



## **NOVATED MOTOR VEHICLE LEASING**

**A JOINT INITIATIVE BETWEEN**

**LA TROBE UNIVERSITY**

**AND**

**LEASEPLAN AUSTRALIA**

**FOR LA TROBE UNIVERSITY STAFF**

## **USER GUIDE**

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# CONTENTS

<b>SECTION 1</b> .....	<b>3</b>
<b>INTRODUCTION TO LEASEPLAN AND NOVATED LEASING</b> .....	<b>3</b>
1.1 What is a novated lease? .....	3
1.2 How does novated leasing work? .....	3
1.3 What type of vehicle can be leased? .....	3
1.4 What are the benefits of novating a vehicle? .....	3
1.5 What is the hand-back/early return guarantee option? .....	5
1.6 What happens if your employment is terminated? .....	5
1.7 Who is eligible for a novated lease? .....	6
1.8 Does the Privacy Act affect your arrangements with LeasePlan? .....	6
1.9 The Employee Contribution Method (ECM) .....	6
1.10 What are the possible risks of novated leasing for employees? .....	6
<b>SECTION 2</b> .....	<b>7</b>
<b>OBTAINING YOUR NOVATED VEHICLE</b> .....	<b>7</b>
2.1 Deciding on your vehicle .....	7
2.2 Residual value and ATO guidelines .....	7
2.3 Sourcing of new vehicles .....	8
2.4 Financing second-hand vehicles .....	8
2.5 How are trade-in vehicles handled? .....	9
2.6 Who to contact at LeasePlan .....	9
2.7 To obtain a quotation on a vehicle .....	9
2.8 Information provided on the quotation .....	9
2.9 Comprehensive insurance (mandatory) .....	9
2.10 Replacement vehicles (optional) .....	10
2.11 Vehicle repair and maintenance (mandatory) .....	10
2.12 Tyres, batteries and windscreen replacement (mandatory) .....	10
2.13 Other Provisions (mandatory) .....	10
2.14 Fuel (mandatory) .....	10
2.15 Registrations and CTP (mandatory) .....	11
2.16 Order process .....	11
2.17 Regular reporting .....	11
2.18 FBT tracking services .....	11
2.19 Interest .....	11
2.20 Depreciation .....	11
2.21 Variations to operating costs .....	12
2.22 Incorrect estimate of travel .....	12
2.23 How FBT affects your package costs .....	12
2.24 Effects of distance travelled and FBT .....	13
2.25 Luxury taxation limit .....	13
2.26 To claim 'out of pocket expense' reimbursement .....	13
2.27 Expiry of the contracted lease term .....	14
<b>SECTION 3</b> .....	<b>15</b>
<b>HOW TO IMPROVE YOUR PACKAGING BENEFIT WITH ECM</b> .....	<b>15</b>
3.1 The Employee Contribution Method .....	15
3.2 Will ECM be beneficial to me? .....	15
3.3 GST on ECM .....	17
3.4 How do I nominate that I want to use ECM? .....	17
3.5 Can I remove ECM from my lease once it has been set up? .....	18
3.6 ECM - The impact of doing more or less kilometres per year .....	18
<b>SECTION 4</b> .....	<b>19</b>
<b>COMPREHENSIVE INSURANCE</b> .....	<b>19</b>
LeasePlan Total Cover product summary .....	19
<b>DRIVERS SECTION 5</b> .....	<b>20</b>
<b>DRIVERS ONLINE PACKAGE CALCULATOR INFORMATION</b> .....	<b>20</b>
a) Using Drivers Online .....	20
b) Affordability Calculator .....	20
c) Make/Model Selector .....	20
d) Package Calculator .....	21
e) Requesting a Formal Quotation .....	21
f) Applying for your lease online .....	21

## SECTION 1

### INTRODUCTION TO LEASEPLAN AND NOVATED LEASING

#### INTRODUCTION

La Trobe University offers a range of salary packaging options. Provisions within Enterprise Agreements and Awards enable employees to 'sacrifice' part of their cash award salary in return for 'non-cash benefits' provided by the University from the employee's salary before tax.

#### LEASEPLAN

LeasePlan founded car leasing and global fleet management and has a long history of innovation in the field. We are a market leader with an excess of 1.26 million vehicles in operation worldwide, with more than 86,000 in Australia.

LeasePlan began operations locally in 1988 and is now the largest leasing and fleet management company in this country with offices in Melbourne, Sydney, Perth, Brisbane, Adelaide and Canberra.

#### 1.1 What is a novated lease?

A novated vehicle lease is an arrangement between you, La Trobe University and LeasePlan. It enables you to lease a vehicle of your choice whilst enjoying the tax-effective benefits of financing the vehicle and its operating costs from pre-tax salary.

#### 1.2 How does novated leasing work?

Under this arrangement, you lease a vehicle using a standard lease agreement. A Novation Agreement is entered into between you, La Trobe University and LeasePlan. The obligation for the payment of lease rentals is transferred (novated) from you to La Trobe University for the term of the agreement. Therefore, La Trobe University now pays, on your behalf the lease rentals and operating costs directly to LeasePlan.

You retain ultimate responsibility to make any payments under the lease in the event that you leave La Trobe University or if La Trobe University fails to make payments on your behalf.

#### 1.3 What type of vehicle can be leased?

LeasePlan is happy to provide novated leasing on any type of passenger motor vehicle (excluding motorcycles and commercial vehicles greater than one tonne carrying capacity), either new or used. However, for used vehicles certain criteria must be met e.g. the age of the car must not be more than four years old at commencement of the lease and no more than seven years old at the end of the lease and the price must be at the current market value nominated by LeasePlan. Please contact LeasePlan for more details.

#### 1.4 What are the benefits of novating a vehicle?

- Your vehicle costs are deducted from your salary before tax.
- You may achieve a potential income tax-free lump sum benefit at lease expiry.
- Significant benefits can be obtained via pre-tax savings on lease and operating costs.
- Increase disposable income and lower or eliminate the FBT liability with post-tax contributions via the Employee Contribution Method (ECM).
- You have an extensive range of vehicles to choose from.
- You have flexibility in residual values within upper and lower limits.
- You are able to package your current vehicle or a second-hand vehicle, providing it meets LeasePlan's used vehicle criteria for both age and kilometres travelled.
- The vehicle is registered in your name. This negates payment of stamp duty if the vehicle is purchased at lease end.
- You benefit from higher vehicle purchasing discounts (up to 15%) through LeasePlan's buying power.
- You save on operating costs through full fleet management controls. Savings can be up to 30% less than retail.

