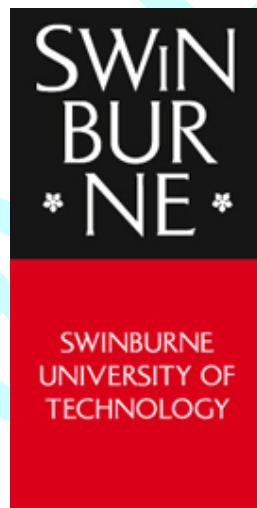


# Corporate Vehicle Policy

## Swinburne University of Technology



Policy Administered By

Human Resource Department

Approved By

Name: Andrew Smith

Title: Director HR

Date

October 2013

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## 1.1 Purpose

This policy services to provide best practice employment conditions, to ensure employee remuneration is flexible, fair and market competitive. This is achieved by providing a tax-efficient method for employees to have the use of a motor vehicle.

## 1.2 Content and Contacts

This policy contains Company requirements, guidelines and procedures that govern salary packaged novated lease motor vehicles as a component of total remuneration for eligible employees within Australia.

The topics covered in this policy do not include other aspects of corporate remuneration policies.

Any questions in regard to matters covered in this policy should be referred to the contact as indicated below:

*name and title and contact details*

## 1.3 Review

The Company reserves the right to amend this policy from time to time and this policy will be reviewed as required.

## 1.4 Novated Lease General Outline

A novated lease is a three-way agreement between the Company, the employee and the financier. There are two separate parts to a novated lease; the primary lease contract and the deed of novation. The primary lease is a contract between the employee and the financier. The novation deed is a separate agreement between all three parties that sits behind the primary lease. The deed of novation transfers obligations of the lease (with exception of the residual payout) from the employee to the Company for duration of the employment period or until novation deeds are cancelled or until maturity of the lease period, whichever is first. The Company reserves the rights to cancel novation deeds at any time at its own discretion. Upon termination of an employment contract or at maturity of the lease (residual due date), the employee becomes responsible for future lease payments and/or residual payout obligation.

To commence a novated lease the employee will need to supply personal financial details directly to the Novated Lease Provider. The Company will provide confirmation of current employment and current earnings when requested by the employee or Novated Lease Provider.

**A novated lease is a financial obligation for which an employee holds ultimate responsibility. It is therefore important that employees seek independent financial advice and ensure that they understand the terms and conditions of the lease agreement and taxation issues relating to a novated lease arrangement.**

Each eligible employee may elect to salary package a novated lease for a vehicle of personal choice, even if the employee may already receive a Company TOT vehicle.

The Company emphasises that salary packaged novated leases are not mandatory.

## 1.5 Novated Lease Provider

The Company has appointed **Enlist Pty Ltd** (Enlist) as its partner in providing total vehicle remuneration packaging and management. Enlist are specialists in salary packaging, novation leasing and fleet management.

Employees are encouraged to direct all novated lease related enquiries to Enlist in the first instance.

### Enlist Contact Details:

Ph: **1300 PRE TAX** (1300 773 829)

Fax: (03) 9860 0699

Email: [info@enlist.com.au](mailto:info@enlist.com.au)

Website: [www.enlist.com.au](http://www.enlist.com.au)

Employees are encouraged to contact Enlist to obtain quotes, discuss the implications and options as they relate to personal circumstances. Enlist will provide personal consulting to help each employee ensure selection of the most appropriate arrangement depending on individual circumstances and preferences.

Employee may lease vehicles under novated finance lease arrangements only.

