

Novated Leasing Salary Packaging Information Booklet

For Queensland Government Employees



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1. About this booklet

Disclaimer

This booklet provides information on the salary packaging a novated lease. It has been written specifically for you as an employee of the Queensland Government.

Salary packaging is allowed under the *Income Tax Assessment Act 1997* and *Fringe Benefits Tax Assessment Act 1986 (Cth)* and through the standing offer arrangements PTD0027-16 and QGP0026-16 with the Queensland Government.

The information contained in publications relating to salary packaging (and novated leasing) has been prepared for general information purposes only, without taking into consideration any individual circumstances. Before acting on any of the information contained within the salary packaging publications, you should consider your objectives, financial situation and needs, and if necessary, take the appropriate legal, financial or other professional advice based upon your own particular circumstances.

The contents of salary packaging publications should be read carefully to ensure you understand the salary packaging arrangement and the benefit item profiles. The Queensland Government takes no responsibility for any adverse outcomes that may result from an employee deciding to enter into any salary packaging agreement.

The Queensland Government strongly recommends you obtain independent financial advice before entering into a salary packaging agreement.

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Assistant Director-General
Queensland Government Procurement
Department of Energy and Public Works
GPO Box 123
Brisbane Qld 4001

More information

Visit Queensland Contracts Directory (QCD) for more information about the following Standing Offer Arrangements (SOA):

- [PTD0027-16 – Salary Packaging Administration Services](http://qcd.govnet.qld.gov.au/Pages/Details.aspx?RecID=1696)
(<http://qcd.govnet.qld.gov.au/Pages/Details.aspx?RecID=1696>)
- [QGP0026-16 - Salary Packaging Novated Leasing Services](http://qcd.govnet.qld.gov.au/Pages/Details.aspx?RecID=1753)
(<http://qcd.govnet.qld.gov.au/Pages/Details.aspx?RecID=1753>).

2. Definitions

Term	Meaning
ATO	Australian Taxation Office
Benefit item	items available for salary packaging by the employee which have been approved by the CBRC
Business day	between 9am and 5pm on a weekday other than a Saturday, Sunday or public holiday
CBRC	Cabinet Budget Review Committee
Employee	the person employed by the employer
Employer	Those Queensland Government agencies, Queensland Government bodies, including statutory authorities and government-owned organisations and entities, as defined by the <i>Financial Accountability Act 2009</i> and the <i>Government Owned Corporations Act 1993</i> and meeting the definition of "employer" under the FBT legislation.
FBT	fringe benefits tax, has the same meaning as defined under FBT legislation
FBT legislation	<i>Fringe Benefits Tax Assessment Act 1986</i> and any related tax imposition Act; includes any legislation which is enacted to validate, recapture or recoup the tax imposed by any such Acts
FBT concessional employer	an employer with employees eligible for the FBT exemption cap
FBT exemption cap	a capped FBT exemption which allows for concessional FBT treatment under the respective provisions of the <i>Fringe Benefits Tax Assessment Act 1986</i> and includes FBT exemption caps for public hospitals (currently \$17,000 grossed-up), ambulance services (currently \$17,000 grossed-up), and Legal Aid Queensland (currently \$30,000 grossed-up)
FBT year	The FBT year runs from 1 April to 31 March each year
Financier	either: <ul style="list-style-type: none"> The Novated Leasing Provider's approved finance or the finance provided by an approved member of a panel of financiers established by the Novated Leasing Provider when seeking vehicle finance; or the Employee's preferred finance provider who may or may not be offered by the Novated Leasing Provider
GST	a goods and services tax imposed by or through the GST legislation
GST legislation	<i>A New Tax System (Goods and Services Tax) Act 1999</i> and any related tax imposition Act (whether imposing tax as a duty of customs excise or otherwise) and includes any legislation which is enacted to validate, recapture or recoup the tax imposed by any such Acts
Novated lease	the lease of a vehicle between the employer, employee and the finance company
Novated Lease administration fee	the fees the Novated Leasing Provider receives according to standing offer arrangement QGP0026-16 via the Salary Packaging Administrator from the employer on behalf of the employee for the management of the salary packaging novated lease services arrangement
Novated Leasing Provider	the person, business, corporation or other entity which enters into the standing offer arrangement QGP0026-16 with the Queensland Government to be a provider of salary packaging novated leasing services for the employer; also referred to in this guide as the Novated Leasing Provider
Payment	the payment of an expense incurred by the employee in respect of salary packaged benefit item/s in an employee's salary packaging agreement

Term	Meaning
Payroll office	the employer's area within or external to their organisation which is responsible for payroll functions/systems
Pre-tax income	the salary received by the employee prior to income tax being deducted
Principal	the State of Queensland (acting through the Department of Energy and Public Works - Queensland Government Procurement (QGP))
Reimbursement	the repayment of an expense incurred by the employee in respect of salary packaged benefit item/s in an employee's salary packaging agreement
Salary packaged amount	the amount of salary specified by the employee and advised to the Salary Packaging Administrator for the duration / term of their salary packaging
Salary packaging	an agreement between the employee and the employer which allows an employee's salary to be taken as benefits before tax (payments made by the employer on behalf of the employee for benefits in lieu of salary), according to Australian Taxation Office guidelines expressed in Taxation Ruling TR 2001/10
Salary packaging account	the account where salary packaged amounts are held for the processing of salary packaging reimbursements and/or payments
Salary packaging administration fee	the fees the Salary Packaging Administrator receives according to standing offer arrangement PTD0027-16 from the employer on behalf of the employee for administering the salary packaging arrangement
Salary Packaging Administrator	the person, business, corporation or other entity which enters into the standing offer arrangement PTD0027-16 with the Queensland Government to be a provider of salary packaging services for the employer; also referred to in this guide as salary packaging provider
Salary packaging participation agreement (SPPA)	an agreement between the Employee and the State of Queensland, through the relevant Queensland Government department or agency; so that the Employee can commence salary packaging under the SOA, which may be amended from time to time
Standing offer arrangement QGP0026-16	the salary packaging novated leasing services arrangement between the Principal and the Novated Leasing Provider/s
Standing offer arrangement PTD0027-16	the entire salary packaging arrangement between the Principal and the Salary Packaging Administrator

3. About the salary packaging arrangements

The Department of Energy and Public Works – Queensland Government Procurement (QGP) established two SOA in relation to salary packaging:

- PTD0027-16 for Salary Packaging Administration Services SOA (Salary Packaging Administration); and
- QGP0026-16 for Salary Packaging Novated Leasing Services SOA (Novated Leasing Services).

