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## Keep your employees by offering a novated lease

Contributed by ibalance

A novated lease is a good option for employers to offer their employees.

Basically a Novated Lease is a three party arrangement between the employee, the employer and the Fleet Manager/Financier.

Firstly the employee takes out a finance lease with a Fleet Manager/Financier and then by way of a Novated Deed transfers all the responsibilities of that lease to their employer.

The employer then treats the vehicle like a company car and reduces the employee's pre-tax salary to meet the payments and running costs. A Novated Lease takes salary that would otherwise be subjected to personal income tax and uses it in the Fringe Benefits Tax (FBT) environment.

Given the concessional treatment of motor vehicles under FBT guidelines it may well result in a cheaper method of buying and running your car. It should be noted that Novated Lease does not work for all employees and as there are a number of factors that determine how much FBT will be paid, you should certainly refer to a qualified advisor to ensure it is beneficial in your individual circumstance.

Also various employer types are treated differently by the tax office for FBT purposes and benefits may vary dependant upon your employers' classification.