

FACT SHEET

Salary Packaging & Vehicles

Car Allowance or Company Car?

If you are currently negotiating your salary package and need to decide between a car allowance and company vehicle there are a few factors to consider. These factors derive ultimately from who has the contractual relationship with the vehicle that you will use, whether it is by outright ownership or party to a finance contract. If you opt for a car allowance, it is you, if you opt for a company car, it is your employer. The aspects of car allowances and company cars are compared below:

Consideration	Car Allowance	Company Car
Contractual relationship to vehicle	You	Employer
Responsibilities and risks of vehicle ownership	You	Employer
Liability for running expenses incurred	You	Employer
Liability for maintenance	You	Employer
Record-keeping requirements	You	Employer
Impact on your income tax return	Car allowance = Income Work-related car expenses = Deduction	N/A
FBT considerations?	No	Yes

The advantages and disadvantages of each option are summarised below:

Car Allowance	
Advantages	Disadvantages
You can continue to use a vehicle you already own and use	You need to maintain records in order to claim a tax deduction against your car allowance
You can control the amount you spend on acquiring and running your vehicle. If the car allowance received exceeds the costs involved, you pocket the difference	Car allowances are fixed whereas running costs are variable. From a cash flow perspective, you risk incurring costs in excess of your car allowances over the life of the vehicle

Disclaimer: The information contained in this fact sheet is not intended as specific advice. Please contact Enspira Financial to discuss your individual situation.

Enspira Financial Pty Ltd | ABN 29 611 163 083 | www.enspira.com.au | P: 1300 908 558 | E: info@enspira.com.au |

Liability limited by a scheme approved under Professional Standards Legislation



FACT SHEET

Salary Packaging & Vehicles

Company Car	
Advantages	Disadvantages
You do not bear the responsibility and risks associated with ownership	You never have the financial benefit of ending up owning the asset you have essentially paid to use, albeit a depreciating asset
You have no record-keeping requirements	
You have no variable costs associated with car ownership to factor in to your personal cash flow planning	
Employers tend to turn over their fleet vehicles every 4 years or so therefore you are likely to have the continual use of a new or relatively new vehicle	

Prefer the company car option but like your existing vehicle?

Lease novation is an option commonly used by people starting a new job who want to keep using a vehicle they are already leasing, but would prefer to have their new employer bear all responsibilities and costs associated with owning and running the vehicle. From a tax and administrative perspective, it creates a company car out of a vehicle that the individual was originally responsible for.

A novated lease arrangement is simply a leasing arrangement in which the lessee's rights and obligations are either fully or partially assigned to a third party, usually the lessee's employer. The employer becomes responsible for making the lease payments, and may or may not be responsible for the residual payment. The lease obligations normally transfer back to the lessee upon termination of the lease or cessation of employment.

It is worth noting that once a vehicle is novated, you cannot claim any work-related car deductions as you do not have the contractual relationship with the vehicle during the period of novation. If you do incur any running costs during the novation period you should have them reimbursed by your employer.

Crunch the Numbers

It is important to note that despite the theoretical comparisons outlined in this fact sheet, the decision between a car allowance and company car will often hinge upon a financial comparison between the two package scenarios proposed by your employer and your estimated vehicle costs. Therefore, please contact us to request a financial analysis of your options, should you need it.

What Next?

Contact your manager or partner at Enspira Financial to discuss your options. If you have decided on the car allowance option and require further information on acquiring a new vehicle, refer to our fact sheet "Acquiring a New Vehicle".

Disclaimer: The information contained in this fact sheet is not intended as specific advice. Please contact Enspira Financial to discuss your individual situation.