- Vehicles that have been carefully taken care of will normally have higher resale values as well as lower running costs. These savings are passed on to you.

- LeasePlan can claim a GST Input Tax Credit on the vehicle purchase and on all operating costs. You will enjoy GST free motoring. You only pay GST on the residual value at lease expiry. Please note the limitation on luxury vehicles, on which the maximum input tax credit is currently \$5,198.18.
- You have the security of an early return guarantee.
- The vehicle can also be novated to your new employer or purchased outright if your employment is terminated.

### 1.5 What is the hand-back/early return guarantee option?

LeasePlan's novated lease includes the unique \$690 early return guarantee, which gives you the option to terminate your lease in the event that your employment has terminated. You simply return the vehicle and pay a \$110 GST-inclusive fee.

This innovative feature is automatically provided for all vehicles where the finance value of the lease is under \$60,000. For leases greater than \$60,000 an early return premium is also charged at a rate of 3% of the financed value, capitalised in the lease and amortised over the lease term.

LeasePlan requires that you meet any cost of damage, any pro-rata kilometres travelled in excess of budget, or any deficit that may occur in the 'Other Provisions' expenditure account. The early return guarantee charges are added to the monthly rental and recovered over the lease term. If you exercise the 'hand-back' option LeasePlan also requires you to pay the balance of the charges for the months remaining in the lease, together with any rental payments until the vehicle is returned to LeasePlan. By exercising the \$110 hand-back option, no further settlement of any resale or operating costs variances occurs.

Employees must contact LeasePlan and nominate the hand-back option within 14 days of your notice of termination of employment. Please note the hand-back option is not available if the employee termination occurs within 31 days of the scheduled end date of the lease.

### 1.6 What happens if your employment is terminated?

If employment is terminated, the novation agreement immediately expires. You can then choose one of these 4 options:

**Option 1** - Continue the lease by paying monthly payments directly to LeasePlan.

**Option 2** - Terminate the lease early by paying out the lease on the day of departure.

**Option 3** - Arrange a new Novation Agreement with your new employer (subject to conditions and a re-novation charge will apply).

**Option 4** - Return the vehicle to LeasePlan and pay the hand-back/early return fee of \$110 GST-inclusive (conditions apply).

Under Option 2 a reconciliation of operating costs is undertaken within seven days of the lease termination. Any surplus/deficit in actual operating costs compared to budgeted costs will be refunded/invoiced to La Trobe University. Amounts refunded will be added to your payroll and will be subject to income tax. Where an amount has been invoiced, this amount will be deducted from your payroll pre-tax. To achieve this reconciliation within seven days LeasePlan undertakes some estimation of operating costs incurred but not recorded or paid at the time of the reconciliation. In addition LeasePlan includes a nominal estimation shortfall amount of \$95.00 to cover unknown costs incurred but not paid.

Under Option 1, 3 and 4 no operating cost reconciliation is undertaken.

Please Note: Option 4 only applies in the event of termination of employment. Termination of employment includes: resignation, retrenchment, retirement, dismissal and death but excludes extended leave without pay, parental leave or secondments either interstate or overseas with related organisations.

### **1.7 Who is eligible for a novated lease?**

The eligibility for novated leasing is essentially determined by La Trobe University's salary packaging policy. However, LeasePlan does not permit applications from employees who are currently in a probationary period of employment or who are not permanent employees. An individual lease application needs to be submitted and approved by LeasePlan before a lease can proceed.

### **1.8 Does the Privacy Act affect your arrangements with LeasePlan?**

Some of the information you provide to us may be personal or sensitive as defined under the Privacy Act 1988 (Cth). In providing LeasePlan Australia Limited with this information you have consented to LeasePlan using and disclosing such information for the purpose of providing you and/or La Trobe University with its services.

If you do not supply us with this personal information, we may be unable to supply you and/or La Trobe University with such services. Please refer to our Privacy Policy on our website [www.leaseplan.com.au](http://www.leaseplan.com.au) for more information.

### **1.9 The Employee Contribution Method (ECM)**

Changes to tax thresholds on the 1 July 2006 and again on the 1 July 2007 impacted packaging of motor vehicles for certain employees and could reduce your salary packaging benefit. By utilising the Employee Contribution Method (ECM) the impact may be neutralised and in some cases your benefit actually increases. ECM is the recognised method that provides the greatest benefit for employees earning less than \$150,000 pa.

When using ECM you make a post-tax contribution towards the cost of operating your novated lease vehicle. For every post-tax dollar you contribute, your FBT taxable value is lowered by the same amount, thus reducing your FBT liability. If you elect to use ECM, LeasePlan will calculate the post-tax contribution amount required to completely eliminate your estimated FBT liability.

Detailed information on the benefits and the considerations you need to make prior to using the ECM method are contained in Section 3 of this User Guide

### **1.10 What are the possible risks of novated leasing for employees?**

- Possible loss on disposal if the finance lease residual value is not set at the correct level.
- Benefits, which exist under current tax law, could change under the policy of the Government of the day or via future tax rulings.
- The vehicle may be more expensive to run than was originally estimated.
- The budget allocation for Car FBT and ECM calculations may be inaccurate if the kilometres travelled have not been correctly estimated.

## SECTION 2

### OBTAINING YOUR NOVATED VEHICLE

- 2.1** Raeline McDonald, Human Resources, will provide administrative services to staff and will provide factual information on the rules and operation of the scheme, however, she will not provide any form of legal, investment or financial produce advice. Employees who are considering a leasing arrangement will be required to obtain their own their own independent financial advice. A pre-condition for entering a leasing arrangement will be that the employee has obtained their own independent financial and legal advice.

#### Deciding on your vehicle

To help you assess whether a novated lease is right for you and which vehicle meets your needs, LeasePlan suggest you utilise Drivers Online (refer to Section 5) to assist you in your decision on selecting the vehicles you would like LeasePlan to quote on.

Drivers Online will provide easy online access to:

- An affordability calculator to help you determine the likely cost of a novated vehicle
- A manufacturer/model selector that will help you to select a car
- A package calculator to compare cars, lease variations and impact on salary

By using these online tools you will be able to:

- Register online
- Request novated lease quotations online
- Apply for your novated leases on line

If you prefer to speak to a LeasePlan representative directly please call 1300 668 572. LeasePlan will need the following information to assist quoting for your vehicle:

- Vehicle make and model
- Options and accessories
- Estimated total kilometres you will travel each year
- Number of years for which you would like the lease

If you are seeking a second hand vehicle or a commercial vehicle you will need to source it and provide LeasePlan with the quotation obtained from your supplier for the vehicle (refer to Financing Second Hand Vehicles).

