

# Salary packaging handbook

Exempt



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## Salary packaging handbook

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With over 30 years' experience in financial services, Toyota Fleet Management (TFM), is a specialist in salary packaging, including novated leasing. We handle salary packaging for more than 350 employers across Australia, taking care of the details and making the process easy from start to finish.

This handbook has been prepared to outline all you need to know about our salary packaging program. A copy can be accessed via your employer's HR department and/or intranet, or you can contact the TFM team if you have any questions.

For more information, call us on **1300 888 870**  
or visit **[toyotafleetmanagement.com.au](https://toyotafleetmanagement.com.au)**

Salary packaging is an agreement between you and your employer, which allows you to sacrifice some of your salary in return for a benefit.

By paying for this benefit with pre-tax dollars, you reduce your taxable income, therefore increasing your disposable income.

## What items can be salary packaged?

TFM provides a full range of salary packaging benefits including:

- Novated leases
- Expense items including mortgage, rent, TFM Transaction Card, school fees and more
- Meal entertainment/accommodation
- Work related items exempt from Fringe Benefits Tax (FBT) like laptops, mobile phones, lounge memberships and portable electronic devices (PEDs)
- Extra superannuation contributions
- Other deductible items.

Please check your TFM employer policy page for any exclusions.



## Why salary package?

When you salary package using pre-tax salary, you reduce your taxable income, which reduces the Pay As You Go (PAYG) tax you are required to pay. To offset this reduction in PAYG tax, the Australian Taxation Office (ATO) levies another tax called Fringe Benefits Tax (FBT).

As an employee of a Public Benevolent Institution (PBI), you are entitled to an FBT exemption of \$15,900 per annum, that can be salary packaged towards expense items.

This means you can salary package \$15,900 from your pre-tax salary each FBT year (April 1 – March 31), reducing your taxable income by this amount and providing you with substantial benefits.

**Please note that benefits being provided internally through your employer, such as a company car or novated lease, will reduce the threshold of \$15,900 available for salary packaging.**



## What expense items can be salary packaged?

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You can package a range of items up to the value of \$15,900, including your mortgage, rent, personal loan, novated lease or school tuition fees. You may also choose our convenient TFM Transaction Card to package everyday living expenses such as groceries, bills and clothes.

### TFM Transaction Card

The TFM Transaction Card is a specially designed VISA debit card that provides a quick and easy way to pay for everyday items. It can be used globally, anywhere VISA is accepted.

The card can only be used for in-store purchases or payments via phone banking and cannot be used for cash withdrawals. Direct debits cannot be set up from the transaction card.

Each pay period, you sacrifice an agreed amount. TFM allocates this amount to your transaction card account. These funds are then available for use on your card. Transactions will be rejected if there are insufficient funds in the account. As a cardholder, you can check your credit balance at any time.

Any balance on the TFM Transaction Card must be spent by 31 March each year. Balances remaining will reduce the \$15,900 available for the next FBT year.

#### How Daniel benefits

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Daniel decides to salary package \$15,900 to the TFM Transaction Card. TFM helps Daniel to set up this arrangement and orders the card. Each pay period, Daniel's employer deducts money from his pre-tax salary and sends this amount to TFM. TFM then transfers these funds to Daniel's transaction card account. Daniel is then free to use this card for purchases anywhere VISA is accepted, while receiving savings on PAYG tax.

### Expense items e.g. mortgage, rent or school fees

When salary packaging an expense item, you simply need to provide evidence that the expense exists (e.g. a copy of your mortgage or personal loan contract).

These expenses can be packaged up to the threshold amount of \$15,900, and you need to prove that the expense is equal or greater than this amount. Once proof is provided, a regular pre-tax deduction will be set up from your pay and sent to TFM. TFM will then reimburse this money to your nominated bank account.

#### How Sally benefits

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Sally decides to salary package \$15,900 towards her mortgage payments. She provides TFM with her mortgage statement and her salary packaging arrangement is set up. Each pay period, her employer deducts money from her pre-tax salary, and sends this amount to TFM. TFM then withholds administration fees and reimburses the remaining funds into Sally's nominated bank account. Sally can then use these pre-tax funds to pay for her mortgage, while receiving savings in PAYG tax.

## Meal Entertainment/Accommodation (EFLE)

The Meal Entertainment/Entertainment Facility Leasing Expense (EFLE) benefit lets you purchase meals, drinks and accommodation to the value of \$2,650 with your pre-tax salary without paying PAYG tax. You can use pre-tax dollars when you dine out with your family or take a holiday. This benefit can be packaged **in addition** to the \$15,900 FBT threshold amount, and is made even easier by the convenience of the TFM Salary Packaging Meal Entertainment Card. The TFM Salary Packaging Meal Entertainment Card is a VISA debit card and is used solely for Meal Entertainment/Accommodation (EFLE) expenses.

