



NOVATED LEASING/SALARY PACKAGING/FLEET MANAGEMENT

The rise of novated leasing

* EV sales in Australia have jumped from less than 2 per cent of new car sales in June 2022 to around 9 per cent in recent months.

* The rise of interest in electric vehicles is helping to underpin growth in interest in novated leasing.



Rohan Martin is the CEO of the [National Automotive Leasing and Salary Packaging Association](#) (NALSPA) which includes the sector's larger listed players, namely McMillan Shakespeare, Smart Group, SG Fleet together with Fleetcare amongst its members.

Mr Martin says the rise of interest in electric vehicles primarily through the Federal Government's FBT EV exemption together with broader cost of living pressures is helping to underpin growth in interest in novated leasing across Australian employers and employees.

"Whilst the EV FBT exemption allows everyday working Australians to achieve significant savings on the cost of an EV, we think there is more that can be done to clear impediments to future EV growth.

"For example, at the moment you can't capitalise the cost of the supply and installation of a home charging unit into your novated lease. And that's a bit of a barrier for some employees because if you come and get a novated lease for an EV, you want to utilise its full intended financial benefit by wrapping it all up into the cost of the lease and having it treated on a pre-tax basis.

"We also think that Plug-in Hybrid vehicles (PHEV) have a greater role to play in the decarbonisation of transport emissions than what they are being given credit for, and as such there is merit for the consideration of their inclusion in the FBT exemption arrangements past 2025."

NALSPA members are well positioned to support the Federal Government's objective of increasing the usage of low and zero emissions vehicles through novated leasing.

"EV sales in Australia have already jumped more than 400 per cent since the middle of 2022, from less than 2 per cent of new car sales in June 2022 to around 9 per cent in recent months, with a large part of this shift due to the government's recent policy changes and the support of novated leasing providers.

"That being said, like any change to taxation arrangements, awareness of the new FBT policy in particular will take time to filter through to employers and employees alike. But the experience of our members is that more and more everyday working Australians are recognising the benefit of this shift and are taking advantage.

"We have to remember that a car for most people is one of their larger household expenditure items and therefore, something like a novated lease can greatly assist to help reduce that cost, be it for a traditional petrol vehicle or an EV as we are seeing significantly more of in recent times. Obviously in the charity and health sector salary packaging, together with novated leasing, is seen as absolutely critical for them."

When NALSPA was originally founded its mission was more focused on protecting the interests of the sector and the large number of working Australians which rely on its services. However, that mission is gradually evolving to also focus on how the instrument of salary packaging can potentially play an even greater role in helping to better address the escalating cost of living challenges faced by working Australians together with efforts to decarbonise land transport.

"It's about how we consider and look to expand and evolve those policy settings efficiently and where appropriate," Mr Martin says.

"We have previously talked to government about reoccurring expenditure items such as childcare for example, and other sorts of household costs, and whether salary packaging can play a role in helping to address those cost headwinds for working families. So it's just looking at what does the FBT regime allow for today and what other things do potentially make sense from a public policy, economic and societal perspective."

Other matters under the consideration of the salary packaging sector include a potential reassessment of the current monetary caps on how much charity and hospital employees can claim under the FBT regime given the ongoing impact of inflation.

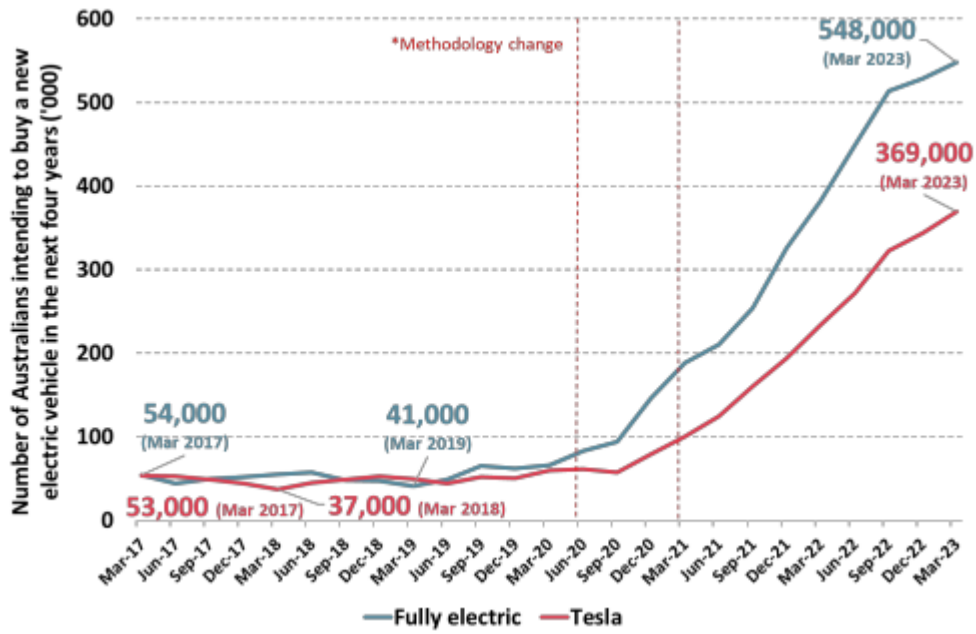
"As we recently submitted to the Productivity Commission, those caps, which support those employees caring for our most sick and vulnerable, were supposed to be reviewed from time to time, in terms of in line with the general cost of living and they haven't been so their value has been eroded since their introduction some 20 years ago. So maybe it's time to reassess those."

Mr Martin says salary packaging arrangements can be a very effective means to support struggling working households in potentially a more targeted way than other budget measures.

"We firmly believe that salary packaging is a very efficient tool - it's effective and targeted and has become a common and important feature of remuneration arrangements across most sectors."

About 118,000 vehicles sold annually use the Statutory Formula Method (SFM) as a means of assessing the tax on the private use component of employer-provided vehicles. This is equivalent to approximately 10 per cent of all new vehicle sales.

Figure 1: Australians intending to purchase an electric vehicle in the next 4 years



Source: Roy Morgan