#### 2.2 Residual value and ATO guidelines

The residual value is the amount that remains owing at the end of the lease term. It is normally expressed as a percentage of the vehicle cost price. The residual value is determined at the beginning of the lease is based on the guidelines issued by the Australian Taxation Office.

As a guideline LeasePlan implements the residual value using the following percentages:

Term	ATO Minimum
12 mth	65.63%
24 mth	56.25%
36 mth	46.88%
48 mth	37.50%
60 mth	28.13%

At lease end it is the residual value (plus GST) that will be owed by you to LeasePlan. Any surplus or deficit in the residual value will be due to you or owed by you as per the contract with LeasePlan.

## 2.3 Sourcing of new vehicles

LeasePlan will obtain pricing from its preferred dealer network. If you wish to obtain your own pricing from a dealer you should do this **before** contacting LeasePlan. You should obtain details of availability and pricing in writing, and provide LeasePlan with written dealer quotations so a detailed novated lease quote can be prepared for you. Your vehicle will be sourced from LeasePlan's suppliers, or your dealer if price and availability is better.

The quotation you obtain from the dealer must include the following information to enable an evaluation of price and availability by LeasePlan.

- Description of vehicle (including all options and accessories)
- Dealer on road costs (including stamp duty, registration and CTP)
- Availability (expected delivery date)
- Trade-in value allowed (if applicable)

LeasePlan will be happy to provide the names of our preferred vehicle supplier network to you. Additionally, you may visit the LeasePlan web site at [www.leaseplan.com.au](http://www.leaseplan.com.au) where you can find the New Vehicle Supplier Finder underneath the 'Find a Supplier' button.

Should you request sourcing from a supplier at a higher cost than that obtainable by LeasePlan, then you may also be required to make a personal contribution to the cost.

Remember, if talking to a dealer **do not** sign or commit to the purchase of a vehicle.

## 2.4 Financing second-hand vehicles

You can novate a second-hand vehicle. You will need to source the vehicle yourself and provide LeasePlan with necessary information on the model and pricing to generate a quotation. You can also source second-hand vehicles through LeasePlan's website [www.leaseplan.com.au](http://www.leaseplan.com.au) under 'Find a Vehicle' or sell your owned vehicle to LeasePlan and lease it back.

LeasePlan applies a \$250 processing fee for lessors who choose to lease a used vehicle. Many lease providers no longer allow for novated leasing of used cars but LeasePlan continues to offer this feature as part of its novated leasing package.

This fee is capitalised into the purchase price of the vehicle and amortised over the term of the lease to minimise the impact for drivers who choose to take this option.

The \$250 processing fee covers costs associated with additional processes outside LeasePlan's systems, that support the used vehicle lease. These include:

- Verifying and negotiating best used vehicle pricing
- Establishing operating budgets for non-standard vehicle
- Facilitating payment to seller/financier
- Administering transfer of ownership

The conditions are that the vehicle has travelled less than 100,000 km, and LeasePlan will only finance the vehicle at its assessed market value. The vehicle must be no more than four years old at lease commencement, and no greater than seven years old with no more than 200,000 km at the end of the lease term.

If you are acquiring the vehicle via a private purchase, sale and leaseback of your existing vehicle or paying out an existing lease, LeasePlan will require you to complete and sign a "Novated Lease Used Vehicle Declaration" form. Information in this form is used by LeasePlan to determine a market valuation (sight unseen) so information must be accurate, otherwise your early return guarantee option may be void. The purchase price will be based on market value as assessed by LeasePlan.

**Please note if you source a quote from a dealer or private party on a second-hand vehicle, do not sign or commit to a deposit on the purchase of the vehicle.**

## 2.5 How are trade-in vehicles handled?

When you wish to trade-in your current vehicle against your new vehicle, you must advise LeasePlan of the proposed arrangements. The purchase of the new vehicle and the trade-in must be treated as separate transactions with the proceeds of any surplus on the trade-in paid by the dealer to you, and the sale of the new vehicle being made directly to LeasePlan.

It is then possible to apply the proceeds of the trade-in against your new LeasePlan vehicle or make a personal contribution as part of the purchase from the dealer. However, the maximum that can be contributed against the new vehicle is limited to 20% of the vehicle's cost.

## 2.6 Who to contact at LeasePlan

For initial inquiries phone **1300 668 572**. If you prefer, please email our Customer Service Centre at: [cservice@leaseplan.com.au](mailto:cservice@leaseplan.com.au).

## 2.7 To obtain a quotation on a vehicle

LeasePlan has developed a quotation simulator (refer to Section 5. Drivers Online) which allows you to conduct your novation leasing over the internet, either in its entirety or whatever parts you prefer. Drivers Online includes an online affordability and lease package calculator to assist you with deciding what vehicle to lease as well as the required application forms to complete your novated lease arrangement (Refer to Section 5. Drivers Online Package Calculator Information). Drivers Online allows you to undertake modelling for a range of new vehicles using all different variables of vehicle model, lease term, residual value and annual distance travelled.

Once you have decided which vehicle you want to lease you can obtain an accurate quotation from LeasePlan. Submit your preferred package estimate via the Drivers Online system or complete a Novated Lease Quote/Order Form and fax it to LeasePlan on 1300 794 572.

Options may be added to the vehicle to a maximum value of 10% of the total purchase price. If you decide to add options after your credit has been approved you will need to notify LeasePlan so that your credit approval can be reviewed and a new quote issued.

Once your vehicle has been delivered you cannot add options into your lease - you will be required to pay for these from post- tax income.

## 2.8 Information provided on the quotation

The quotation will list the price of the vehicle and a full budget for the running of your vehicle for the term and kilometres indicated. It includes monthly and annual figures for:

- Novated lease rental
- Maintenance and repairs
- Tyres
- Registration
- Auto club membership
- Fuel
- Other Provisions
- LeasePlan Comprehensive insurance
- Management fees Budgeted FBT liability
- FBT ECM off-set (if ECM is used)
- GST on ECM post-tax contributions (if ECM is used)
- Employee package allocation for salary deduction
- Pre-tax and post-tax lease payment split (if ECM is used)

## 2.9 Comprehensive insurance (mandatory)

LeasePlan offers low premiums for total cover insurance. The insurance premium is budgeted for in the lease payments and is paid from your salary before tax. These premiums are subject to annual review and an individual's claims experience.

