

Monash University

Novated Lease Vehicle Policy

Please note: changes and modifications to this policy and its attachments may occur from time to time without prior notice. It is encouraged that you review the policy on the web rather than downloading it.

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NOVATED LEASE VEHICLE POLICY STATEMENT

Monash University provides the opportunity for University employees to participate in salary packaging their remuneration. This policy covers the arrangement required for accessing motor vehicles through a novated lease arrangement.

Monash University has appointed NLC to manage the novated lease process.

Monash University will not provide financial advice to employees. However, Monash University strongly recommends that employees seek their own independent financial advice before entering into any salary packaging arrangements, including in relation to financing a vehicle. Monash University will not take responsibility for decisions made by employees or reimburse employees if they indicate a wrong decision or incur any debts.

Ownership of the vehicle will be with the employee throughout the term of the lease. If the employee terminates their employment for whatever reason, Monash University's obligation to pay the lease stops and the obligation reverts to the employee.

1. Eligibility

All tenured and fixed-term employees eligible to participate in salary packaging will be eligible to include a novated lease vehicle in their salary packaging arrangements.

This policy enables all tenured and fixed-term employees, including employees with contract vehicles, to lease one or more vehicles under a novated lease arrangement.

2. Overview of Novated Leases

Novated Finance Leases

Under a finance lease, most of the risks and benefits of ownership of the vehicle novated remain with the employee, including the residual value at the end of the lease period.

Monash University does not offer novated leasing through an operating lease arrangement.

Salary Sacrifice Calculation

The salary sacrifice calculation will include:

- Lease finance;
- Estimated running costs (fuel, registration, repair, maintenance and servicing, road service membership, comprehensive insurance and accident management);
- Administration/management fees; and
- Fringe Benefits Tax.

Monash University will deduct the above through salary sacrifice.

At the end of the lease, all the costs are reconciled, individually by both NLC and the University, for the duration of the lease and any under/over estimate will be required to be met by the employee or refunded to the employee, depending on the circumstances of each lease arrangement.

Changes to Salary Sacrifice Calculation

Salary Sacrifice calculation may vary as follows:

- The lease finance component will remain fixed for the duration of the lease (adjusted if needed, based on Lease Agreement).
- The running cost component will be reviewed regularly against the actual costs incurred. NLC will contact employees to review and re-cost their package where the discrepancy recorded is +/- \$1,500 pa.
- The fringe benefits tax component will need to be checked throughout the duration of the lease and possibly adjusted at the end of every FBT year (31st March). This will depend on the total number of kilometres traveled for the year and the running costs incurred.

Admin / Management Fee

Administration / Management Fees will apply for all new leases entered into (including re-financing of existing leases). These fees will be clearly outlined on any quote provided by NLC and will form part of the fortnightly lease repayments.

The current fee structure is detailed below:

NLC:

Fees	Amount	Payment
Document Procurement	\$125	Assigned at the commencement of lease and paid from pre-tax salary when the lease balance is finalised, or in the event that a current lease is renewed or varied.
Administration (includes NLC Fuel and Maintenance Card)	\$20	Monthly
Early Termination	\$85	At early termination of lease.

All fees will be subject to GST

Monash University:

Fees	Amount	Payment
Administration	\$10 per motor vehicle	Deducted on a fortnightly basis from pre-tax salary (this is in addition to administration fee for other salary packaged items).

3. Establishing the lease arrangement

Choice of Vehicle The employee can choose to lease one or more new or used vehicles. The only limits on the choice of a novated vehicle are that the vehicle:

- must have a genuine market value of \$10,000 or greater; and
- is appropriate for job role at Monash University.

Where the vehicle is to be made available for business use, the employee is to ensure the vehicle is fit for purpose, and roadworthy.

Employee Contribution Method In some circumstances it may be beneficial for an employee to have part of their salary sacrifice fortnightly contribution deducted after tax.

IMPORTANT: It is important to speak with a NLC representative regarding the advantages of this option and how it may maximise the benefit of packaging a vehicle. Quotes can be provided to illustrate the impact on salary packaging.

Transfer of Existing Leases NLC will assess, on a case by case basis, transfer of existing NLC leases to Monash University for new employees. If acceptable, Monash University will assume the arrangements.

Vehicle Handback Insurance Vehicle Handback insurance will be provided for in the salary sacrifice calculation and is compulsory.