EFLE refers to accommodation associated with the hire/lease of a hotel or motel room, rented holiday house or on-site caravan and more.

Any balance on the TFM Salary Packaging Meal Entertainment Card must be spent by 31 March each year. Balances remaining will reduce the \$2,650 available for the next FBT year.

## Novated leases

A novated lease is a convenient, tax-effective way to purchase a new or used vehicle. You sacrifice some of your salary in return for a fully maintained vehicle, including the finance component, fuel, maintenance, tyres, insurance and registration.

### What is a novated lease?

A novated lease is a standard lease contract arranged via a financier, with a secondary document attached called a novation agreement. This agreement transfers some of the lease obligations to your employer. Once the novated lease is in place, it allows your employer to deduct money from your salary, which is then sent to TFM to be used towards the running costs and finance of your vehicle.

### Reasons for choosing a novated lease

- Perhaps you're in the market to purchase a new or used vehicle
- Maybe you have an existing vehicle that you own outright or owe finance on
- Or you might drive high or low kilometres – either way, a novated lease can be a good option.

### The benefits of novated leasing

Novated leasing is a popular finance option for many Australian employees. The benefits include:

- Savings on GST – you do not pay the GST on the purchase price of the vehicle (to the maximum amount claimable) or any of the running costs
- Savings on PAYG tax – you sacrifice some or all of the deduction in pre-tax salary, therefore reducing your taxable income, providing you with substantial benefits.

**What's more, when you have a novated lease with TFM, we manage your vehicle's expenses for you, so you don't have to worry about being out of pocket.**

### Purchasing a vehicle

You can purchase a new or used vehicle through your own preferred supplier, or you can use TFM's vehicle purchasing network to source a new vehicle at a competitive price, at no cost to you.

To be eligible for salary packaging, the vehicle you are looking to purchase must be a passenger vehicle and cannot have a carrying capacity of more than one tonne.

If you are looking to purchase a vehicle now or in the future, contact TFM first.

### What's included in a novated lease?

One of our Novated Lease Consultants will provide you with a quote based on the vehicle you are looking to purchase. This quote will factor in all the running expenses of the vehicle and show your annual tax savings. Your dedicated novated lease consultant will also run through what your novated lease will cover.

## Novated lease inclusions

Term	Meaning
<b>Fuel</b>	<ul style="list-style-type: none"> <li>– You will be given a Motorpass fuel card to be used for all fuel purchases.</li> <li>– TFM will be invoiced directly for all your fuel transactions.</li> <li>– Each vehicle has its own fuel card. If you have two vehicles packaged, then two cards are required.</li> </ul> <p>Please note that fuel cards will be cancelled as soon as TFM is notified of your termination of employment and/or lease, so accounts can be finalised. Any expenses incurred after this time should be paid by the employee.</p>
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>– Your novated lease arrangement covers costs for all servicing, repairs, tyres and batteries. Where an authorised service centre is used, TFM will be invoiced directly for these expenses and trade prices for parts and labour will be charged.</li> <li>– Employees choosing to use a non-authorised supplier will need to pay for the expense directly, and submit a claim to TFM for reimbursement.</li> </ul>
<b>Registration</b>	<ul style="list-style-type: none"> <li>– Your registration renewal will be sent to you directly from your state or territory office as the vehicle is registered in your name. You can either: <ul style="list-style-type: none"> <li>– Send your renewal directly to TFM. Providing there is adequate time before payment is due, TFM will pay this cost directly for you.</li> <li>– Pay for the renewal directly and send in the receipt to TFM for reimbursement.</li> </ul> </li> </ul>

Term	Meaning
<b>Insurance</b>	<ul style="list-style-type: none"> <li>– As the vehicle is insured in your name, the renewal notices will be sent to you by your insurer. Providing there is adequate time before payment is due, you can send your insurance renewal directly to TFM and we will pay the cost for you. Alternatively, you can pay for the renewal yourself and send in the receipt to TFM for reimbursement.</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>– When you have any out of pocket vehicle expenses, TFM will reimburse you for these costs.</li> <li>– Reimbursements can only be processed when there are sufficient funds in your salary packaging account.</li> <li>– The following vehicle expenses <b>cannot</b> be salary packaged: <ul style="list-style-type: none"> <li>– Road tolls and e-TAG expenses</li> <li>– Traffic infringement notices and fines</li> <li>– Accessories that are added to the vehicle after purchase.</li> </ul> </li> </ul>



## Budgets for your vehicle

When a TFM Novated Lease Consultant prepares a quote, they will set annual budgets for the running costs, based on the type of vehicle and number of kilometres you plan to travel.

It's important to remember that money not spent against these vehicle budgets remains your money. So, if at the end of your lease you have a credit balance, the funds will be returned to payroll and paid to you in after-tax salary.