Information including employee eligibility and how salary packaging/sacrificing works, is available from the *Salary Packaging Information Booklet*, published on the [Salary Packaging Administration Services SOA page on QCD](#).

Further details about both SOAs are provided below.

PTD0027-16 for Salary Packaging Administration Services SOA

The arrangement commenced on 1 April 2016 and is due to expire on 31 March 2022, which includes a range of benefit items. From July 2016, Queensland Health employees have had the choice of both Salary Packaging Administrators.

The Salary Packaging Administrators under this arrangement are:

Salary Packaging Administrator	Contact details	Status / Office Locations
RemServ	1300 304 010 http://www.remserve.salarypackage.com.au/	Brisbane and Townsville
Smartsalary	1300 218 598 https://qld.smartsalary.com.au/	Brisbane and Sydney

Queensland Government employees will be able to:

- Salary package with only one of the two Salary Packaging Administrators per FBT year, unless additional transition periods are approved; and
- Request transition between Salary Packaging Administrators during the nominated transition periods (transition periods are usually held January / February and September / October each year, transition dates are published on the [Salary Packaging Administration Services SOA page on QCD](#)).

QGP at its entire discretion may introduce different transition procedures, including additional transition opportunities for employees during the FBT year.

Transitioning during the QGP-designated periods is the only way employees can move between Salary Packaging Administrators (transitions are not available for Novated Leases). Employees who use other methods to move between Salary Packaging Administrators increase their risk of incurring an FBT liability and may have their salary packaging agreement terminated.

Employers (agencies) who offer their Employees the novated lease benefit item, the [Salary Packaging Novated Leasing Services SOA \(QGP0026-16\)](#) must be used.

Refer to the [Salary Packaging Administration Services SOA page on QCD](#) for more information, including Buyers Guides, Information Booklets and Benefit Item Fact Sheets.

QGP0026-16 for Salary Packaging Novated Leasing Services SOA

QGP0026-16 for Salary Packaging Novated Leasing Services SOA (Novated Leasing Services) commenced on 7 November 2016 and is due to expire on 6 November 2021.

The Novated Leasing Providers available under the arrangement are:

Novated Leasing Provider	Contact details	Status / Office Locations
Alliance Leasing	1300 225 582 http://www.qldallianceleasing.com.au/	Small to Medium Enterprise (SME) Brisbane and Canberra
FleetPlus	1300 092 565 www.fleetplus.com.au/qld-govt	Brisbane and Sydney
nlc	1800 652 652 www.nlc.com.au/qld.gov	Brisbane and Melbourne
RemServ	1300 731 429 www.remservelease.com.au	Brisbane

Smartleasing	1 DRIVE (13 74 83) www.qld.smartleasing.com.au	Brisbane and Sydney
Statewide Novated Leasing	1300 761 114 www.statewideqld.net.au	SME Brisbane and Sunshine Coast
Toyota Fleet Management	1300 888 875 www.toyotafleetmanagement.com.au/novated-lease/qld-government	Brisbane, Sydney and Melbourne

Refer to the [Salary Packaging Novated Leasing Services SOA page on QCD](#) for more information, including Buyers Guide and Costs.

Existing Novated Leases

Existing Queensland Government Employees

Leases established prior to the 7 November 2016, will remain with your current Provider until its expiry date. Your Salary Packaging Administrator will advise Employees 3 and 6 months prior to the expiration of the novated lease.

Depending on when your lease was established, you may be required to provide additional information to your Salary Packaging Administrator and / or 3rd Party Lease Provider.

Employees new to Queensland Government

Where Employees had a previous novated lease and now wish to establish a novated lease with the Queensland Government, the Employee may contact their existing Provider/Financier to discuss options.

Some of these options may include:

- Paying out the lease in full;
- Continuing to meet lease costs from post-tax dollars; or
- Transferring the lease to one of the Salary Packaging Novated Leasing Services SOA (QGP0026-16) panel of providers. This will require a new novation with the Queensland Government in the form of the Standard Novation Agreement (SNA).

4. Salary packaging a motor vehicle

Novated lease agreement

Under a novated lease agreement, your private-use vehicle becomes a car fringe benefit through the payment of the lease and operating costs from pre-tax or a combination of pre-tax and post-tax dollars (known as employee contribution method (ECM)). Your vehicle is acquired by the finance company (financier) and leased back to you for a contracted period of time, in return for regular fixed payments and an agreed residual value.

You, your Employer and the financier must sign the Queensland Government Standard Novation Agreement. This agreement transfers the rights and obligations of the lease to your Employer who provides a car fringe benefit to you. The agreement also transfers the payments from you via your *salary packaging participation agreement* (SPPA) through to the Salary Packaging Administrator onto the Novated Leasing Provider and Financier. This payment mechanism operates throughout the term of your employment, or to the end of the lease (whichever is the earlier).

If you leave employment with the Queensland Government, your novated lease agreement with your Employer will immediately cease to operate and you will become personally liable for ongoing lease payments to the Financier. You must therefore notify your Salary Packaging Administrator as soon as you

cease, or become aware that you will cease, employment with the Queensland Government. Refer to [transfers and secondments](#) for more information.