Please refer to Section 4 for details on our comprehensive insurance and the benefits of electing to have LeasePlan Total Cover Insurance included in your vehicle lease.

### **2.10 Replacement vehicles (optional)**

LeasePlan will **not** automatically include a replacement vehicle budget in lease quotations. However, this service will be included in your lease if you request it. The replacement vehicle service is provided where vehicles are off the road for more than 1 day due to major maintenance/repair. Any costs for providing a replacement vehicle will be included as part of the reconciliation against budgeted costs.

**Please note:** If you elect not to include a replacement vehicle budget within your salary sacrifice package, you will have to make alternative arrangements and pay for any replacement vehicle yourself without reimbursement by LeasePlan.

### **2.11 Vehicle repair and maintenance (mandatory)**

To realise the true benefit of fleet management, all servicing and repair work to your vehicle must be pre-authorized by LeasePlan prior to the service or repair. When booking your vehicle in for work you will advise the service supplier that LeasePlan manages the vehicle. The service supplier then calls LeasePlan for pre-work authorisation. All invoices for work are billed to and paid by LeasePlan.

You may determine which manufacturer-approved dealership you wish to use for servicing or repairing your vehicle. The service supplier must be an approved repairer of LeasePlan and we will be happy to provide those names to you, or refer to the “Find a Supplier” section at [www.leaseplan.com.au](http://www.leaseplan.com.au). We recommend that a franchised dealer specific to your vehicle should complete all mechanical servicing and repairs. This assists in controlling both costs and quality of work. Additionally it saves the necessity of a vehicle being transferred to an authorised dealer to perform any warranty claims that may be applicable as well as avoiding out-of-warranty issues.

Vehicle maintenance and repair budgets are based upon manufacturers’ specified servicing schedules, as well as any repairs that are the result of normal driving and fair wear and tear (brakes, exhaust, etc). To minimise your maintenance expense our team of maintenance controllers will pre-authorise all work on your vehicle. LeasePlan’s vehicle maintenance controllers are all qualified mechanics and are committed to ensuring that all work carried out on your vehicle is necessary to ensure your safety and to ensure the vehicle is maintained in sound condition.

### **2.12 Tyres, batteries and windscreen replacement (mandatory)**

For the location of preferred suppliers of tyres, batteries and windscreen replacement, you should refer to the LeasePlan Easy Guide card, provided with each vehicle at delivery. Additionally, you may visit the LeasePlan web site at [www.leaseplan.com.au](http://www.leaseplan.com.au) and utilise the online “Find a Supplier”.

Click on the supplier finder icon to give you a search drop down box. You then simply type in your location and service requirement and the Supplier Finder will provide you with names and contact numbers of your nearest relevant suppliers and also provide a map reference for your convenience. In accordance with our maintenance procedure, the service supplier will need to contact our maintenance controllers for pre-approval before proceeding.

### **2.13 Other Provisions (mandatory)**

There are several items that are excluded from standard maintenance programs. These items include broken glass, non-standard maintenance items, minor impact damage and vandalism. A budget called “Other Provisions” has been built to accommodate these items. Insurance excesses can also be paid through Other Provisions with the benefit of becoming pre-tax costs for you.

### **2.14 Fuel (mandatory)**

Fuel will be included in your vehicle budget. You will be provided with a single fuel card that can be used at any Ampol/Caltex/Woolworths service station (unless La Trobe University directs alternative fuel suppliers). Fuel discounts have been negotiated by LeasePlan and La Trobe University, with the discount then passed on to you. It is essential for accurate reporting that correct odometer readings are provided at every fuel fill.

## 2.15 Registrations and CTP (mandatory)

Your new vehicle will be registered by the dealer under your name, with LeasePlan noted as the fleet manager for renewal purposes. In some states this is not possible and we kindly request the registration paper be provided to LeasePlan within 20 days prior to the expiry date. To assist you LeasePlan sends you a registration renewal reminder together with a reply paid envelope so renewal certificates can be mailed promptly to LeasePlan for payment. LeasePlan will make annual renewal payments on your behalf. If Compulsory Third Party (CTP) insurance is required LeasePlan will automatically renew it as well. Your registration label should be delivered to you shortly before the expiry date of the current label. It is your responsibility to affix the label to your windscreen. Vehicles registered in Victoria will have one label for the life of the lease.

## 2.16 Order process

LeasePlan will email your novated lease quote to you. After receiving a novated lease quotation you will need to print and sign it off, and also obtain the signature of La Trobe University's authorised manager.

Once you and La Trobe University's authorised manager have signed your lease quote, you can either:

- Enter the Drivers Online system and complete your online Lease Application.
- Return the signed form to LeasePlan by fax on 1300 763 572. LeasePlan suggests using the Drivers Online system, as it will result in a shorter turn-around time for you.

Please be aware this is a formal process and can take up to 8 days from quote to order. Omissions or providing insufficient information on your application could cause further delays. The Privacy Act prevents any information supplied by you to LeasePlan to be shared with any third party.

New vehicle delivery lead times vary greatly with each manufacturer. LeasePlan generally recommends that you allow up to three months ensuring that special build and specific colour requirements can be met. LeasePlan will advise you of the expected delivery date. The delivery date is subject to change and can be influenced by unforeseen manufacturer or shipping delays. You will be advised of any changes.

## 2.17 Regular reporting

You will receive a monthly statement comparing actual and budgeted costs for the reporting period as well as the cumulative actual vs. budgeted costs.

Accurate odometer readings at fuel fills will verify kilometres travelled against initial estimates. It will also highlight your target odometer reading at completion of the current FBT year and track your progress. A warning is provided if you are in danger of falling into a more costly FBT bracket.

## 2.18 FBT tracking services

Vehicle kilometre information is contained in the monthly vehicle report to assist with monitoring your vehicle lease. Each monthly report shows the remaining average monthly kilometres required to be travelled to reach your target set for the FBT year. It also identifies opportunities to progress to a higher and less costly FBT bracket.

