



## Novated Lease – Post-tax Management for QLD Government Employees

This information is specifically for QLD Government employees with a novated lease. It does not apply to contracts with other government departments, not-for-profits, or private sector employees.

### What is Post-tax Management?

*Annual Calculation:* The post-tax amount for a full year is as per your novated lease quote for each pay period. However, when initiating your lease, the full year's deduction may not be accurate due to a delay in payroll initiating the deductions. Your employer typically takes one or two pay-cycles to commence these being made.

*Adjustment Process:* The salary packaging team (either Remserv or Smart Salary) will calculate the number of pay periods remaining in the FBT Year (Apr-Mar) and adjust the post-tax deduction to "catch up" and ensure the correct amount is collected.

*Other Situations:* While this occurs when the lease begins initially, it can also be triggered when your normal pay is disrupted. Unpaid leave is a common example of this.

### Why is a Post-tax Deduction Necessary?

*FBT Obligation Avoidance:* A specific post-tax deduction total is required each FBT year to prevent any Fringe Benefits Tax (FBT) liability. This amount, determined by an ATO formula, is outlined in your novated lease quote. The pre-tax deduction is calculated as the total lease amount minus this post-tax portion.

### How Does It Work in Practice?

Example Scenario:

*Annual Requirement:* Suppose the full year post-tax requirement is \$6,500 (as per ATO formula).

*Fortnightly Deduction:* Your quote indicates a \$250 fortnightly post-tax deduction (\$6,500 / 26 fortnights).

*Adjustment in the First Year:* If payroll deductions start late, you miss initial fortnightly post-tax deductions. To compensate, the \$250 amount is temporarily increased to cover the missed periods. To expand on the example, assuming 2 delayed pay periods, that \$6,500 is divided by 24 instead of 26, and in that first year the post-tax amount would be \$270.83 per pay period.

*Normalisation:* From 1 April the following year, deductions revert to the regular quoted amount of \$250 per fortnight to ensure that full \$6,500 is covered each year.

### Impact on Your Finances

*Straightforward Explanation:* At the beginning of your lease, for the first few pay periods, there won't be any post-tax deductions from your salary. This means you'll get your full pay without these deductions being taken out.

*Catching Up on Missed Deductions:* Later in the year, there will be a catch up on the post-tax deductions that were missed at the start. Your pay during these catch-up periods will have slightly higher deductions to make up for the earlier missed ones.

Simple Bottom Line: You're not losing any money or paying extra; it's just that the timing of your deductions is adjusted.