What it costs

All new novated leasing arrangements and re-financing (including extending a current lease) of existing leases must be established with one of the approved panel of Providers from the [Novated Leasing Services SOA \(QGP0026-16\)](#).

Leases established under QGP0026-16

You can find an overview of each Novated Leasing Provider's fees, charges and commissions in the Provider Pricing Fact Sheet, available from the [Novated Leasing Services SOA](#).

In addition to the Novated Leasing Provider's fees, your Salary Packaging Administrator will charge a fortnightly benefit item administration fee, which is for the coordination of payroll deductions and payments to your Novated Leasing Provider.

For more information, refer to the [Salary Packaging Administration Services SOA page on QCD](#).

Lease established prior to 7 November 2016

Leases established prior to 7 November 2016 will continue to operate through your current Provider (Salary Packaging Administrator or 3rd Party Lease Provider) until the expiry of the lease. Your Salary Packaging Administrator will issue a notice three (3) and six (6) months prior to the expiration of your existing novated lease, to provide information regarding your available options.

5. Things to know

The Queensland Government encourages Employees to consider environmental factors when choosing their vehicle.

You may choose a vehicle that is defined as a *car* under the FBT legislation, including a vehicle identified as light commercial.

A light commercial vehicle can include utilities, dual cabs and vans with a carrying capacity of less than one tonne. The Queensland Government will not approve any FBT exemption that may be available under the FBT legislation on light commercial vehicles and which is packaged under a novated lease arrangement.

The Queensland Government will not approve a novated lease arrangement for any vehicle with a load carrying capacity of one tonne or more, or passenger carrying capacity greater than nine people, as these vehicles are not 'cars' and do not qualify for consideration as a car fringe benefit.

Further, novated leases will not be permitted for motorcycles or any other kind of motor vehicle not defined as a car under the FBT legislation. For these classes of vehicles which are out of scope of these arrangements, FBT is calculated under a different methodology and would significantly add to the costs for the employee.

You have a choice of lease type (self-managed or fully maintained) and can salary package a new or used vehicle (there may be an age restriction applicable to used vehicles).

In some circumstances, you may be able to salary package more than one vehicle.

Salary packaged costs associated with running a novated lease include fuel, service and maintenance, registration, tyres, insurance and roadside assistance.

You can choose to include a number of optional products as part of the novated leasing quote, e.g. vehicle procurement and [accessories](#) such as bull bars, car mats and window tinting.

If you include accessories after the commencement of the vehicle lease, the cost of these accessories must be included in the cost of the vehicle, which could alter the tax effectiveness of the lease.

When salary packaging a vehicle through a novated lease, you **must** also salary package fuel and use a [fuel card](#).

Note that salary packaging a motor vehicle previously owned or leased by the Queensland Government (including ownership through another employee's salary packaging of the vehicle) may allow for a reduced value of the vehicle for FBT purposes (where certain conditions are met).

This may be the case even if you obtain a vehicle from another supplier (such as a car dealership) and there has been a break in the period of the Queensland Government's ownership.

Refer to [Financial advisors](#) for more information.

FBT exemption cap

If you are an employee of an agency that is eligible for an FBT exemption cap (e.g. Legal Aid Queensland, Queensland Ambulance Service and some parts within Queensland Health) you will need to consider the FBT values around the FBT exemption cap.

For:

- Legal Aid Queensland Employees, refer to the *Salary Packaging Information Booklet*,
- Queensland Ambulance Service and some Queensland Health Employees, refer to the *Queensland Health Salary Packaging Administration Information Booklet*

both available on the [Salary Packaging Administration Services SOA page on QCD](#).

6. Getting started

Participation in salary packaging and novated leasing is strictly voluntary and at the sole risk to the Employee.

The Queensland Government **strongly recommends** that independent financial advice (i.e. fee based rather than commission based) is obtained by Employees prior to entering into a salary packaging and novated leasing agreements.

Refer to the [Novated Leasing Establishment Process Flow](#) (Appendix 1), for a step-by-step guide.

Financial advisors

You should ensure that independent financial advice is received from qualified Financial Advisors, which may include:

- Chartered Accountants (CA);
- Certified Practising Accountants (CPA);
- Registered or licensed member of the Financial Planning Association of Australia (FPA); or
- Member of the Institute of Public Accountants (IPA).

The Salary Packaging Administrators are required to maintain a list of registered financial advisors. It is **not mandatory** for you to use a financial advisor from the Salary Packaging Administrators' list and you can

choose your own. Refer to "[Choosing a financial advisor](#)", published by the Australian Securities and Investment Commission's (ASIC) MoneySmart for more information.

Salary Packing Administration Account

You must establish a Salary Packaging Administration account (under [PTD0027-16](#)), as part of establishing your Novated Lease. A novated lease **will not be established** until you complete the required documentation to commence a Salary Packaging Administration account.

Your Salary Packaging Administrator will charge a fortnightly novated lease benefit item fee (which is in addition to your Novated Leasing Provider's fees) which is for the coordination of your payroll deductions and payments to your Novated Leasing Provider.

If you do not have an existing Salary Packaging Administration account, you will need to contact your preferred Salary Packaging Administrator and complete the required documentation (e.g. salary packaging participation agreement (SPPA), application form and relevant declaration form/s) to establish an account.

Refer to the [Salary Packaging Administration Services SOA page on QCD](#) for more information, including Buyers Guides, Information Booklets, Benefit Item Fact Sheets and pricing.

Obtaining quotes

You must obtain quotes from at least one of the Novated Leasing Providers on the [Salary Packaging Novated Leasing Services SOA \(QGP0026-16\)](#). It is recommended that you should obtain at least two quotes to compare costs, however there is no minimum number of quote requirements.

All Novated Leasing Provider's quotes must:

- Include a Quote Summary Table - to assist you when comparing Novated Leasing Providers' quotes on a like-for-like basis; and
- Be based on a 2-month deferred basis - to allow sufficient funds to accumulate in your novated leasing account (i.e. lease payments are not required in the first two months of the lease term).