## 2.19 Interest

The interest component of the lease quotation is one standard amount to allow for consistent monthly billings to assist you in budgeting for the vehicle. The interest amount for the quote is calculated using a 'straight-line' method, in effect adding all the interest payable over the length of the lease and then dividing it by the lease term to give an average interest payment. This amount becomes the monthly budget for interest as shown on your vehicle reports. **The exact interest rate is set on the day the car is delivered and remains constant for the term of your lease.**

## 2.20 Depreciation

Monthly reports show the actual interest based on the depreciating value of the vehicle. You will notice that in the first half of the lease that actual interest exceeds the "straight-line" budgeted amount, because the value of the vehicle is higher. As the months progress the variance between the monthly budgeted vs. actual cost reduces until half-way through the lease, when the monthly budget

and actual cost are identical. You will notice that in the second half of the lease the variance between the actual vs. monthly budget is reversed.

If you have difficulty understanding your vehicle report please access LeasePlan's Web Site [www.leaseplan.com.au](http://www.leaseplan.com.au) for detailed instruction on how to read and understand your vehicle reports.

The final report will show that the cumulative actual and budgeted interest costs will balance.

## 2.21 Variations to operating costs

Each quotation for a novated lease vehicle will be provided with a budget for all operating costs including maintenance and repair, tyres and fuel. These cost budgets are based on annual distance travelled and the type of vehicle.

Often there will be unused budget at the end of the first year. This is because operating costs are generally lower in the initial part of a lease when vehicles have lower servicing requirements, creating a budget surplus for the first few months of the lease. Further into the lease the unused budget will diminish as tyre replacement and major service intervals occur. A final reconciliation will be performed at the completion of your lease.

If your vehicle costs less to operate than the budgeted amount then any surplus will be returned to you via La Trobe University at the end of your lease. This is because of the prevailing Income Taxation laws. Conversely, if final costs are greater than anticipated these costs will be billed to you via payroll.

If a major cost deficit or surplus occurs during your lease, LeasePlan can recalculate your lease to modify the variance.

## 2.22 Incorrect estimate of travel

LeasePlan regularly reviews your vehicle report to track budgeted versus actual costs and kilometres travelled. If abnormal (> 10%) debits or credits are being generated or significant kilometre variations arise, we will contact you to agree on a new budget and therefore a new package allocation.

## 2.23 How FBT affects your package costs

When you obtain a vehicle under a novation lease arrangement La Trobe University becomes liable for Car Fringe Benefit Tax. The FBT liability, which La Trobe University incurs, is charged back to you as part of your salary deduction. Car FBT is usually calculated using a statutory formula as follows:

$$\text{Car FBT Liability} = \frac{\text{FBT Base Value} \times \text{Statutory Factor} \times 2.0647 \times \text{Days Available}}{\text{Days in FBT year}} \times .465$$

The Statutory Factor varies according to the annual distance travelled:

Kilometres travelled per annum	Rate
0 - 14,999	26%
15,000 - 24,999	20%
25,000 - 40,000	11%
40,001 +	7%

If your vehicle lease commenced during an FBT year (1 April to 31 March), it is necessary to gauge the kilometres that would have been travelled if the car had been operated for the entire year. This is done by averaging the kilometres travelled per day from the initial delivery date and multiplying it by 365. For instance, where a lease commenced halfway through the FBT year and travelled 12,000 km, the annual distance would be 24,000 km and the 20% statutory rate (see table above) would apply to the Car FBT liability calculation.

Example: On 1 October 2005 a driver entered into a novated lease on a vehicle that has an FBT base value of \$30,000. The vehicle travels 15,143 km by 31 March 2006 (the end of the FBT year). During this time the car was not available for private use for 10 days.

➤ **Calculate Statutory Rate**

$$\frac{15,143}{182 \text{ days}} \times 365 \text{ days} = 30,369 \text{ km pa} = 11\% \text{ Statutory Rate};$$

➤ **Calculate Car FBT Liability**

$$\$30,000 \times 11\% \times 2.0647 \times \frac{(182 \text{ days} - 10 \text{ Days Unavailable})}{365 \text{ days}} \times 0.465;$$

➤ = \$1,493.00

In order for La Trobe University to report your Car FBT liability, an annual FBT Declaration is available via the LeasePlan website and will also be distributed to you prior to the completion of the FBT year (31 March). You are required to record your final odometer reading as at 31 March together with any exempt days (days where the vehicle was not available for use).

La Trobe University will then reconcile your FBT balance with you via your payroll.

FBT liability can be reduced or eliminated if you elect to use the Employee Contribution Method (ECM) when salary packaging your vehicle. For more details please refer to Section 3 of this guide.

Please note that the Car FBT gross up rate is calculated at the pre-GST FBT rate of 1.8692 if La Trobe University is unable to claim an Input Tax Credit.

## 2.24 **Effects of distance travelled and FBT**

Estimated Car FBT liability is calculated based on your estimated annual kilometres per year at the time a quotation is prepared. FBT liability in reality is paid on the actual kilometres travelled between 1 April and 31 March. If your annual usage falls into a different band as shown on the Statutory Factor (previous example), then the Car FBT liability allocation to your vehicle will be either greater or less than the initial estimates in our quotation. **'Days Unavailable' will not reduce the target odometer.**

Your monthly report will highlight if existing usage trends are likely to cause a change to initial Car FBT estimates.

## 2.25 **Luxury taxation limit**

A lease is classified as a luxury lease when the amount financed under the lease is greater than the luxury taxation limit (currently \$57,180). Novated leases which have a finance value greater than \$57,180 are treated differently for income tax purposes. For taxation purposes La Trobe University cannot claim the lease rental as a tax deduction. Instead La Trobe University can claim only a lesser deduction by calculating a nominal interest and limited depreciation values. This treatment imposes additional costs on La Trobe University due to the tax deduction foregone. La Trobe University may choose to recover this cost from you if you select a vehicle that attracts the Luxury Tax.

LeasePlan's Drivers Online package calculations and quotations include the value of the luxury tax cost as an item in the package charge. This cost should not be confused with the Government imposed taxation surcharge which is payable as part of the vehicle purchase cost and shown separately on your quotation as part of the capital cost of your lease.

## 2.26 **To claim 'out of pocket expense' reimbursement**

Cash Claim forms may only be used to claim reimbursement of costs incurred in emergency situations, for instance, where the allocated fuel cards could not be used, or for minor mechanical repairs of an **urgent nature only** (not for normal schedule servicing). Cash claim forms are available in the "LeasePlan Drivers" area at [www.leaseplan.com.au](http://www.leaseplan.com.au)

There is a minimum amount of \$55 claimable. Costs below this figure will be borne by you.

