XOLT

LEASE / FREE CUSTOMER GUIDE

Your novated lease guide

Understand the costs before you speak to a provider

A novated lease changes how you pay for a car. Use this guide to understand the effect on your pay, compare it with your current car and ask for a quote you can check.

INSIDE THE GUIDE

General information for Australian employees. It does not consider your personal circumstances and is not personal financial or tax advice. A provider quote and your employer's agreement determine the actual arrangement.

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How a novated lease works

You, your employer and a finance company agree how a car lease will be paid through your salary package.

1. **Check your employer's policy**
   Ask whether novated leasing is available to you, which providers you can use and whether your employment type is supported.

2. **Choose the car and inspect the quote**
   Agree the vehicle, lease term, finance amount, running-cost budget and fees. Read the lease and salary-packaging documents together.

3. **Arrange payments through payroll**
   The employer takes on the agreed lease obligations while the novation operates. Salary deductions fund the package. A provider may administer the budget and bills. [1, 2]

4. **Plan for the end from the start**
   Regular deductions do not settle every possible cost. Understand the residual payment, end-of-term options and what happens if your employment changes.

A budget is an allowance

A package can include finance, fuel or electricity, registration, insurance, servicing and tyres. Ask exactly what is included, how claims work and how any shortfall or unused budget is reconciled. A low running-cost allowance can make a quote look cheaper without reducing the bills.

Fringe benefits tax (FBT) applies to certain benefits provided through employment. The treatment affects how the package is structured. Some electric car benefits can be exempt; see the eligibility page. [3, 4]

Salary packaging must be arranged before the relevant salary is earned. Employer participation and finance approval are separate from any tax concession. [1, 3]

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Understand the effect on your pay

Ask for the change in the amount that reaches your bank account, using the same pay period before and after the lease.

Payroll deductions

The amounts allocated to the package. Depending on the arrangement, there may be both pre-tax and post-tax deductions.

Reduction in take-home pay

Your net pay without the package minus your net pay with it, for the same salary and pay period. Pre-tax deductions can also reduce tax withheld, so total deductions and net pay impact can differ. [1, 3]

A fictional fortnightly illustration

Net pay without the package	$3,000
Net pay with the package	$2,650
Reduction in take-home pay	**$350 per fortnight**

These invented bank-payment figures explain the label only. They are not a tax calculation, lease quote or estimate of what your car would cost.

Use annual figures when changing periods: annual / 52 for a weekly average, / 26 for a fortnight and / 12 for a month. Two fortnights are not one calendar month. Confirm the actual payroll schedule.

Check what sits outside that figure

Ask about the residual, upfront charges, costs above budget and anything excluded from the estimate. An illustrative pay impact may also omit HELP, Medicare levy surcharge or effects on income-tested benefits. Tax withheld through payroll is not necessarily your final tax position. [3, 6]

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Compare with your current car

Start with the same number of kilometres and the same period on both sides. Then check what each figure includes.

Check	Current car	Proposed lease
Driving	Annual kilometres and fuel use	Same kilometres and realistic energy use
Running costs	Fuel, insurance, registration, servicing and tyres	The equivalent itemised budget
Regular finance	Actual loan repayments, if any	Finance within the package
Amount to compare	Regular after-tax spending	Estimated take-home pay reduction
Keep visible separately	Loan settlement, sale value and future resale	Upfront costs, residual and future resale

Use your recent bills where possible. For an EV, check home and public charging prices and how often you expect to use each. An estimated budget is a starting point; update it when your driving changes.

A regular cost difference describes cash flow

It describes regular money going out. It does not, by itself, show which option leaves you financially better off over the full term. A paid-off car can have low regular bills and still lose value.

For a full-term comparison, include each option's upfront payments, cash paid over the same term, any remaining debt or residual, and the value of the car you still own at the end. Use consistent sale assumptions. If using depreciation as an ownership cost, avoid also counting the same purchase value through principal repayments.

Ask the provider: Can you show the regular cost difference and a separate full-term comparison, with all assumptions visible?

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Ask for an itemised quote

Give each provider the same vehicle, term and annual kilometres. Ask for these details in writing so you can compare the offers.

Vehicle and amount financed

What is the vehicle price? Show on-road costs, accessories, discounts, deposits and trade-in treatment. Which amounts are financed, paid upfront or excluded?

Interest and repayments

Who is the lender? What interest rate applies, is it fixed, and what are the payment amount, frequency, number and total? Show the residual separately.

Every fee and add-on

Itemise establishment, brokerage, administration, ongoing management, account and exit fees. Which are optional? Disclose commissions or referral payments and who receives them.

Running-cost budget

List energy, registration, insurance, servicing and tyres. What usage and prices support each allowance? What happens if I spend more or less? Can I choose my insurer or repairer?

Tax and payroll

Show pre-tax and post-tax deductions, estimated net pay impact and all tax assumptions. How are FBT, GST credits, reportable fringe benefits and any employee contribution treated? [2, 3, 4, 6]

Residual and exit

What is the final amount including any GST, when is it due and how may it be settled? Show costs for early termination, changing employer or transferring the arrangement.

Quote conditions

How long is the quote valid? What can change before delivery? What approvals are still required, and when do payments start?