## 1.6 Novated Lease Qualification

To qualify for a novated lease with Company, employees will need to meet the following criteria;

- Be eligible under this policy
- Complete employment probation period of **xx** months
- Be a permanent employee (Temporary, casual or fixed-term contract employees may be eligible at the discretion of the HR Manager.)
- Be an Australian employee, or have a 457 Visa where the lease term must not exceed the employment contract

## 1.7 Company Novated Lease Restrictions and Guidelines

A novated lease is a company provided employee benefit. Company therefore has the right to impose restrictions and recommend guidelines surrounding the novated lease program. The following are restrictions that apply to all new novated lease vehicles in the Company's program;

- The term of the vehicle lease must not exceed the term of the fixed-term contract.
- Each employee is entitled to a maximum of **x** novated leases at any one time.
- It is **strongly recommended** for all employees to obtain Lease Protection Insurance (LPI) as part of their Enlist novated lease. LPI will be organised by Enlist for the employee and is designed to help employees in the event of involuntary redundancy or accidental death.
- It is **strongly recommended** for all employees to obtain GAP Insurance as part of their Enlist novated lease. GAP Insurance will be organised by Enlist for the employee and is designed to give employees peace of mind about meeting their financial obligations in the event of a total loss where Comprehensive Motor Insurance may leave them out of pocket.
- It is **strongly recommended** for all employees to include a nominal expense contingency provision of \$20 per month as part of their novated lease package to cover unexpected costs and ensure that employees do not accrue large negative balances in the Salary Package Accounts.

## 1.8 Employee Responsibilities

Employees agree to a range of obligations and responsibilities when they enter into a novated lease arrangement. Employees should ensure they are aware of the nature and extent of all such obligations which include but are not limited to:

- Seeking independent financial advice.
- Signing an internal Company acknowledgement and indemnity form prior to commencement of a novated lease (see Appendix A).
- Signing all necessary documentation that will be provided by Enlist to establish and manage the novated lease.
- Using the fuel and maintenance card provided by Enlist to purchase fuel, services, repairs, tyres and car washes at authorised merchants.
- Providing an odometer reading to merchants when purchasing fuel and maintenance with the fuel card.
- Submitting an odometer declaration form for FBT purposes after 31 March each year or upon termination of employment with Company.
- Maintaining responsibility for other drivers using the vehicle.
- Paying traffic and/or parking infringement notices.
- Arranging comprehensive insurance through Enlist or an insurance company of personal preference and maintaining comprehensive insurance at all times.
- Ensuring the vehicle is registered and insured at all times and claiming reimbursement from Enlist on an annual basis.
- Returning the fuel and maintenance card at the completion of the lease or upon termination of employment, whichever is first.
- Repaying all outstanding amounts owed to Company as a result of final reconciliation of the Salary Package Account, including FBT. (N.B. final repayment for negative account balances can be deducted from pre-tax salary).
- Paying all infringements and fines, capital improvements to the vehicle after a lease has commenced, car parking, drivers license fees and tolls.

## 1.9 Health and Safety

Company promotes health and safety for the well being of our staff and their families. It is therefore strongly recommended that employees maintain their vehicle in a roadworthy and safe condition.

## **1.10 Legislation Changes**

In the event that tax legislation changes result in an increased cost of the employees' novated lease vehicle, Company will not be held responsible. Any additional costs or losses incurred by the employee will be the responsibility of the employee.

## **1.11 Luxury Vehicles**

Luxury vehicles are defined as any vehicle with a lease value exceeding the Luxury Lease Threshold set by the ATO. The current luxury lease threshold is \$57,466 excluding GST. This amount is reviewed annually and may be adjusted from time to time by the ATO.

Luxury leases attract an additional cost as a result of a non deductible cost imposed on the Company. The non deductible cost for luxury leases will be included in the employee's total salary sacrifice provisions.

For more information employees are encouraged to contact Enlist.

## **1.12 Business Travel**

It is accepted that novated lease motor vehicles will generally be used for personal travel, however, vehicles should be made available for incidental Company business use purposes as it may relate to performing a given job role. Employees may be eligible to claim reimbursement for fuel expenses based on a cents/km calculation together with tolls or parking costs incurred while on business, subject to written approval from the Company HR Manager or other authorised representative.

## **1.13 Leave Without Pay**

Leave without pay (LWOP) includes maternity leave, carer's leave, unpaid sick leave or other Company approved leave.

Employees with a novated lease vehicle who take LWOP will normally be required to stop the salary packaging arrangement and either pay out the lease or continue to pay the lease rentals and running costs from personal savings. At such time that the lease is un-novated, the employee will be required to submit an odometer declaration and return his or her fuel card. The employee's salary package account will be reconciled with the respective adjustment applied to the gross salary.