This insurance covers the shortfall (up to a maximum of \$10,000) that could occur between the vehicle market value and the lease payout value in the event of involuntary unemployment.

If an employee is made redundant, Monash University will reimburse the cost of the redundancy insurance.

For more details refer to the NLC Vehicle Handback insurance information, via the link to [NLC](#).

Contingency Provision	<p>Monash University and NLC <u>strongly recommend</u> that employees take out a contingency provision with NLC, whereby they contribute an additional amount to NLC as a buffer/contingency amount to avoid negative balance if he/she leaves employment, or if they underestimate their FBT liability or running costs.</p> <p>At the end of the lease the contingency provision will be adjusted against the final lease payment.</p>
University Approval	<p>Monash University must be involved in the approval process leading up to the placing of an order for a vehicle to be acquired under the novated lease plan. This will ensure correct administration of Monash University's policy.</p>
Indemnity	<p>Employees will be <u>required</u> to read and sign an indemnity agreement, acknowledging the responsibilities of the employee and Monash University (Appendix 1).</p>
Payroll Deductions	<p>Upon settlement of a novated lease, NLC will forward the relevant paperwork to HR Operations to establish the fortnightly payroll deductions. Fortnightly payroll deductions will then commence from the next available pay period, for the duration of the lease as agreed between the employee and NLC.</p>

4. General Running of the Vehicle

Maintaining the Vehicle	<p>As the vehicle represents a significant investment, we suggest that vehicles are maintained in a clean, safe and roadworthy condition and appropriate maintenance and servicing schedules are followed. Looking after the vehicle may enhance the profit from improved sales proceeds at end of the lease.</p>
NLC Fuel and Maintenance Card Security	<p>Employees should treat the NLC Fuel and Maintenance Card in the same manner as credit cards and therefore the card must be kept safe and secure at all times. Loss, theft or damage should be reported directly to NLC.</p>
Tolls / E-Tags	<p>Road toll costs are the employees' direct responsibility and cannot be included in any novated lease arrangement. If a motor vehicle is made available for business use, the employee is required to purchase their own E -Tag and ensure it has sufficient funds for any business use. The employee then seeks reimbursement from Monash University for the business use component.</p>
Fines, Penalties, etc	<p>Monash University will not accept responsibility for parking, Citylink/Eastlink fine payments or traffic violations. It will be the responsibility of the employee to pay all traffic infringements outside of the novated lease arrangement.</p>

- Vehicle Insurance** All novated lease vehicles must be comprehensively insured. Provision will be made in the salary sacrifice calculation for comprehensive insurance cover. All employees will be required to take out the NLC preferred insurance, which provides cover tailored to suit novated lease arrangements.
- Safety** Monash University promotes health and safety issues relative to the use of privately owned and leased vehicles irrespective of whether being used privately or for business purposes.
- Employees are expected to properly maintain their vehicles in a roadworthy and safe condition.

5. Tax Provision

- Fringe Benefits Tax (FBT)** Fringe Benefits Tax ("FBT") is a tax imposed on the provision of employment benefits. Because a vehicle under a novated lease is a fringe benefit made available with employment, while the amount sacrificed pre-tax to pay for the vehicle benefit is not subject to normal PAYG income tax, components of the vehicle benefit **are** subject to FBT. The FBT tax regime can make novated leasing tax effective from the employee's perspective in many but not all cases.

Any FBT liability incurred by the University as a result of an employee's novated leasing arrangements will be recovered from the employee in full.

- Calculation of FBT** Monash University will use the 'Statutory Method' for calculating FBT on vehicles leased under this policy.

- Lease Methods** Employees who enter into a novated lease may choose to do so using either the **employee contribution method (ECM) or the pre-tax method (pre-tax)**.

Employee Contribution Method

While pre-tax payments (ie. deductions from gross salary) are part of a novated lease arrangement, the ECM requires employees to also make post-tax payments from their salary. These post-tax payments are calculated accordingly and are equivalent to the FBT liability for the vehicle benefit. This approach may cost less because the top marginal rate of tax for most employees is less than the FBT rate which is 46.5%.

