 <b>BUREAU VERITAS</b>	<b>Pacific Zone Salary Packaging – Motor Vehicle Novated Lease Policy/Procedure</b>	Document No.	<b>P-0000-PE-006</b>
		Date of Issue	<b>June 11</b>
		Rev	<b>0</b>
		Approved by	<b>MMcS MC</b>

## 1 PURPOSE

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

## 2 SCOPE

This policy applies to all permanent employees in Australia and New Zealand

## 3 DEFINITIONS

### NOVATED LEASE:

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 financier. The Company will provide confirmation of current employment and current earnings when requested by the employee or financier.

**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.**

All motor vehicle benefits will be provided on a fully managed novated lease basis through a Novated Lease Provider.

Each eligible employee may elect to salary package a novated lease for a vehicle of personal choice

Novated lease vehicles may be new or used subject to the financier's acceptance.

Employees may lease vehicles under novated finance lease arrangements only.



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### TOTAL REMUNERATION

Total remuneration is defined as Base Salary plus any applicable Allowances plus Superannuation currently at 9%.

### FRINGE BENEFITS TAX (FBT)

FBT is a corporate tax charged to employers by the ATO when employers provide their employees with non cash benefits in lieu of cash salary. The FBT rate is 46.5% (as at 1 April 2009), being equal to the highest marginal income tax rate.

## 4 NOVATED LEASE PROVIDER


The Company has a preferred supplier, Enlist Pty Ltd, that has been engaged to provide novated leasing arrangements to employees of Bureau Veritas.

Employees are free to engage with another lease provider, however are required to undertake the following prior to selecting a provider other than Enlist Pty Ltd

- 4.1 Obtain a quote from Enlist when the employee has made a decision to enter into a novated leasing arrangement
- 4.2 Any provider other than Enlist that an employee wishes to engage for their novated leasing arrangement, must be approved by HR Central Services prior to the employee taking out the novated lease.
- 4.3 Preferred Novated Lease Providers, other than Enlist, must meet the following minimum requirements prior to approval being granted to the employee to engage them to enter into a novated leasing arrangement:
  - 4.3.1 Complete monthly reconciliation reports are provided to the employee indicating all lease costs to date, mileage completed, mileage target required, FBT projections, etc. (*See Sample Report requirement in Appendix A (Hyperlink attached)*)
  - 4.3.2 Full reconciliation reports are prepared at the end of each FBT year for the employee and company
  - 4.3.3 Complete integration processes with the company's payroll department to facilitate deductions from the employee's salary

## 5 APPROVAL REQUIREMENTS

The employee must satisfy the following requirements prior to undertaking a novated leasing arrangement:


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- 5.1 A request must be sent to their supervising manager requesting approval to enter into a novated lease arrangement. This can be in the form of an email directly to their supervising manager. Minimum approval authority must be at Business Unit Manager level or higher.
- 5.2 A limit/ceiling will apply on the amount of salary sacrifice the employee is able to deduct for a motor vehicle to a maximum of 35% of total salary package. (Total salary package equals base salary plus, if applicable, salary sacrificed top up superannuation).
- 5.3 Upon approval from the supervising manager, the supervising manager should reply email back to the employee, with copy to HR Central Services in Port Melbourne, indicating approval for the employee to enter into a novated leasing arrangement
- 5.4 Upon receipt of email approval, HR will forward the contact details of Enlist to the employee for them to contact directly to discuss leasing arrangements and/or options
- 5.5 In the event that the employee wishes to engage a provider other than Enlist, the employee will be required to forward the contact details of the provider to HR Central Services for validation and corporate approval prior to the employee taking out the novated lease.

## 6 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 a Payroll Deduction Authority Form.
- Using the fuel and maintenance card provided by a Novated Lease Provider 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.
- Keeping the vehicle secured, maintained and in good working order.
- Paying traffic and/or parking infringement notices.
- Arranging comprehensive insurance through an insurance company of personal preference and maintaining comprehensive insurance at all times.
- Claiming reimbursements for ad-hoc expenses direct from the Novated Lease

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Provider.

- Selecting preferred Automobile Association, if desired (e.g. RACV Club).
- Paying for any additional capital improvements after delivery of the vehicle.
- Ensuring the vehicle is registered at all times and claiming reimbursement from the Novated Lease Provider on an annual basis.
- Adhering with the vehicle manufacturer's handbook and the financier requirements as documented in the individual lease agreements.
- Returning the fuel and maintenance card at the completion of the lease or upon termination of employment, whichever is first.
- Repaying all outstanding amounts 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).