Details of the Novated Leasing Provider's fees, charges and commissions are available in the Provider Pricing Fact Sheet, available from the [Novated Leasing Services SOA \(QGP0026-16\) page on QCD](#).

Financiers

From 1 July 2019, the Novated Leasing Providers' panel of financiers must be used. This means that you can only use one of the Novated Leasing Provider's panel of financier/s must be used for vehicle finance from this date (for a new novated lease, or to re-novate an existing lease). For more information refer to the External Financiers Factsheet published on [Novated Leasing Services SOA page on QCD](#).

Different lease types (available under QGP0026-16)

The panel of Novated Leasing Providers offer two novated leasing types, which may attract different fortnightly administration fees, for more information refer to the Pricing Guide available from the [Novated Leasing Services SOA page on QCD](#).

Self-managed leases

- The monthly payment to the financier to cover the lease finance charges only;
- [Fuel costs](#) must be included and a fuel card will be issued by your Novated Leasing Provider only for use with the novated lease vehicle (if you cannot use your fuel card for purchases you can claim [reimbursements](#) for fuel purchases);
- Registration and insurance costs should be included in the package;

- Flexibility in your choice of service suppliers and parts;
- Claim for payment of [registration](#), [insurance](#), [servicing and parts](#), these can be claimed by requesting:
 - Direct payment by your Novated Leasing Provider to the supplier; or
 - Reimbursement to you (you will pay the costs and claim reimbursement from your Novated Leasing Provider) via electronic funds transfer (EFT).

Fully maintained leases

- The monthly payment to your Novated Leasing Provider covers the finance charges and amounts for [registration](#), [insurance](#), fuel and some ongoing maintenance (However, if you do not want your Novated Leasing Provider to pay the registration provider, insurance provider or your vehicle service provider, you can claim reimbursements for the servicing and maintenance of your vehicle)
- A [Fuel card](#) is supplied by your Novated Leasing Provider for use only with the novated lease vehicle only (if you cannot use your fuel card for purchases you can claim reimbursements for fuel purchases);
- An authorisation team makes sure that your servicing is appropriate and at the right price;
- Discounted rates that may be available for tyres, windscreens and other services from your Novated Leasing Provider;
- There are no out of pocket expenses in most circumstances; and
- [Servicing and parts](#), these may be managed by your Novated Leasing Provider. You may also be given a list of their approved service suppliers.

Leases established prior to 7 November 2016

Prior to 7 November 2016, the available lease types were referred to as finance only (now self-managed) and fully maintained. Finance only leases are now referred to as self-managed under the current SOA.

7. Novated leasing calculations

FBT

The taxable value for FBT on your novated lease vehicle will be calculated using the statutory formula method under the FBT legislation.

The calculations for your novated lease budget will include amounts from either your:

- Pre-tax salary to pay the applicable FBT; or
- Post-tax salary to reduce the taxable value of the car for FBT purposes.

A third alternative may be available for certain employees of Queensland Health hospitals, Queensland Ambulance Service, and Legal Aid Queensland who may be eligible to use the [FBT exemption cap](#) to cover the FBT otherwise payable.

If you are salary packaging your novated lease with post-tax contributions, you will need to allow one eleventh of the post-tax amount to be paid as GST, as the post-tax contribution is consideration for a taxable supply (also known as Employee Contribution Method (ECM)).

ECM is the most common means of managing the FBT liability for employees whose income is below the top marginal tax rate. The ECM allows you to make a contribution towards the vehicle running costs from your post-tax salary to reduce the taxable value for FBT calculation purposes. By balancing the costs of the lease,

operating and maintenance costs between pre and post-tax dollars, you can substantially reduce or even remove the potential FBT liability.

It is **strongly recommended** employees seek independent financial advice to ensure you appropriately manage FBT as part of your novated lease responsibilities.

GST

Novated lease budgets do not need to include GST, as the Salary Packaging Administrator will initially float any GST applicable to vehicle lease and running costs. Your employer will claim this GST from the ATO and refund to the Salary Packaging Administrator.

If packaging your novated lease with post-tax contributions, you will need to allow one eleventh of the post-tax amount to be paid as GST, as the post-tax contribution represents consideration for a taxable supply.

8. Fuel cards

You **must** salary package fuel when salary packaging a vehicle through a novated lease. This can be done through the use of a fuel card, or in certain circumstances fuel expenses may be reimbursed through your Novated Leasing Provider (or Salary Packaging Administrator / 3rd Party Lease Provider, if the novated lease was established prior to 7 November 2016).

Important: Fuel cards can be used **only** for the purchase of fuel for the vehicle under the novated lease. Any fuel purchased with the fuel card that is not for the nominated vehicle may result in the novated lease being terminated by your Employer, and potentially further action in terms of employee misconduct and tax fraud.

If required, you may request the provision of more than one fuel card supplier from your Novated Leasing Provider (or Salary Packaging Administrator / 3rd Party Lease Provider, if the novated lease was established prior to 7 November 2016). The fuel cards may be for different fuel suppliers, however must be used only for the nominated vehicle subject to the novated lease.

It is a requirement of using the fuel card that an accurate odometer reading is provided to your Novated Leasing Provider (or Salary Packaging Administrator / 3rd Party Lease Provider, if the novated lease was established prior to 7 November 2016) when requested.

It is recommended you monitor your fuel use to ensure you remain within your budgeted amounts. In the event you exceed your budgeted amount, you will need to amend your payroll deductions with your Novated Leasing Provider (or Salary Packaging Administrator / 3rd Party Lease Provider, if the novated lease was established prior to 7 November 2016) to ensure enough funds are available for the payment of fuel purchases.

Discounts and charges

Each Novated Leasing Provider offer their own fuel arrangements. Further information including discounts and charges are available from the Pricing Guide on the [Novated Leasing Services SOA page on QCD](#).