In the event that the employee is aware of impending LWOP in advance (such as maternity leave), the employee can elect to increase salary sacrifice provisions in months leading up to the period of leave in order to build up a surplus in the salary package account. The surplus can then be used to pay for expenses during the leave period and the vehicle can remain novated with the Company.

## APPENDIX A

# Novated Lease Program

## Employee Agreement and Undertaking

Company: \_\_\_\_\_ ABN: \_\_\_\_\_  
Employee Name: \_\_\_\_\_  
Vehicle Description: \_\_\_\_\_ Registration: \_\_\_\_\_

The Company has pleasure in offering the above-stated employee ("Employee") the opportunity to receive a novated lease motor vehicle benefit ("Motor Vehicle Benefit") subject to the Terms and Conditions of this Agreement.

### DEFINITIONS

Whenever used in this Agreement, unless the context requires otherwise, the following terms shall have the following meaning:

**"Agreement"** means this Agreement.

**"Commencement Date"** means the date from which the Employee starts to receive the Motor Vehicle Benefit being the date the novated lease begins.

**"Employee"** means the employee referred to in this Agreement.

**"FBT"** means Fringe Benefits Tax as defined in the Fringe Benefits Tax Act 1986 (Cth).

**"GST"** means Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999 (Cth) as amended from time to time, and its successor Acts.

**"Motor Vehicle Benefit"** means a motor vehicle that is subject to a novated lease agreement and provided to the Employee as a non-cash benefit in lieu of cash salary.

**"Enlist"** means Enlist Pty Ltd, employed by Company to manage and administer the novated lease program on behalf of Company.

**"Salary Package"** means the total remuneration the Employee is entitled to receive under his or her contract of employment with the Company.

**"Salary"** means remuneration by way of regular periodical cash payments subject to PAYG tax.

**"Salary Sacrifice"** means the component of the Salary Package set aside to cover the payment of the Motor Vehicle Benefit, including lease rentals, running cost provisions, fees and FBT.

**"Payroll Deduction Authority Report"** means the report prepared by Enlist and signed by the Employee setting out the agreed salary sacrifice provisions in relation to the Motor Vehicle Benefit.

### TERMS AND CONDITIONS

Inclusion of a Motor Vehicle Benefit as part of a Salary Package structure is conditional upon the Employee accepting the terms and conditions of this Agreement.

### 1 General

- 1.1 The Employee wishes to receive a Motor Vehicle Benefit and intends to enter into a novated lease.
- 1.2 The Employee has made independent inquiries about the commercial and financial obligations arising from a novated lease and has not relied on any information or advice supplied by the Company or any of its officers or employees.
- 1.3 The Employee consents for Company to deduct a salary sacrifice amount from his or her Salary Package each pay period as set out in the Payroll Deduction Authority Report until such time as the Agreement is terminated.
- 1.4 If actual expenses spent by Enlist in relation to the Motor Vehicle Benefit do not accurately reflect the budgeted Salary Sacrifice amount the Employee consents to adjust his or her Salary Sacrifice amount from time to time subject to being contacted by Enlist and signing a revised Payroll Deduction Authority Report.
- 1.5 The Employee agrees to use the fuel and maintenance card only to purchase fuel, servicing, repairs, tyres and car washes. The Employee also agrees to provide an accurate odometer reading to merchants whenever using the fuel card.
- 1.6 The Employee acknowledges that it is his or her legal responsibility to ensure that the vehicle remains comprehensively insured and registered at all times. The Employee is responsible for paying insurance and registration renewals and claiming reimbursements from Enlist.
- 1.7 At the conclusion of each FBT year (31 March) and/or at the completion of the novated lease period the Employee acknowledges and agrees to the following:
  - (a) To submit an odometer declaration correctly stating the odometer reading on the specified date for purposes of FBT calculation and reconciliation.
  - (b) In the event that the Employee fails to submit an odometer declaration the Company may, at its discretion, calculate FBT at the highest statutory percentage and recover the FBT shortfall from the Employee's salary from the following pay period or as otherwise agreed.
  - (c) In the event that an Employee accrues an FBT shortfall the amount must be repaid to Company. The shortfall may be repaid to Company by Enlist on behalf of the Employee and the respective shortfall amount will be

debited against the Employee's Salary Package Account. The Employee may then be required to adjust his or her future salary sacrifice amounts subject to conditions of clause 1.4 above.