**Please note you must attach the original tax invoice/receipts with the cash claim form.**

## 2.27 Expiry of the contracted lease term

Upon expiry of your contracted lease term you may choose from the following options:

**Option 1** - Offer to purchase the vehicle at the residual value plus GST;

**Option 2** - Re-lease the vehicle at the residual value for a further term (conditions apply); or

**Option 3** - Return the vehicle to LeasePlan (any profit / loss on sale will be to your account).

You will be contacted 3 months before the lease end date for details of your intentions.

Under Options 1 and 2 a reconciliation of operating costs is undertaken within seven days of the lease termination. Any surplus / deficit in actual operating costs compared to budgeted costs will be refunded / invoiced to La Trobe University. Amounts refunded will be added to your payroll and will be subject to income tax. Where an amount has been invoiced, this amount will be deducted from your payroll pre-tax. To achieve this reconciliation within seven days LeasePlan undertakes some estimation of operating costs incurred but not recorded or paid at the time of the reconciliation. In addition LeasePlan includes a nominal estimation shortfall amount of \$95.00 to cover unknown costs incurred but not paid.

Under Option 3 a reconciliation is undertaken at least 90 days after vehicle termination. Net sales proceeds are compared to residual value, and actual operating costs are compared to budgeted costs. Any surplus / deficit will be refunded / invoiced to La Trobe University and passed on to you via payroll. Normal income taxes apply.

## SECTION 3

### HOW TO IMPROVE YOUR PACKAGING BENEFIT WITH ECM

(if ECM is allowed by La Trobe University)

#### 3.1 The Employee Contribution Method

The Employee Contribution Method (ECM) is where you make a post-tax contribution towards the cost of operating your novated lease vehicle. Instead of salary sacrificing the complete vehicle lease cost including Car FBT liability from pre-tax salary, a portion of the vehicle lease cost is deducted as an 'employee contribution' from your post-tax salary. This will show on your pay slip as a second salary deduction post-tax.

Your post-tax contributions are then taken into consideration in your Car FBT calculations at the end of the FBT year. If you elect to use ECM LeasePlan will calculate the post-tax contribution needed to completely eliminate your estimated Car FBT liability. By reducing or eliminating the Car FBT amount payable you lower the overall packaging cost and increase your disposable income.

The table below shows a simple comparison of the impact that ECM can have on a lease.

- Vehicle purchase price = \$33,985
- Distance per year = 15,000 km
- Taxable Income = \$40,000 pa
- Lease period = 36 Months

#### *Packaging 100% pre-tax*

	Annual Cost
Lease Costs	\$8,687
Vehicle Operating Cost	\$5,389
<b>Total Vehicle Costs</b>	<b>\$14,076</b>
FBT Liability	\$7,178
<b>Total Package Cost</b>	<b>\$21,254</b>
Split	
Pre-tax	\$21,254
Post-tax	\$0
<b>Benefit</b>	<b><span style="color: red;">-\$2,049</span></b>

#### *Packaging using ECM*

	Annual Cost
Lease Costs	\$8,687
Vehicle Operating Cost	\$5,389
<b>Total Vehicle Costs</b>	<b>\$14,076</b>
FBT Liability	\$7,187
ECM FBT Offset	-\$7,178
GST On Post-tax	\$679
<b>Total Package Cost</b>	<b>\$14,755</b>
Split	
Pre-tax	\$7,278
Post-tax	\$7,477
<b>Benefit</b>	<b>\$2,143</b>

In this example by using ECM the employee has achieved a benefit of \$2,143.00 compared with a previous disadvantage of \$2,409 when packaging pre-tax.

#### 3.2 Will ECM be beneficial to me?

ECM makes novated leasing more attractive for employees on incomes below \$180,000 pa. The following tables highlight the benefits to disposable income that are achieved by using ECM with salary packaging of a novated lease, for varying taxable salary amounts.

**Employee Salary = \$40,000 per annum**

Annual Km's	Package Cost Per Year	Deduction		Annual Disposable Income Benefit	
		Post Tax	Pre Tax	1 July 2008 100% Pre Tax	1 July 2008 ECM
10,000	\$12,986	\$9,720	\$4,150	-\$4,136	\$1,064
15,000	\$14,076	\$7,477	\$7,279	-\$2,049	\$2,143
20,000	\$15,065	\$7,477	\$8,268	-\$1,787	\$2,406
25,000	\$16,055	\$4,112	\$12,317	\$1,172	\$3,478
30,000	\$17,244	\$4,112	\$13,506	\$1,488	\$3,797
40,001	\$19,424	\$2,617	\$17,045	\$3,264	\$4,731

**Employee Salary = \$70,000 per annum**

Annual Km's	Package Cost Per Year	Deduction		Annual Disposable Income Benefit	
		Post Tax	Pre Tax	1 July 2008 100% Pre Tax	1 July 2008 ECM
10,000	\$12,986	\$9,720	\$4,150	-\$1,688	\$1,037
15,000	\$14,076	\$7,477	\$7,279	\$239	\$2,335
20,000	\$15,065	\$7,477	\$8,268	\$650	\$2,746
25,000	\$16,055	\$4,112	\$12,317	\$3,273	\$4,426
30,000	\$17,244	\$4,112	\$13,506	\$3,767	\$4,920
40,001	\$19,424	\$2,617	\$17,045	\$5,654	\$6,388

**Employee Salary = \$95,000 per annum**

Annual Km's	Package Cost Per Year	Deduction		Annual Disposable Income Benefit	
		Post Tax	Pre Tax	1 July 2008 100% Pre Tax	1 July 2008 ECM
10,000	\$12,986	\$9,720	\$4,150	-\$188	\$1,452
15,000	\$14,076	\$7,477	\$7,279	\$1,739	\$3,063
20,000	\$15,065	\$7,477	\$8,268	\$2,150	\$3,573
25,000	\$16,055	\$4,112	\$12,317	\$4,773	\$5,658
30,000	\$17,244	\$4,112	\$13,506	\$5,267	\$6,270
40,001	\$19,424	\$2,617	\$17,045	\$7,154	\$7,888