For leases established prior to the 7 November 2016, contact your Salary Packaging Administrator / 3rd Party Lease Provider for details of their fuel providers agreements, discounts and charges.

Reimbursement

In situations where you are unable to use the fuel card (e.g. prior to issue or in a remote area) you should keep your tax invoices from your fuel purchases and submit these to your Novated Leasing Provider (or Salary Packaging Administrator / 3rd Party Lease Provider, if the novated lease was established prior to 7 November 2016) for [reimbursement](#). Your Novated Leasing Provider will not reimburse you the funds, if there are insufficient funds available.

9. Vehicles insurance

Leases established under QGP0026-16

You **must** provide your Novated Leasing Provider with documentation to prove the vehicle is registered.

Regardless of the lease type (self-managed or fully maintained), you can choose:

- For your Novated Leasing Provider to pay the registration fees directly to the insurance provider; or
- Pay the registration fees yourself and claim reimbursement from your Novated Leasing Provider.

Leases established prior to 7 November 2016

You **must** provide your Salary Packaging Administrator with documentation to prove the vehicle is registered.

Regardless of the lease type (finance-only (self-managed) or fully maintained), you can choose to:

- Have your Salary Packaging Administrator / 3rd Party Lease Provider pay registration directly to the Department of Transport and Main Roads; or
- Pay the registration yourself and claim reimbursement from your Salary Packaging Administrator / 3rd Party Lease Provider.

10. Vehicle registration

Leases established under QGP0026-16

You **must** provide your Novated Leasing Provider with documentation to prove the vehicle is registered.

Regardless of the lease type (self-managed or fully maintained), you can choose:

- For your Novated Leasing Provider to pay the registration fees directly to the insurance provider; or
- Pay the registration fees yourself and claim reimbursement from your Novated Leasing Provider.

Leases established prior to 7 November 2016

You **must** provide your Salary Packaging Administrator with documentation to prove the vehicle is registered.

Regardless of the lease type (finance-only (self-managed) or fully maintained), you can choose to:

- Have your Salary Packaging Administrator / 3rd Party Lease Provider pay registration directly to the Department of Transport and Main Roads; or
- Pay the registration yourself and claim reimbursement from your Salary Packaging Administrator / 3rd Party Lease Provider.

11. Vehicle maintenance / servicing

Leases established under QGP0026-16

For self-managed leases, you do not need to obtain any approvals from your Novated Leasing Provider for vehicle maintenance / servicing or spare parts.

For full maintained leases, generally your vehicle maintenance / servicing and spare parts will be approved, supplied and arranged through your Novated Leasing Provider preferred supplier.

You may be able to arrange the maintenance / servicing of your vehicle and the supply of spare parts, provided you obtain approval from your preferred supplier that it does not void any manufacturer's warranties / guarantees.

Regardless of the lease type (self-managed or fully maintained), you can choose:

- For your Novated Leasing Provider to pay the costs directly to the provider; or
- Pay the costs yourself and claim reimbursement from your Novated Leasing Provider.

Leases established prior to 7 November 2016

Under a finance-only (self-managed) lease, you do not need to obtain any approvals from your Salary Packaging Administrator for vehicle maintenance / servicing or spare parts.

You can choose to:

- Have your Salary Packaging Administrator pay for the maintenance / servicing costs and spare parts directly to the provider; or
- Pay the maintenance / servicing fees and spare parts yourself and claim reimbursement from your Salary Packaging Administrator.

Under a fully maintained lease, generally your vehicle maintenance / servicing and spare parts will be approved, supplied and arranged through the 3rd Party Lease Provider.

You may be able to arrange the maintenance / servicing of your vehicle and the supply of spare parts, provided you obtain approval from your 3rd Party Lease Provider and it does not void any manufacturer's warranties / guarantees.

You can choose to:

- Have your 3rd Party Lease Provider pay for the maintenance / servicing fees and spare parts directly to the provider; or
- Pay the maintenance / servicing fees and spare parts yourself and claim reimbursement from your 3rd Party Lease Provider.

12. Vehicle accessories

Vehicle accessories should be added to the vehicle at time of purchase and included in the total initial cost of the vehicle.

If you include accessories after the commencement of the vehicle lease, the cost of these accessories must be included in the cost of the vehicle for FBT purposes, which could alter the tax effectiveness of the lease.

Example vehicle accessories include:

- | | | | |
|------------------------------|-----------------------------|----------------------------|-------------------------------------|
| • Window tinting | • Handrails | • Car seat heating | • Parking sensors |
| • Bluetooth fittings | • Vehicle stability control | • Mud flaps | • Rust and paint proofing |
| • Tow bars | • Sports kit | • Metallic paint | • Additional keys and pads |
| • Satellite navigation / GPS | • Fabric proofing | • Technology pack | • Prestige speakers |
| • Seat and wheel covers | • Chrome exhaust | • Sunvisor | • Bonnet protector |
| • Roof racks | • Reversing camera | • Spot lights | • Rear bumper / boot-lip protector. |
| • Car mats | • Leather trim | • Radios / CD / DVD player | |
| • Headlight protectors | • Cargo carrier | • Windscreen protection | |
| • Bull bars | • Customised wheels | • First aid kit | |
| | • Fire extinguisher | | |

13. Vehicle delivery

You cannot take delivery of your vehicle until:

- The establishment of your salary packaging administration account has been confirmed, or the Salary Packaging Participation Agreement (SPPA) has been returned to your Novated Leasing Provider;
- The Queensland Government Standard Novation Agreement has been signed by yourself, your Employer and the Financier (and Guarantor where relevant); and
- Your novated leasing application has been successfully processed.

14. Salary packaging administration arrangements

Your Salary Packaging Administrator will check all figures and associated documentation to ensure your novated lease complies with PTD0027-16 requirements.