During your lease, if you spend more than what has been allocated to your vehicle budgets, TFM will contact you to increase your regular salary deduction to account for the overspend. If, at the end of your lease, you have a negative balance, you will be required to cover this shortfall.

## Residual

At the end of your novated lease you will have a residual value owing. Minimum residual values are determined by the Australian Tax Office (ATO) guidelines, as shown in the table below:

Lease term	Residual value % of AMT financed
1 Year	65.63%
2 Years	56.25%
3 Years	46.88%
4 Years	37.50%
5 Years	28.13%

## Your options

When the residual value falls due, you have three options:

**1. Trade in your vehicle and enter into a new novated lease for another vehicle.**

If your trade-in amount is more than your residual value (incl GST), this money is paid directly to you and cannot be used to offset the finance amount of your new vehicle. Alternatively, you must pay any shortfall between the trade-in price and the residual value.

**2. Refinance the residual value (excl GST) that is owed over a period that suits you.**

You can then continue with the salary packaging benefits.

**3. Purchase your car.**

You may wish to purchase the car you have been leasing with us. This is fine, and we are on hand to make this as simple as possible for you. You can make an offer to buy the car from TFM for an amount no less than the residual value, plus GST, as agreed when you took out your lease. We will give you instructions on how to pay. The benefit of the novated lease and salary packaging would then cease.





## Leaving your employer

A novated lease is a flexible product that can be transferred to another employer if they allow salary packaging.

So, if you're leaving your employer, the first thing you need to do is contact TFM to discuss your options.

Lease payments for your vehicle, fuel cards and insurance are all linked to your employer. If you leave your company, your employer will stop making payments to TFM, which means TFM will need to cease making your lease and insurance payments and your fuel cards will need to be cancelled.

### Your options

When you leave your employer you have three options.

1. **Cease your salary packaging arrangements** and continue paying the monthly lease rentals via a direct debit. All of the car's running costs need to come out of your own pocket, including GST.
2. **Re-novate your lease** to a new employer and continue to salary package if they have a provider.
3. **Pay out the finance contract** early and own the vehicle outright.

## Fringe Benefits Tax

When you salary sacrifice with a pre-tax deduction, you reduce your taxable income, reducing the amount of PAYG tax you pay. To offset this reduction in PAYG tax, the ATO levies another tax called Fringe Benefits Tax (FBT).

To ensure you do not exceed the FBT limit (\$15,900), employees that enter into a novated lease will see a reduction in the amount they can salary sacrifice towards an expense item unless they make an after-tax contribution towards the FBT.

If you sacrifice funds towards a novated lease, the amount of \$15,900 will be reduced. The reduction will depend upon the value of the vehicle. A TFM consultant will be able to give you further information upon request.

If you exceed the \$15,900 limit, full FBT is charged.

**Remember, you don't need to be a high income earner or drive a large number of kilometres to benefit from a novated lease.**

## Sale and leaseback

You can also consider a sale and leaseback on a vehicle that you currently own. This is where TFM can buy your vehicle from you at current market value, and lease it back to you to receive savings on PAYG Tax and GST savings on the running costs.



## FBT-exempt items

The following items can be salary packaged and are exempt from FBT, if used primarily for business purposes:

- Laptop computer
- Mobile phone
- Calculator
- PEDs\*
- GPS
- Airport lounge membership
- Briefcase
- Tools of trade.

You can salary package one of each of the above items per FBT year (April 1 – March 31). A business use declaration (provided by TFM) will be required for each item packaged.

When you salary package any of the above items, there are two main benefits:

1. When using pre-tax salary, you reduce your taxable income, providing you with substantial PAYG tax savings
2. You also save the GST payable on any of these items. Your employer can claim back the GST paid on these items and the savings are passed back to you via your salary package.

The total purchase price of the listed items, can be salary packaged over one or more pay periods.

\* Examples of portable electronic devices include a mobile phone, calculator, personal digital assistant, laptop, portable printer and portable global positioning (GPS) navigation receiver.

## How Emma benefits

Emma requires a laptop primarily for her employment. She chooses and pays for a laptop valued at \$1,500, and sends in her payment receipt to TFM.

After speaking to a TFM consultant, Emma decides to salary package her laptop over one pay period. Emma only needs to sacrifice \$1,364, as the GST of \$136 is credited back to her via her salary package.

Her employer deducts this \$1,364 from her pre-tax salary and sends this amount to TFM. TFM will then reimburse \$1,500 into Emma's nominated bank account.

By salary packaging her laptop, Emma has gained substantial PAYG tax savings and also saved the \$136 of GST on her laptop.

Please check your TFM employer policy for the full list of items available for salary packaging, including associated fees.