Ask for a revised quote with unwanted optional products removed, then compare the complete cost again. Keep the quote, assumptions and version date together.

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Plan for the residual and work changes

Your budget needs to cover the lease during employment and the obligations that remain when the arrangement ends.

The final payment

The residual is an amount left at the end of the lease. Ask for its dollar value, GST treatment and due date. It is additional to the regular pay-impact figure, unless that figure explicitly includes a separate provision for it.

Plan on funding it from after-tax money. Ask whether buying the car, refinancing or arranging a sale is available under your contract. Refinancing requires approval and creates further costs. Selling the car may leave a shortfall after the payout and fees. The residual does not guarantee what a buyer will pay. [7]

> **Do not assume you can simply hand back the keys**
>
> Get the actual end-of-term and early-exit terms in writing. Confirm who carries a sale shortfall, what fees apply and who arranges transfer of ownership.

Changing employer or pausing pay

A deed of novation usually transfers lease obligations back to the employee when their employment ends. A new employer may agree to a new novation, but do not assume it will accept the lease or provider. [2]

Before a job change

Who pays during the gap? What are the transfer, payout and termination costs? Ask the new employer about its policy before relying on a transfer.

Before unpaid leave or reduced hours

Ask payroll and the provider how payments will continue, whether you must pay directly and how tax treatment or deductions may change.

If insurance is offered

Check covered events, exclusions, waiting periods and limits. A product name does not prove your situation is covered.

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Check eligibility for the actual car

Tax treatment depends on the vehicle and arrangement. A car being electric does not establish every condition.

Rules checked 13 September 2026. Recheck before signing or changing an arrangement.

The electric car FBT exemption

The ATO's exemption conditions include a qualifying zero or low emissions car, first held and used on or after 1 July 2022, provided for private use by a current employee or their associate, with no luxury car tax payable on its supply or importation. Battery electric and hydrogen fuel-cell cars can qualify. The car must meet the relevant passenger/load limits. [4]

A used car can qualify, but its original history matters. A low used-car purchase price does not prove that no luxury car tax was payable. Ask the provider to verify the car's first-use date, classification and tax history. [4]

Plug-in hybrids

From 1 April 2025, plug-in hybrids generally stopped qualifying. Continuing exemption needs exempt use or availability before that date and an existing binding commitment to provide that vehicle for private use afterwards. Optional extensions do not count as binding; changes can end the exemption. [5]

Reportable fringe benefits

An exempt electric car benefit can still be reportable. Reportable fringe benefits are not taxable income, but can affect HELP repayments, Medicare levy surcharge, child support and some income-tested benefits. Ask payroll or a registered tax agent how this applies to you. [4, 6]

Check future changes separately

Treasury opened consultation on draft changes in September 2026. Proposed future treatment must not be assumed to be enacted law or applied as a confirmed rule in your quote. Ask the provider which rules apply at commencement and during the term. [8]

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Take this checklist to your provider

Bring your questions before making a commitment. Leave any unresolved item open until you have an answer you can keep.

- [ ] My employer has confirmed whether I can use the proposed provider and arrangement.
- [ ] I have the vehicle price, finance rate, all fees and optional products in writing.
- [ ] I understand the pre-tax deduction, post-tax deduction and estimated reduction in net pay.
- [ ] Both car comparisons use the same period and annual kilometres, with realistic running costs.
- [ ] The quote shows what is excluded and how unused funds or budget shortfalls are handled.
- [ ] I know the residual including any GST, when it is due and how I intend to fund it.
- [ ] I have checked job-change, unpaid-leave, transfer and early-termination terms.
- [ ] The provider has verified eligibility for this car and explained any reportable fringe benefit.
- [ ] I have checked any effect on HELP, income-tested benefits or other personal tax obligations.
- [ ] I have read the documents and understand what is still subject to approval.

My three questions before I decide

XOLT Lease helps you understand indicative costs and prepare for a provider conversation. Use the calculator as a starting point, then compare its assumptions with the itemised quote. Your employer, provider and relevant adviser confirm the arrangement that applies to you.

08 / REFERENCE

Sources and further reading

Official Australian sources underpin the factual explanations. The questions and checklist help you examine your own quote.

01 ASIC Moneysmart - Salary packaging

Employer participation and the salary-packaging process.

02 ATO - GST and vehicles purchased under novated leases

The deed of novation, employment ending and GST treatment.

03 ATO - Salary sacrificing for employees

Salary arrangements, deductions and tax treatment.

04 ATO - Exempt cars

Electric car conditions, used cars and reporting.

05 ATO - FBT on plug-in hybrid electric vehicles

The 1 April 2025 change and transitional conditions.

06 ATO - Reportable fringe benefits for employees

Income tests and obligations affected by reportable benefits.

07 ATO - Car leasing and FBT

Lease conditions and residual value treatment.

08 Treasury - Electric car discount draft changes consultation

Draft policy context; not a substitute for enacted law.

Prepared by XOLT Lease. Version 1.0.0. Reviewed 13 September 2026. Links and rules can change; use the current official guidance when making a decision.

Keep the guide with your quote

Record the quote date, provider, vehicle, term and annual kilometres. If anything changes, ask for a fresh breakdown before comparing the figures again.