Pre-Tax Method

This method incorporates all vehicle costs plus an amount for FBT and is wholly taken from pre-tax salary. This method benefits employees who may be on the highest individual income tax rate

(See Appendix 2 for more details on FBT/GST Provision)

Changes in Legislation

In the event that changes to tax legislation result in an increased tax liability in respect of the novated lease vehicle, such liability will be solely the responsibility of the employee. Monash University will not provide compensation in the event of any additional costs or losses incurred by the employee for whatever reason.

6. Business Use**Vehicle available for business use [Optional]**

Employees can elect to use their novated lease vehicle for business use.

Reimbursement of mileage is made in accordance with the [Monash University Enterprise Agreement \(Academic and Professional Staff\) 2009 Clause 78.10](#) where any private vehicle including a novated lease vehicle, is used for business purposes, being subject to any applicable taxation.

Business mileage cannot be claimed in an employee's Personal Tax Return for a Novated Lease Vehicle as the vehicle is deemed to be a University vehicle for tax purposes.

7. Leave Provisions**Paid Leave**

Employees may continue to use their vehicle while on full paid leave such as annual or long service leave, and as such all salary sacrificing arrangement will continue as normal. All terms and conditions relating to this policy should be complied with while on leave.

Unpaid Leave & a Novated Lease

Application for unpaid leave must be made in accordance with Monash University's HR policies and procedures as outlined in [Workplace Policies and Procedures \(WPP\)](#).

An employee who has a novated lease arrangement seeking to take unpaid leave must submit an approved application for leave to HR Operations at least 4 weeks prior to the date of commencement of leave.

Any employee who takes unpaid leave, and as a result has inadequate earnings to satisfy their novated lease requirements, will have their novation agreement cancelled in accordance with the termination provisions of the novation agreement. Cancellation of the novation agreement will result in all lease obligations reverting personally to the employee. This will include the obligation to make all future monthly lease rental payments.

8. Termination of Employment

Notice of Employee Termination & a Novated Lease

Notice of termination must be made in accordance with Monash University's HR policies and procedures as outlined in the [Monash University Enterprise Agreement \(Academic and Professional Staff\) 2009](#) and [Workplace Policies and Procedures \(WPP\)](#).

For the purposes of novated vehicle lease policy only, an employee who has a novated lease arrangement with Monash University, is required personally to give at least 4 weeks notice of resignation to HR Operations.

Please note that the 4 weeks notice of termination period is for the purpose of novated lease only.

Lease Obligations

If the employee terminates from Monash University for any reason during the period of the lease, the novation ceases and all obligations under the lease (including meeting any residual) revert to the employee.

Employees Options

The employees options are:

- Continuing the lease with finance payments being made directly to the provider - payments made under this arrangement need to be made from post-tax income, please note that the individual becomes responsible for all expenses associated with the vehicle;
- Re-novating the existing lease with a new employer; or
- Initiating an early termination of the lease. An early termination will incur a penalty together with an additional fee of \$85 for the early reconciliation of the lease account.

The employee must make the appropriate arrangements with NLC.

9. Other Material to be reviewed

- Salary Packaging Manual

APPENDIX 1 – Indemnity Form

EMPLOYEE UNDERTAKING, ACKNOWLEDGEMENT AND INDEMNITY

Employer: Monash University ('Monash') ABN: 12 377 614 012

Lessor: Australian NLC Pty Ltd ('NLC') ACN: 052 442 645

Employee: _____ (Insert Name)

Date of
Deed of Novation : _____ ('Lease Novation')

Description of
Motor Vehicle _____ ('Vehicle')

1. I acknowledge that I have entered (or will enter) into the Lease Novation after making my own inquiries in relation to the commercial and financial risks arising from the Lease Novation.
2. I acknowledge that I have relied on my own legal, financial and taxation advice in relation to the Lease Novation documentation and that I have not relied on any information supplied to me by Monash University or its officers and employees. I also acknowledge that Monash University has strongly recommended that I seek financial advice prior to entering into the Lease Novation.
3. I acknowledge that Monash University may in its absolute discretion refuse to enter into the Lease Novation, including, without limitation, if the Vehicle I propose is deemed inappropriate for the needs of my position at Monash.
4. I acknowledge that Monash University has entered (or will enter) into the Lease Novation at my request and on the strict understanding that:
 - (a) most of the obligations pursuant to my Lease Agreement with NLC, including without limitation my obligation to make lease rental payments, are assumed by my Employer under the Lease Novation;
 - (b) in respect of all matters I shall unconditionally and irrevocably indemnify my Employer, Monash, against any and all loss, damage, costs, charges, expenses or taxes whatsoever and howsoever arising which Monash may sustain, incur, or suffer whether directly or indirectly, as a result of or in connection with:
 - (i) any obligation assumed by Monash as a result of the lease of the Vehicle or under any document relating to the lease of the Vehicle, including without limitation the Lease Agreement and Lease Novation;
 - (ii) the Vehicle; or
 - (iii) in respect to the sale, transfer, or disposal of the Vehicle.

