network and discounts normally only offered to fleet vehicles
- access to the convenience of a fuel and maintenance card for most vehicle purchases
- additional choice and flexibility in managing personal motor vehicle budgeting

It is acknowledged that salary packaging and novated lease arrangements involve a wide range of variables and that employee individual circumstances can vary significantly. It is the responsibility of all employees to pursue their own best interests regarding salary packaging and novated leases. It is recommended that employees seek independent financial advice on these matters.

**Australian Tax Office Legislation**

Changes in tax legislation that affect novated lease arrangements may occur from time to time. Any change in the method of calculating the value of a motor vehicle fringe benefit or in the rate of tax applicable to novated leases will be the responsibility of the employee and **nbn** will not cover any additional cost from the employee’s decision to enter into a novated lease.

**Unpaid leave**

When an employee is on unpaid leave, including sick leave without pay, leave without pay, unpaid maternity/paternity leave, and/or purchased leave, payments will not be made (with the exception of the duration of paid parental leave).

**nbn** may require the cancellation of the benefit and removal from TFR packaging. Otherwise, the employee must provide ongoing deductions to cover the lease cost.

Once the employee returns to work, payments to the Provider will resume.

**Change or Cessation of a Novated Lease**

You will need to contact the Provider if you want to change or cease your novated leasing arrangement.

**Termination of Employment**

If an employee leaves **nbn** prior to the end of the novated lease for any reason, the liability for the lease payments and related costs will revert from **nbn** to the employee.

At the employee’s discretion, involuntary redundancy insurance can be obtained from the Provider. This provides cover in the event of involuntary termination of employment.

In the event of termination of employment, the benefit cessation date will be deemed to be no later than the employee’s date of termination. The closing odometer reading is required.
to be provided on the date of cessation to avoid FBT being calculated at the highest rate. It is also a requirement that the employee return the fuel and maintenance card. Any termination payment due to an employee will be subject to the reconciliation of remaining lease costs. nbn may withhold additional funds, such as but not limited to, a $500 provision, from employee’s termination pay to cover estimated final expenses and FBT liability. Any future costs, including the residual value, associated with the lease will be the employee’s responsibility.

Safety

nbn promotes health and safety relative to the use of privately owned and leased vehicles irrespective of whether being used privately or for business. Employees are expected to properly maintain their vehicles in a roadworthy and safe condition.

Roles and responsibilities

- **Employees**: ensuring that novated leasing arrangements are suitable for their individual circumstances, advising nbn of any changes to their novated lease participation needs, and providing an accurate odometer reading each time fuel is purchased, at the end of each FBT year, and upon the end of the novated lease. If an employee does not complete an FBT declaration form as required, nbn reserves the right to charge FBT at the highest rate applicable.

- **Remuneration and Rewards**: managing the relationship with the Provider and assisting employees in relation to this policy.

More information

Further information on the Provider and the Novated Lease process can be found on the HUB.

If you require additional information in relation to this policy please contact the HR Support Centre.

Related policies

- Leave Policy
- Parental Leave Policy
- Remuneration and Benefits Policy
- Superannuation Policy
- Taxes Policy
- Travel and Expense Re-imbursement Policy
Manager Remuneration and Rewards
Effective as of 9 October 2015