Your Salary Packaging Administrator may contact you or your Novated Leasing Provider if they discover any issues or require clarification.

15. Payroll deductions

Deductions from your pay will begin once all processing have been completed by the Novated Leasing Provider and Salary Packaging Administrator. Your Salary Packaging Administrator will report final details to your payroll office (on the next scheduled payroll office report).

In some instances, your payroll deduction will start before delivery of your vehicle. If deductions from your salary have not commenced prior to, or closely following, delivery of your vehicle, contact your Salary Packaging Administrator **immediately**.

This is important for FBT purposes, as where an after-tax payment arrangement is in place, it is vital that the correct amount is received in the course of the FBT year to avoid paying FBT. You also need to ensure you do not fall behind in your lease payments.

16. First lease payment

Quotes supplied through the panel of Novated Leasing Providers under QGP0026-16, will be based on a 2-month deferred basis, to allow sufficient funds to accumulate in the Employee's novated leasing account. Therefore, your financier will not receive sufficient funds to cover lease payments until 2 months after the commencement of the lease.

17. Reimbursement payment

The following expenses **cannot** be claimed:

- Stamp duty
- Toll fees
- Vehicle deposit
- Personal number plates
- Fines
- Parking
- Driver's licence.

Leases established under QGP0026-16

If you require reimbursement or payment of an expense incurred on the vehicle, you must complete your Novated Leasing Provider's relevant payment / reimbursement claim form, including the provision of required substantiation to support your claim.

You can claim any items for which you have budgeted as part of your novated lease agreement.

Payments and / or reimbursements will be made once it is established that you have sufficient funds available to cover your next lease and fuel card payments. You may need to allow additional time for funds to accumulate before some items can be packaged. For example you may not be able to claim for your first registration and insurance payments immediately, as sufficient funds may not have accumulated in your novated leasing account at the time these costs are incurred.

Precedence of funds

A precedence of the allocation of funds apply under the salary packaging arrangements. Your Salary Packaging Administrator will allocate your salary packaged amounts to your:

1. Mortgage (if applicable); then
2. Novated lease benefit items.

Your Novated Leasing Provider will allocate these funds to the lease payment (financier) and fuel payments, over all other payment and / or reimbursement claims.

Leases established prior to 7 November 2016

You can claim any items for which you have budgeted as part of your novated lease agreement.

If you require reimbursement or payment of an expense incurred on the vehicle, you must complete the relevant payment / reimbursement claim form (available from your Salary Packaging Administrator [RemServ](#) or [Smartsalary](#)) including the provision of required substantiation to support your claim.

Precedence of funds

Lease and fuel payments will take precedence over all other payment and / or reimbursement claims.

18. Novated leasing amendments

budget estimates are too conservative to cover expected expenses, you should review your novated lease budget and make the relevant amendments and payroll deductions (if required).

For leases established under QGP0026-16, you must contact, complete and submit to your Novated Leasing Provider the relevant amendment form/s.

For leases established prior to 7 November 2016, you must complete and submit a *salary packaging amendment form* to your Salary Packaging Administrator (available from [RemServ](#) or [Smartsalary](#)).

19. Novated leading cessation

You will be advised three (3) and six (6) months prior to your lease ending by your Salary Packaging Administrator.

Your current Provider may contact you regarding your available options. However, all new leases and re-financed leases must use the [Novated Leasing Services SOA \(QGP0026-16\)](#). You should contact your Salary Packaging Administrator and / or financial advisor to discuss your available options:

Lease another vehicle

The Queensland Government **strongly recommends** that independent financial advice is obtained by Employees prior to entering into a salary packaging and novated leasing agreement.

If you wish to lease another vehicle, you should consider your personal circumstances and refer to [getting started](#) for more information about the current arrangement and obtaining quotes.

Remaining / excess funds

Any surplus funds will be retained for up to 60 days to enable payment of all outstanding transactions. All outstanding amounts in relation to any applicable FBT will also be deducted.

Any remaining funds remaining in your 3rd Party Lease Provider's or Novated Leasing Provider's account will be returned to your Salary Packaging Administrator.

These funds cannot be taken as a cash payment and you may direct your Salary Packaging Administrator to:

- Use the funds for other benefit item payments / reimbursements (e.g. new novated lease);
- Transfer the funds to your superannuation account (only if salary packaging superannuation); or
- Be returned to your payroll office to be paid as salary and taxed accordingly.

Not leasing another vehicle

If you choose not to lease another vehicle, you should:

- Advise your Novated Leasing Provider and confirm your responsibilities (e.g. disposal of fuel card);
- Discuss with your Novated Leasing Provider the options available for keeping or disposing of the vehicle and your preferred arrangement for lease end;
- Advise your Salary Packaging Administrator, financial advisor (if appropriate) that your novated lease is ceasing and you do not wish to re-lease another vehicle;
- For lease established prior to 7 November 2016, complete and submit the *novated lease cessation form* to your Salary Packaging Administrator (available from [RemServ](#) or [Smartsalary](#)) so they can advise your Employer and make the appropriate adjustments to your salary packaging account.

Remaining / excess funds

Any surplus funds will be retained for up to 60 days to enable payment of all outstanding transactions. All outstanding amounts in relation to any applicable FBT will also be deducted.

Any remaining funds in your 3rd Party Lease Provider or Novated Leasing Provider's account will be returned to your Salary Packaging Administrator. These funds cannot be taken as a cash payment and you may direct your Salary Packaging Administrator to:

- Use the funds for other benefit item payments / reimbursements;
- Transfer the funds to your superannuation account (only if salary packaging superannuation); or
- Be returned to your payroll office to be paid as salary and taxed accordingly.

Novated lease ceased early

Depending on the lease terms, there may be penalty costs involved if you terminate the lease before the end of the agreed term. Information regarding penalty costs can be obtained from your 3rd Party Lease Provider, Salary Packaging Administrator and / or Novated Leasing Provider.