- (c) I will pay to Monash University on demand the amount of loss, damage, costs, charges, expenses or taxes referred to in clause 4(b).
5. I acknowledge that this document is a continuing indemnity, which may be enforced by Monash University before and without first incurring any expense or making any payment to any person and survives the termination of the Deed of Novation. I acknowledge that my liability under this document will not be prejudiced by:
- (a) the granting to any person of any time or other indulgence, consideration or concession;
- (b) any other guarantee or security taken or held at any time by my Employer, Monash, or the release or unenforceability of such a guarantee or security;
- (c) the amount of any loss, damage, costs, charges, expenses or taxes referred to in clause 4(b) not being recoverable from any other person; or
- (d) any matter which, but for this provision, could or might operate to affect or discharge my liability under this document.
6. I acknowledge that where, during the course of the Lease Novation, I take unpaid leave, I will be responsible for all obligations pursuant to any covenant, liability or responsibility under the Lease Agreement, including without limitation the obligation to make lease rental payments. I also acknowledge that if I undertake unpaid leave, I will provide Monash University with written notice at least four weeks prior to undertaking that leave.
7. If during the course of the Lease Novation there is a reduction in the amount of my remuneration (for example, if my fraction was reduced) and I am no longer able to finance the lease novation remuneration allocation under my salary sacrifice arrangement, then I agree that I will be responsible for all obligations pursuant to any covenant, liability or responsibility under the Lease Agreement including without limitation the obligations to make lease rental repayments.
8. I acknowledge that Monash University has strongly recommended that I provide for a contingency fund amount as a component of the fortnightly lease payment as a “buffer” or contingency in the event of a negative FBT balance, or if I underestimate the operating costs of the Vehicle.
9. If I have a negative balance for any reason (including incurring an FBT liability, having higher than anticipated operating costs, or taking unpaid leave without advising Monash), I agree that Monash University may make reasonable deductions of any outstanding monies from my fortnightly pay over a period of no longer than 6 months, or any termination payments, until the debt is recovered.
10. I agree that I will complete the NLC FBT Odometer Declaration and return it to NLC within the required timeframe. I acknowledge that if I do not return the completed odometer reading to NLC by the required time, I will assume the highest FBT liability.
11. In relation to any liability which arises pursuant to the Lease Novation or in connection with the Vehicle, where that liability arises after the termination of either my employment with Monash University or termination of the Lease Novation (for any reason):

- (a) I agree that I am responsible to meet that liability; and
- (b) I indemnify my Employer, Monash, from any loss, damage, costs, charges, expenses or taxes which my Employer might suffer or incur as a result of me not meeting that liability..
12. I acknowledge that entering into the Lease Agreement in no way creates any obligation, express or implied, to renew or extend my employment with Monash University beyond the current term.
13. I undertake to use the NLC Fuel and Maintenance Card issued to me in connection with the Vehicle for fuel and repairs & maintenance purchases only and will cease using and return Fuel and Maintenance Card to either NLC or Monash University's Human Resources Division immediately upon becoming aware of the impending termination of either my employment with Monash or termination of the Lease Novation (for any reason).
14. I will provide Monash University and NLC with a minimum of four weeks notice if I resign from my employment with Monash.
15. In the event of termination of either my employment with Monash University, or the Lease Novation (for any reason) I agree that, as a condition of Monash University entering into the Deed of Novation at my request, Monash is entitled to withhold an amount equal to 1 month's lease novation remuneration allocation or \$1,000, whichever is the greater, until all costs associated with the Lease Novation have been reconciled. These costs may include (but are not limited to) outstanding Fuel and Maintenance Card charges, insurance, registration or any other amounts, exceeding my novated lease account balance from which Monash may become liable to NLC under the Lease Novation.
16. I agree that all fees and charges incurred by Monash University in connection with establishing the Lease Novation will be debited to my Novated Lease Account. These fees and charges may include (but are not limited to) administration fees, service fees for the provision of the Fuel and Maintenance Card, an early termination fee, and documentation procurement fees payable by my Employer to NLC pursuant to NLC's terms and conditions.
17. I undertake to ensure that all Vehicle registration and Vehicle insurance policy renewals and associated documentation that are sent to my home address are forwarded to NLC promptly for processing. In addition, I agree that it is my responsibility to ensure that the Vehicle registration and insurance policy are current at all times.
18. It is agreed that the Vehicle is provided to me for private use. Where the Vehicle is used for business purposes, I am entitled to claim travel expenses in accordance with the Australian Tax Office (ATO) guidelines as set out in the Vehicle Allowance provisions in Clause 78.10 of the [Monash University Enterprise Agreement \(Academic and Professional Staff\) 2009](#).
19. I acknowledge that I will abide by Monash University's Novated Leasing Vehicle Policy as introduced or amended from time to time.
20. I agree to the deduction of a Monash University administration fee in addition to any fees referred to, for the reimbursement of Monash's reasonable administrative costs arising from the operation of this leasing arrangement.