## Important information

**Salary packaging through TFM is organised at the request of you, the employee, not the employer.**

To enquire about salary packaging, please call TFM on **1300 888 870** and ask to speak to one of our dedicated consultants. They will provide you with information detailing the proposed structure.

**As the employee, the choice of benefits is up to you. Your employer takes no responsibility for the tax effectiveness of the package chosen.**

Packaging does not affect employer superannuation contributions, long service leave, or holiday pay. After salary package deductions have been made, the remaining gross salary will be paid as usual through the payroll system, with PAYG tax deducted at the applicable rate.

Before making a decision, you should consult your independent legal, taxation and financial advisors who can advise you about your personal circumstances.

## Maintaining your salary package

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TFM takes care of the management of your salary package. You can access your account and transaction information at any time using our secure online system.

## Changing your salary package

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You can call TFM on **1300 888 870** to review and amend your salary packaging arrangement at any time, at no cost.

## Payments and reimbursements

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All regular payments (e.g. lease payments) will be made automatically by TFM on an agreed date each month, either directly or by reimbursement. All irregular or annual payments to third parties (e.g. mobile phone, car registration) will be reimbursed to you by TFM.

### Please note

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- TFM will not reimburse you for the cost of any packaged expenses without proof of payment
- Reimbursement of irregular expenses will only be made where there are sufficient funds available in the salary package account
- The employee (not a third party) must make the request for reimbursement using the TFM Reimbursement Claim Form.

## Terminating your salary package

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You, the employee, are responsible for notifying TFM and your employer of your intention to cease salary packaging. You must give at least one calendar month's notice.

To close your salary packaging account, you must complete a Termination Form.

Your employer is also required to notify TFM immediately, should your employment cease for any reason. This will allow TFM time to finalise outstanding payments and collect any monies owing, prior to your departure. A final statement from TFM detailing the status of the package will then be forwarded to you.



## Terminating your novated lease

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On leaving your employment, any novation agreement signed by your employer becomes null and void and removes all future responsibility on behalf of the employer.

If you want to continue the lease agreement after the novation agreement is terminated, you will need to make the lease payments from your own personal account via direct debit.

If you prefer to terminate your lease, you need to request a payout figure from the finance company (via TFM). Payment of the lease balance must be made directly by you to the finance company.

To close your salary packaging account, you must complete a Vehicle Termination Form. You need to include closing odometer reading/s, to enable TFM to calculate any FBT payable up to the date of termination. On receipt of your final fuel account, TFM will then close down and reconcile your package.

If there is a credit balance in your packaging account after the final expenses have been deducted, the amount will be paid back to you via your employer's payroll (less the applicable PAYG tax).

If there is a deficit in your packaging account after the final expenses have been calculated, you will be advised and will need to repay any outstanding amounts.

## Other considerations

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Salary packaging can be a tax-effective method of paying for some goods and services that you purchase in your normal daily life, and may increase your take home pay substantially.

Tax laws, including FBT legislation, can change and affect salary packaging arrangements. As the employee, you indemnify the employer against any FBT liability in this program and are responsible for all costs associated with salary packaging including:

- Cost of all packaged benefits
- FBT
- Repayment of any deficit package balance within 30 days
- Package administration fees
- Legal or other agents' costs and expenses/disbursements incurred by TFM and/or the employer for any debt recovery action against the employee.



## Reportable fringe benefits

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If you decide to salary package and you are receiving support from Centrelink or any other state or federal government agency (e.g. HECS/HELP, child support payments, Medicare levy surcharge), it is your responsibility to let them know. These organisations require full disclosure of your income and packaged benefits, and based on this information, the payments you receive from them may be affected.

The grossed up FBT value of your salary packaged benefits is a reportable item on your payment summary, enabling government agencies to determine the full value of your remuneration.

The following benefits may be affected:

- Medicare levy surcharge
- Mature age worker tax offset
- Deduction for personal superannuation contributions
- Tax offset for eligible spouse superannuation contributions
- Super co-contribution
- Higher Education Loan Program (HELP) and Financial Supplement repayments
- Child support obligations
- Entitlement to certain income-tested government benefits.

## TFM Privacy Policy

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Please refer to [toyotafleetmanagement.com.au/privacy](https://toyotafleetmanagement.com.au/privacy) for a full copy of our Privacy Policy.

## Employer policy

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For your employer's salary packaging policy, please call **1300 888 870**, email [salarypackaging@toyota.com.au](mailto:salarypackaging@toyota.com.au) or speak with your employer.

### How to contact TFM

**Phone:** 1300 888 870

**Email:** [salarypackaging@toyota.com.au](mailto:salarypackaging@toyota.com.au)

**Contact the trusted figures in salary packaging**  
**1300 888 870**  
**[toyotafleetmanagement.com.au](http://toyotafleetmanagement.com.au)**