**Employee Salary = \$150,000 per annum**

Annual Km's	Package Cost Per Year	Deduction		Annual Disposable Income Benefit	
		Post Tax	Pre Tax	1 July 2008 100% Pre Tax	1 July 2008 ECM
10,000	\$12,986	\$9,720	\$4,150	\$543	\$1,452
15,000	\$14,076	\$7,477	\$7,279	\$2,364	\$3,063
20,000	\$15,065	\$7,477	\$8,268	\$2,874	\$3,573
25,000	\$16,055	\$4,112	\$12,317	\$5,273	\$5,658
30,000	\$17,244	\$4,112	\$13,506	\$5,886	\$6,270
40,001	\$19,424	\$2,617	\$17,045	\$7,848	\$8,093

**Employee Salary = \$200,000 per annum**

Annual Km's	Package Cost Per Year	Deduction		Annual Disposable Income Benefit	
		Post Tax	Pre Tax	1 July 2008 100% Pre Tax	1 July 2008 ECM
10,000	\$12,986	\$9,720	\$4,150	\$1,543	\$1,659
15,000	\$14,076	\$7,477	\$7,279	\$3,364	\$3,427
20,000	\$15,065	\$7,477	\$8,268	\$3,874	\$3,986
25,000	\$16,055	\$4,112	\$12,317	\$6,273	\$6,273
30,000	\$17,244	\$4,112	\$13,506	\$6,886	\$6,945
40,001	\$19,424	\$2,617	\$17,045	\$8,848	\$8,945

### 3.3 GST on ECM

When you make a post-tax contribution towards the cost of operating your vehicle using ECM, the transaction is classified as a 'taxable supply' by La Trobe University, for GST purposes. This requires La Trobe University to remit 1/11<sup>th</sup> of the post-tax contribution to the ATO. This additional GST must be added to your package cost. No input tax credits can be claimed for this transaction. This requirement has been allowed for in the above examples.

### 3.4 How do I nominate that I want to use ECM?

If you want to use ECM to maximise the benefit for your novated lease these steps need to be followed.

#### A) For a new vehicle lease:

##### 1. Use LeasePlan's Drivers Online (Package Calculator)

Prior to requesting a formal quotation from LeasePlan it is essential that you utilise LeasePlan's Driver's Online to calculate the approximate costs for the type of vehicle (and estimated kilometres), to ensure it is within your budget. Drivers Online allows you to select ECM and calculates the post-tax element required to eliminate the estimated FBT liability. Alternatively you can nominate a specific post-tax dollar amount.

Where ECM is selected the 'total vehicle cost' remains unchanged, however, the quote will display the FBT liability that is offset by the post-tax contribution as well as the GST cost payable on the post-tax amount. The new packaging cost is then displayed together with how this should be deducted, pre and post-tax from your salary. The salary packaging analysis demonstrates the benefit gained by salary packaging the vehicle using ECM (pre and post-tax contributions) compared to acquiring and operating the vehicle using post-tax income.

The figures provided with Drivers Online are indicative. LeasePlan is not giving financial or taxation advice on salary packaging. We strongly encourage you to obtain independent taxation and financial advice to determine your personal salary packaging benefit.

#### B) For an existing vehicle lease:

##### 1. Use the ECM Recalculator

Use the ECM Recalculator to establish the impact ECM will have on your existing vehicle lease. In order to use the Recalculator you need your specific lease details, found on your Final Package Allocation document sent to you at the beginning of your lease.

Once you have entered your vehicle lease details the Recalculator will simulate the impact of using ECM for your vehicle. While your total vehicle costs remain unchanged the simulation will now display the FBT liability, which will be offset by the post-tax contribution, as well as the GST payable, or the post-tax amount. A new packaging cost is also displayed together with how this should be deducted (pre-tax and post-tax) from your salary. The salary packaging analysis demonstrates the benefit gained by salary packaging the vehicle using ECM compared to acquiring and operating the vehicle using post-tax income.

The figures provided with the Recalculator are indicative and should be used as a guide only. LeasePlan is not giving financial or taxation advice on salary packaging. We strongly encourage you to obtain independent taxation and financial advice to determine your personal salary packaging benefit.

##### 2. Fax signed ECM Simulator to 1800 331 041

If you are happy with the simulation produced by the ECM Recalculator and wish to proceed, print out a copy of the simulation and sign in the area indicated. Fax this to LeasePlan's Customer Service Centre for processing.

LeasePlan will then include ECM in your existing lease calculation and send a new Final Package Allocation to you and La Trobe University. The Final Package Allocation will

specify to La Trobe University the pre and post-tax deductions that should be taken from your salary. La Trobe University can commence these new deductions in the next available payroll. You should check as soon as possible that your payroll department has implemented the new pre and post-tax deductions.

**3.5 Can I remove ECM from my lease once it has been set up?**

Yes, at the beginning of a new FBT year (i.e.: 1 April each year).

**3.6 ECM - The impact of doing more or less kilometres per year.**

When preparing your quotation and ECM related deduction calculations, LeasePlan is using your estimated annual distance travelled to determine the estimated post-tax deduction required to eliminate the FBT liability. If at the end of the FBT year you have travelled less kilometres than expected and you moved into a higher FBT bracket, you may incur an additional FBT liability. This is because your post-tax deductions were insufficient to offset the higher FBT liability.

If you have travelled more kilometres than expected and have moved into a lower FBT bracket you will not incur a further FBT liability, however you may have had too much deducted from your salary post-tax, thus losing some of the advantage of higher pre-tax benefits.

It is important that you regularly monitor your actual distance travelled via your monthly 'Vehicle Report' to ensure your usage does not cause you to move into another FBT bracket. So long as you provide accurate odometer readings with each fuel fill your monthly report will highlight how you are progressing toward your annual kilometre target. If you think your actual annual kilometres will be higher or lower than the target and your FBT threshold will change please contact LeasePlan on 1300 668 572 and a recalculation can be performed.

## SECTION 4

### COMPREHENSIVE INSURANCE LeasePlan Total Cover product summary

A comprehensive motor vehicle cover (underwritten by Allianz Insurance) is offered as part of your LeasePlan leasing package.

Sum Covered: **Market value as at date of loss**

Where your vehicle is subject to any finance agreement and the payout figure under the arrangement is greater than the market value, we will pay the payout figure under the finance agreement, with a maximum limit above market value of \$5,000 or 10% of the market value, whichever is greater.

Cover ceases at midnight on the date of lease termination.

Policy Collision  
Damage Waiver: **\$500, unless specified otherwise**

The applicable Collision Damage Waiver is payable upon each and every claimable event where at fault. Where the Applicant is not at fault and a third party can be identified and liability rests clearly with the third party, this Collision Damage Waiver is not payable. Please note the claims administrator will determine eligibility for this provision.