## 7 SALARY PACKAGE PROVISIONS


All costs relating to the operation of a vehicle, including FBT costs (if applicable), are charged against the employee's Salary Package Account. A budget for fixed salary sacrifice provisions is calculated by the Novated Lease Provider and accepted by the employee at the start of a novated lease arrangement. Salary sacrifice provisions are based on:

- total number of kilometres the employee expects to travel each year;
- make and model of the vehicle;
- fuel type (i.e. unleaded, premium, LPG or diesel);
- the purchase price of the vehicle;
- the lease period;
- annual expected costs averaged over lease period for fuel, maintenance, tyres, insurance, registration, car washes\* and auto club membership\*;
- administration fees; and
- Fringe Benefits Tax (FBT) or GST for post tax contributions (PTC), depending on the preferred FBT model adopted under the salary package arrangement.

*\* Employees need to advise the Novated Lease provider if they wish to include provisions for car washes and auto club membership. These provisions are not mandatory requirements.*

Once salary sacrifice provisions have been accepted the lease can be finalised and the salary sacrifice deductions will commence from the following pay period.

Each pay period thereafter the Company will deduct the agreed salary sacrifice allocation and remit the relevant amount to Novated Lease Provider, who in turn

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pay the monthly lease rentals and all vehicle running expenses including reimbursements to employees.

Employees need to be aware that the following costs do not constitute running expenses, and cannot be salary packaged. It is the employee's responsibility to personally meet the following costs:

- Infringements and fines
- Capital improvements to the vehicle after a lease has commenced
- Car parking
- Drivers license fees
- Tolls

### 7.1 Salary Sacrificing for FBT

A salary packaged novated lease is deemed to be a non cash benefit provided by the Company to an employee in lieu of cash salary. Such an arrangement attracts FBT and the cost of FBT is therefore included in the employee's total salary sacrifice allocation.

At the end of each FBT year (31 March) employees will be required to submit an odometer declaration stating their final odometer reading as at the end of March. FBT reconciliation will then be performed to ascertain whether sufficient provisions have been deducted from employees throughout the year. An adjustment will be made to either recover any FBT shortfalls or reimburse excess FBT deductions. FBT shortfalls will be recovered from employee's pre tax salary and FBT reimbursements will be paid to employees as taxable salary which requires income tax to be withheld at the employee's marginal tax rate.

***Important: It is mandatory for employees to submit odometer declarations at the end of each FBT year or at the completion of their novated lease. Failure to submit a declaration may result in FBT being calculated and reconciled back to the employee at the highest statutory rate (26% or 20% for leases commenced after 10 May 2011).***

## 8 OTHER INFORMATION

### 8.1 Group Certificate

A separate figure for "Reportable Fringe Benefits" will be shown on employee Group Certificates. Income tax is not payable on the reportable fringe benefit amount; however there may be some impact on the calculation of social security or other statutory entitlements.

### 8.2 Motor Vehicle Benefit Definition

The ATO definition of a motor vehicle is:



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“Any vehicle with four wheels including 4WD vehicles that are less than one tonne and have a carrying capacity of fewer than 9 passengers”.

Motor cycles and utility vehicles with a load carrying capacity in excess of one (1) tonne are excluded under this definition. These vehicles are treated differently for FBT calculation purposes and as such it is Company policy that all such vehicles are not permitted for salary packaging purposes unless explicit written authority has been granted by the relevant business line manager and HR Central Services.

### 8.3 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.


### 8.4 Termination & Reconciliation

It is the responsibility of the employee to advise the Novated Lease provider of any intention to terminate the lease and/or if the employee separates from Company.

In the event that the employee intends to either terminate the lease and/or separate from the company, the employee must advise this to the Novated Lease Provider no later than 5 working days after the decision to terminate the lease and/or separate from the company has been made.

On notification to the Novated Lease provider the employee must ensure the following criteria are met:

- Submit an odometer declaration to HR Central Services (for FBT purposes)
- Return fuel card to HR Central Services
- A reconciliation of the employee’s Salary Package Account will be performed to calculate the final balance between actual expenses versus allocated provisions. The shortfall or surplus of the final balance will be settled through salaries on a pre tax basis.


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If employment is being terminated the employee will be offered one of three options:

- (1) Payout the lease from personal savings or proceeds of sale (if vehicle is to be sold);
- (2) Transfer lease to a new employer. This option is subject to policy conditions of new employer; or
- (3) Continue to pay lease rentals from personal savings.

In the event that lease termination arises due to maturity of a lease period, the employee will be offered one the following options:

- (1) To purchase the vehicle at the residual value and own the vehicle privately;
- (2) To sell the vehicle (or trade in) and pay out the lease residual from the proceeds of sale; or
- (3) Refinance the residual value (ex GST) and continue the salary packaging arrangement.

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**APPENDIX A**

**SAMPLE REPORTING REQUIREMENT FROM NOVATED LEASE PROVIDER**

<C:\Data\mcotela\Desktop\Novated Lease Policy-Sample Report.xls>

(To access: Press Ctrl on your keyboard while clicking on the link)