EMPLOYEE SIGNATURE

DATE

APPENDIX 2 – FBT / GST PROVISION

Details to be collected by employee

To assist in the accurate recording of FBT, employees will need to collect the following records and provide sufficient evidence; by:

- Keeping a record of any personal expenditure relating to the vehicle that has been paid by the employee and not reimbursed by NLC or Monash University; and
- Providing accurate odometer readings at each and every fuel fill;
- *[Optional]* The employee may also keep a record of the periods when the vehicle is not available for private use. For example where the vehicle is:
 - in a repair shop overnight where a replacement car has not been provided;
 - garaged on Monash University premises;
 - on Monash University site and the keys are made available to persons requiring the vehicle for business purposes only.
- A signed statement to this effect should be provided to NLC with supporting documentation every year.

Calculations of FBT

The budgeted annual FBT liability will be calculated by NLC on the basis of the cost of the vehicle and the employees estimated annual kilometres, using the statutory method.

FBT = (FBT Base Value x Statutory Fraction) – employee contributions x 2.0647 x days available/ days in FBT year x 46.5%

Where, FBT Base Value = purchase price + dealer delivery fee (excluding purchase stamp duty)

Statutory Fraction:

Kilometres Travelled Annually	Statutory Fraction
0 – 14,999 km	26%
15,000 – 24,999 km	20%
25,000 – 40,000 km	11%
40,001 + km	7%

At the end of each FBT year (31st March) NLC will calculate the FBT liability. Actual kilometres travelled are measured for the last odometer reading provided in the previous FBT year to the last odometer reading provided in the current FBT year. ***If odometer readings are not provided, the FBT calculations will be charged at the highest statutory fraction, currently 26%.***

It is important that employees continually consider monthly emails provided by NLC to assess progress against the novated lease costs. In the event that an employee is not progressing according to the quoted budget employees must contact NLC.

For more information on FBT, please contact NLC.

Employee Contribution Method

In some circumstances it may be beneficial for an employee to have part of their salary sacrifice fortnightly contribution deducted after tax.

IMPORTANT: It is important to speak with a NLC representative regarding the advantages of this option and how it may maximise the benefit of packaging a vehicle. Quotes can be provided to illustrate the impact on salary packaging.

Under existing legislation, where an employee makes an after tax contribution to the running costs of their vehicle, the GST inclusive cost of the contribution is allowed to be deducted from the vehicles benefit value. ***This has the impact of allowing the employee to receive the benefit of an input tax credit processed as a reduction in FBT.***

Goods & Services Tax (GST)

NLC is able to deduct input tax credits on all employee vehicle running costs and pass this advantage onto the employee. That is, the GST exclusive price for all vehicle running costs will be incurred by employees under novated lease arrangements.

GST is applicable to employee contributions, however refer to the Employee Contribution Method - this method allows employees to receive the full GST inclusive amount as a reduction in FBT.

Vehicle Reporting

Each month the employee will receive an email stating their current NLC account balance and if they are on target for achieving their budgeted annual kilometres. These reports are for the employees' information. It is advised that the employee logs in to their online account and checks all costs allocated and should they have any questions, contact NLC.