Major Exclusions:

- Vehicle being driven by any person under the influence of any drug or with a blood alcohol level exceeding the legal limit
- Vehicle being used whilst in an unsafe or un-roadworthy condition
- Vehicle engaged in pace making, reliability or other trials, rally, race or contest
- Vehicle being driven by any person not legally licensed to do so
- Vehicle loads or tows any load in excess of that prescribed by its manufacturers
- Vehicle being used for personal gain or profit
- No cover provided for loss or damage to personal items

Policy Benefits:

- The Collision Damage Waiver is not payable where the Applicant is not at fault
- No punitive Collision Damage Waiver for under age drivers, unless otherwise specified
- Provision of a free replacement vehicle for a period of up to 14 days following the theft of the covered vehicle. We are able to arrange a replacement vehicle for any event other than theft, but that car will be provided at your expense
- Any driver may drive the vehicle, provided they are legally licensed to do so and are doing so with your consent
- Gap coverage of \$5,000 or 10% (whichever is greater) when the payout figure is greater than the market value

Claims Services:

- No written claim form is required
- You have access to a 24 hour toll free claims emergency assistance line 1800 64 64 22
- Quality controlled preferred repairer network

## DRIVERS SECTION 5

### DRIVERS ONLINE PACKAGE CALCULATOR INFORMATION

LeasePlan provides you with an easy-to-use vehicle affordability and salary packaging calculation “tool” called Drivers Online. This system enables you to input any number of vehicle choices to determine affordability and tax effectiveness. If you are unsure how to log onto Drivers Online please speak to our Customer Service Centre on 1300 668 572 or La Trobe University.

The Drivers Online ‘Package Calculator’ measures the personal income tax benefits to you arising from the salary sacrifice of any vehicle. The analysis provides the amount of monthly benefit in either before or after-tax income and reinforces the advantages gained as a result of a salary sacrifice program.

Please note that the output from the package calculator is provided to you on a personal and confidential basis.

The Drivers Online system is designed to provide highly accurate simulations that you can rely on, helping you to make the right package decision. In providing you with package calculation simulations and vehicle quotations LeasePlan is not giving financial or taxation advice on salary packaging. We strongly encourage you to obtain independent taxation and financial advice to determine your personal salary packaging benefit.

#### a) Using Drivers Online

To access Drivers Online, use the Internet and log on to LeasePlan’s web-site [www.leaseplan.com.au](http://www.leaseplan.com.au). If you are using Drivers Online for the first time you will be required to register as a new user.

To register you will require the ‘Customer Number’ supplied by La Trobe University.

The system will send your unique User ID and system generated password to your work email address. When you login for the first time with this temporary password you will be prompted to change the password.

Once you have logged-on you will have access to:

- View and alter ***‘Your Profile’***
- The ***‘Affordability Calculator’***
- The ***‘Package Calculator’***
- ***‘Apply for a Lease’*** online
- Review a list of ***‘Frequently Asked Questions’***

#### b) Affordability Calculator

This tool enables you to see at a glance the approximate cost of leasing a vehicle and whether salary packaging will be beneficial for you. All you need to do is use the four slider bars to select:

- Term of Lease
- Distance Travelled per year
- Annual Salary
- Approximate vehicle price

The calculator will then display the estimated monthly rental for the vehicle and the estimated annual tax benefit.

#### c) Make/Model Selector

From the Affordability Calculator you can then display a list of vehicle makes and models that are within the range you nominated in the calculator. You can select your desired vehicle from this list or select via make / model drop down boxes. Once you select a specific vehicle you then move automatically to the Package Calculator.

#### **d) Package Calculator**

Once you have selected a vehicle, the Package Calculator will display most options and accessories that are available for the selected vehicle. Make your selection and continue to supply your information where prompted. If you require an option or accessory that is not displayed you can enter the description and estimated price of the option in the additional options area.

You should review the values that have transferred from the Affordability Calculator to ensure these are still valid, such as:

- Your annual gross income
- The annual distance you will travel
- The lease term you require
- Your address and contact details

Once all your information has been entered the Package Calculation for the selected vehicle will be displayed.

The following information will be displayed:

- Lease term
  - Distance per annum
  - Vehicle rental per month
  - FBT per month
  - The FBT Off-set from using ECM \*
  - GST on Employee Contributions \*
  - The Employee Package Allocation per month
  - Lease residual percentage (based on ATO guidelines)
  - Lease residual amount (GST excluded)
  - Total amount financed in the lease
  - FBT base value for the vehicle
- \* These items will not be displayed if ECM is not selected

The Package Calculation shows the Salary Analysis relevant to salary packaging the selected vehicle, compared to financing and operating the vehicle using post-tax income.

At this stage you can:

1. Save the package calculation after naming the calculation for future retrieval
2. Print the package calculation
3. Save and submit the package calculation for a formal quotation from LeasePlan
4. Elect to do another package calculation on a different vehicle or on the same vehicle with different option, accessories or lease variables

You can save up to 20 different package calculations.

#### **e) Requesting a Formal Quotation**

If you save and submit a package calculation for a formal quotation, Drivers Online will generate this request and a formal quote for your nominated vehicle will be emailed to you.

Please note you can only select and have three current requests for formal quotations at one time.

If, after receiving the formal quotation, you want to proceed with a lease on the vehicle, you can move to the next step and apply for your lease via Drivers Online or if you prefer you may choose to call our customer service centre for off-line assistance.

#### **f) Applying for your lease online**

When applying for your lease via Drivers Online you will be required to complete "Your Profile". All information marked with an asterisk "\*" must be completed for your lease application.

Information required to be completed in your profile includes:

- Your employment details
- Name and date of birth
- Drivers licence details

- Contact information for you
- Residential address and postal address details

When applying for a lease you will be required to review LeasePlan's Privacy Statement and agree to the terms and conditions of the Privacy Protection of Information.

To complete your lease application online you will require the following information:

- Your signed LeasePlan quotation or calculation
- Your employment details
- Your drivers licence details
- A copy of your payslip
- Details of your assets and liabilities
- Details of your income and expenditure
- Your driving history

Once you have fully completed your lease application you can submit the application directly to LeasePlan. You will also have the option to print your application for future reference.

Once you have submitted your application you will be reminded to fax the required supporting documents to LeasePlan on 1300 763 572. Typically the supporting documents you will be required to fax to LeasePlan are:

- Current pay slip or advice
- Signed LeasePlan quotation or calculation