You should:

- Advise your 3rd Party Lease Provider, Salary Packaging Administrator and / or Novated Leasing Provider and confirm fees and charges applicable and your responsibilities (e.g. disposal of fuel card);
- Advise the financier you will be taking over the lease payments and make the relevant arrangements on the best way to do this;
- Advise your Salary Packaging Administrator, financial advisor (if appropriate) that you are ceasing your novated lease; and
- For lease established prior to 7 November 2016, complete and submit the *novated lease cessation form* to your Salary Packaging Administrator (available from [RemServ](#) or [Smartsalary](#)) so they can advise your Employer and make the appropriate adjustments to your salary package account.

Remaining / excess funds

Any surplus funds will be retained for up to 60 days to enable payment of all outstanding transactions. All outstanding amounts in relation to any applicable FBT will also be deducted.

Any remaining funds in your 3rd Party Lease Provider's or Novated Leasing Provider's account will be returned to your Salary Packaging Administrator. These funds cannot be taken as a cash payment and you may direct your Salary Packaging Administrator to:

- Use the funds for other benefit item payments / reimbursements;
- Transfer the funds to your superannuation account (only if salary packaging superannuation); or
- Be returned to your payroll office to be paid as salary and taxed accordingly.

20. Residual value

The residual value of a motor vehicle reflects its estimated market value at the end of the lease. This amount is deemed to be the capital value of the vehicle and excess salary packaging funds cannot be used as payment against this value.

Only expenses required for the running of your novated lease motor vehicle can be paid using salary packaged amounts, such as fuel, servicing, maintenance, registration, insurance and roadside assistance.

More information regarding the options available for your residual value can be discussed with your 3rd Party Lease Provider, Novated Leasing Provider or financial advisor when you establish your lease.

If the residual value is paid out, under the GST legislation a sale has occurred and you must then pay the residual value plus 10 per cent GST. This is irrespective of the fact that the car is registered in your name.

In some instances, the car may be returned to be disposed of by your 3rd Party Lease Provider or Novated Leasing Provider, the nett proceeds will be determined as the gross amount received at sale, less 10 per cent GST, less the direct selling costs. If there is a shortfall between the residual value and the net sales proceeds, you are required to pay the difference to your financier, 3rd Party Lease Provider and / or Novated Leasing Provider.

If the car is re-financed, then no sale has occurred and no GST will be deducted by the financier, 3rd Party Lease Provider or Novated Leasing Provider. This method can be used to reduce the final GST obligation you must pay when the car is to be disposed of or purchased.

21. Transitioning salary packaging administrators

You can transition between Salary Packaging Administrators only during QGP-designated transition periods.

When transitioning between Salary Packaging Administrators, your novated lease remains with your current Provider and Financier of the vehicle.

Refer to the [Salary Packaging Administration Services SOA page on QCD](#) for more information regarding transition periods.

22. Transfers and secondments

If you are transferring or seconding to another agency (including machinery of government changes), you must advise your Salary Packaging Administrator and your 3rd Party Lease Provider / Novated Leasing Provider so your payroll deduction details can be amended.

Depending on the nature of the employment change, your Novated Leasing Provider or Salary Packaging Administrator / 3rd Party Lease Provider may require you and your new Employer to sign a new Queensland Government Standard Novation Agreement, for example if transferring to an employer which is a separate legal entity to the State of Queensland.

Note: If you are transferring to or from an agency/work unit that may be eligible for an FBT exemption cap, you should consider the effect on your salary packaging arrangements and consider whether any [amendments](#) are required.

23. Ceasing employment

If you cease employment with the Queensland Government, the Queensland Government Standard Novation Agreement (that is, the agreement between you, your employer and the financier) is immediately void from that date and your employer has no obligation to continue any payment for the lease or operation of the vehicle.

You become **personally responsible** for the payment to your financier and 3rd Party Lease Provider or Novated Leasing Provider for the remainder of the term of the lease contract and all other costs to discharge the lease.