- (d) To consent for the Salary Sacrifice amount to be adjusted for the following FBT year if it is likely that the Employee will not meet the original FBT statutory bracket nominated at the start of the Agreement.
- (e) An FBT surplus will be credited to the Employee's Salary Package Account following FBT reconciliation, or as agreed. The surplus is refunded to the Employee in full once the Salary Package Account is reconciled at the conclusion of the lease period. Surplus amounts are considered taxable salary and are subject to PAYG income tax at the applicable tax rate.
- (f) Excess post tax contributions may be reimbursed to the Employee by Company as untaxed salary in the pay period following FBT reconciliation, or as otherwise agreed.

1.8 At the completion of the novated lease period and/or termination of employment the Employee acknowledges and agrees to the following:

- (a) To return the fuel and maintenance card to Company.
- (b) To submit an odometer declaration stating the last odometer reading on the date of termination.
- (c) To remain liable to Company for all outstanding costs incurred by the Company in relation to the Motor Vehicle Benefit and to repay all such monies to Company;
  - by way of a salary sacrifice deduction from the following pay period in the event the Employee remains employed with Company; or
  - to be off-set against any Salary, leave and other remuneration that may then be due and payable to the Employee in the event that employment has been terminated.
- (d) Nothing in this Agreement will operate to restrict or prevent the Company from recovering monies owing to it in accordance with its legal rights should the Employee's Salary Sacrifice Account balance be insufficient to cover all outstanding amounts in relation to the Motor Vehicle Benefit.

1.9 During periods of unpaid leave the Employee accepts all obligations pursuant to any covenant, liability or responsibility under the lease agreement, including without limitation the obligation to make lease rental payments.

## 2 Legislation Changes

Notwithstanding clause 1.7 and 1.8 above, in the event of:

- (a) any change to the rate of FBT applying to the Motor Vehicle Benefit, or to the manner in which FBT is calculated, the Salary Sacrifice amount may be varied as necessary to ensure the total value of the Employee's Salary Package does not increase as a result of such changes. To affect such alteration the

Company will notify the Employee in writing of its intention to alter the Terms and Conditions of the Agreement which shall take effect from the date specified in the notice;

- (b) any other change to or imposition of any taxes, imports, levies or duties applying to the Motor Vehicle Benefit, the Employee must repay all such costs to Company by way of salary sacrifice deductions or as otherwise agreed.

## 3 Termination of Agreement

3.1 This Agreement may be terminated:

- (a) by the Employee giving Company one month's notice in writing; or
- (b) by the Company should the Employee be guilty of any breach of these Terms and Conditions; or
- (c) the Employee ceases employment at the Company.

3.2 Notwithstanding the above, the Company may terminate this Agreement at any time should changes in any legislation or the enactment of any new legislation impose on the Company financial or other obligations which are, in the Company's sole discretion, unacceptable to the Company.

## 4 Indemnity

4.1 The Employee shall irrevocably and unconditionally indemnify and keep indemnified Company, its officers, employees, agents and contractors against any loss, damage, claim, action or expense (including legal expense on a full indemnity basis) which Company, its officers, employees, agents or contractors may suffer as a direct or indirect result of, or in connection with, any of the following:

- (a) a breach of this Agreement;
- (b) any warranty or information given by the Employee being misleading in any way;
- (c) any negligent act, error or omission on part of the Employee under this Agreement;
- (d) in respect to the sale, disposal or transfer of the vehicle.

The Employee must indicate his or her acceptance of this Agreement by signing below and returning the Agreement to the Company contact noted below.

Company Contact: *Insert name*

*Insert title*

*Insert Phone / Email*

I,

*(Insert Full Name)*

("Employee") have read and accept the Terms and Conditions of this Agreement.

*(Employee Signature)*

*(Date)*