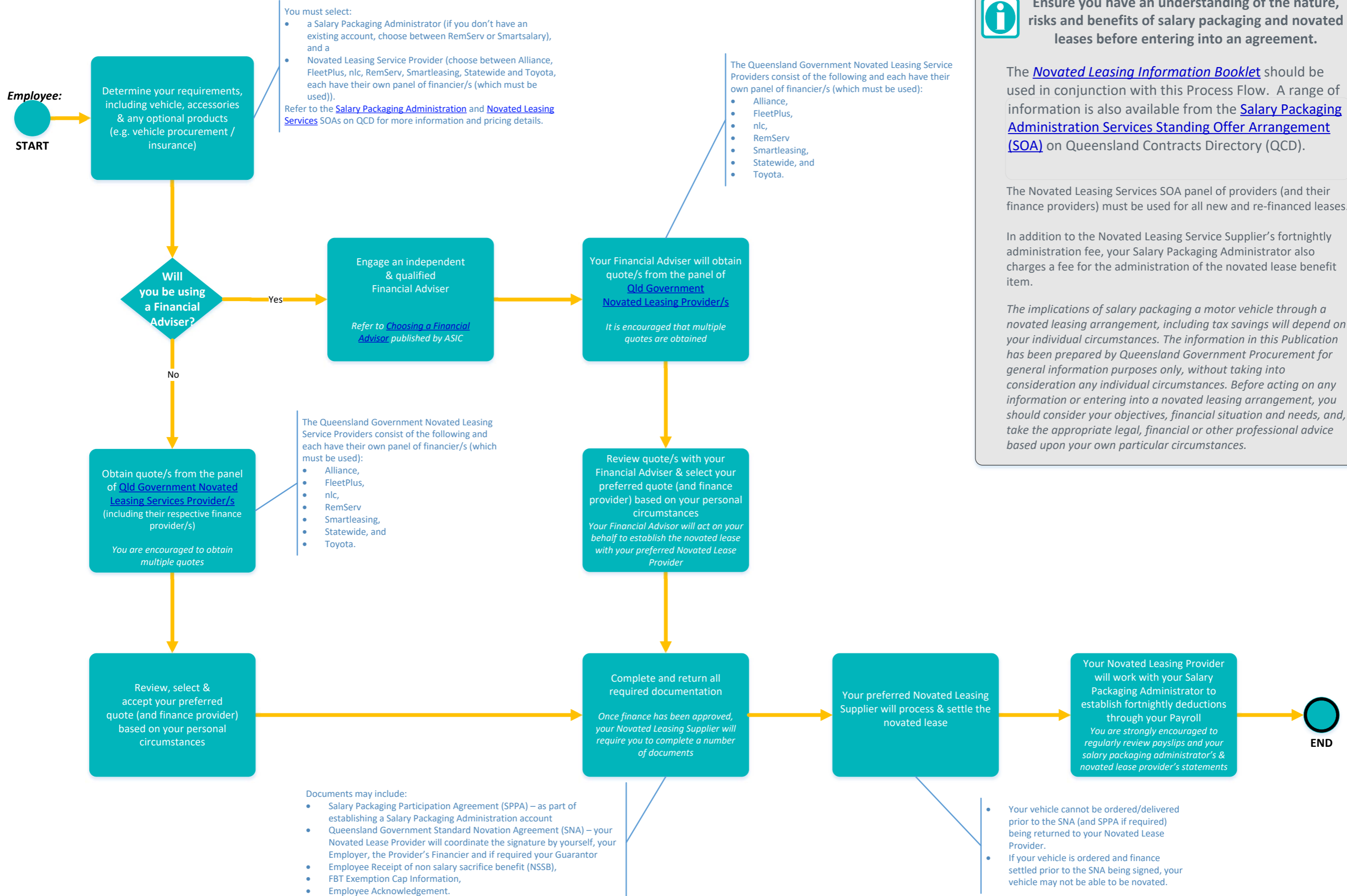
When you know your cessation date, you should advise your 3rd Party Lease Provider or Novated Leasing Provider and your Salary Packaging Administrator and complete the relevant forms.

Completion of this process may take up to 60 days as your 3rd Party Lease Provider or Novated Leasing Provider and Salary Packaging Administrator must ensure that all final invoices are received, and reporting requirements have been adhered to.

Note: Your new Employer may agree to set up a novated lease agreement to continue packaging your vehicle.



The Queensland Government strongly recommends that Employees obtain independent financial advice prior to entering into, or changing the terms of, a salary packaging arrangement



Appendix 2 – Frequently asked questions

Can I get government pricing?

Employees are not able to take advantage of the government fleet discount on salary packaged novated lease arrangements. To do so would mean the employee is receiving an advantage in a private capacity from the government fleet purchasing arrangements which apply only to fleet vehicles used for operational purposes.

Some Novated Leasing Providers may include optional car procurement services, which employee may choose to use.

What if I do not have sufficient funds in my account?

You should monitor your novated lease account and ensure that you do not exceed your budgeted amounts.

You may be contacted by your Novated Leasing Provider or Salary Packaging Administrator if you have insufficient funds for your regular payments and it may be suggested that an amendment to your novated lease account is required.

It must be noted that if there are insufficient funds in your account and a payment is unable to be made, you are personally liable for the consequences that may arise.

What if I want to change budget allocations?

You will need to contact your 3rd Party Lease Provider or Novated Leasing Provider and request a change to your novated lease budget.

What if I transfer employers?

If you transfer to another Queensland Government employer, you must notify your 3rd Party Lease Provider or Novated Leasing Provider and your Salary Packaging Administrator. Your novated leasing and salary packaging administration arrangements will be transferred to your new employer.

If you leave Queensland Government employment, you must cease your novated lease.

What if I incur an FBT liability?

Your Salary Packaging Administrator will complete the process to recoup the money from you. Recoupment of FBT liability will be carried out in accordance with the:

- requirements under standing offer arrangement PTD0027-16;
 - salary packaging participation agreement (SPPA); and
 - [Arrangements for salary packaging from 15 March 2018 \(Circular 01/18\) \(forgov.qld.gov.au\)](#).
-

What if I have an accident in my vehicle?

If you have an accident, advise your insurance company and your 3rd Party Lease Provider or Novated Leasing Provider of the incident.

Your Salary Packaging Administrator needs to be advised only if the vehicle has been classified as a complete loss by your insurer. In this situation, you will need to complete a novated lease cessation form for the damaged vehicle. Details of your new vehicle should be forwarded as soon as possible to your 3rd Party Lease Provider or Novated Leasing Provider and Salary Packaging Administrator.

What if my vehicle is off the road and is unavailable for use?

If your vehicle is unavailable for use during the FBT year (e.g. due to accident repairs), it may be possible to reduce the taxable value of the car fringe benefit proportionately.

A car will be taken to be unavailable for private use where the it is being held by a panel beater or mechanic and the repairs being performed are substantial. By substantial, this refers to repairs that are beyond routine maintenance or repairs.

The ATO takes the position that a car is **still available** for private use when garaged for routine maintenance or repairs.

In the case that your vehicle is deemed to be unavailable for private use under the FBT legislation, the taxable value of your car fringe benefit may be reduced according to the number of full days the vehicle was unavailable.

This would require you to submit a *Declaration of Vehicle Unavailable For Use* to your Novated Leasing Provider, and also to retain supporting documentation able to be produced on request (e.g. repair dockets).

Can I have my monthly insurance direct debit reimbursed?

Yes, however you will need to provide the required substantiation to support your claim.

Can I make advance novated lease payments?

Employees cannot make advance lease payments under this arrangement (QGP0026-16). Otherwise if an Employee was to cease employment during the period when advance lease payments have been made, an FBT liability may arise.
