



**SUBMISSION TO**  
**SENATE ECONOMICS REFERENCE COMMITTEE**  
**REVIEW OF CHANGES TO CAR FRINGE BENEFITS ARRANGEMENTS**

This joint submission to the Senate Economics Reference Committee is made on behalf of members of the Australian Equipment Lessors Association (AELA) and the Australian Fleet Lessors Association (AFLA). Members (see attached) have total leasing and equipment finance receivables of \$100 billion, and as part of their activities provide employment related leases; AFLA members fund and manage in excess of half a million vehicles, including some 75,000 vehicles under novated lease arrangements.

Our 2008 submission on Australia's Future Tax System (the Henry Review) included commentary on the statutory method for determining car fringe benefits tax. We noted that the Senate Standing Committee on Rural and Regional Affairs in its report on *'Australia's future oil supply and alternative transport fuels'* had recommended that the Government review the statutory formula in relation to fringe benefits taxation of employer-provided cars to address the incentive for more car use.

The Senate report commented that the question of whether the tax should be concessionary is different from the question of minimising compliance costs, and that a statutory formula can be retained for the sake of easy compliance, while the concessionary aspect can be removed by adjusting rates.

Our submission to the Henry Review suggested there were three basic objectives to guide reform in this area: to address the incentive for more car use; to achieve consistency in tax outcomes between the statutory formula and the operating costs method; and to maintain compliance ease.

In the event, in the 2011 Budget the Government altered the statutory formula method for determining the taxable value of car fringe benefits by replacing the previous multiple rates with a single statutory rate of 20 per cent, regardless of kilometres travelled. The amendments commenced on 29 June 2011, apply to commitments made after 10 May 2011 and phased in over four years. We believe that these changes have addressed two of the three objectives we identified; they have negated the incentive for more car use and have maintained compliance ease.

Although these changes did not address all the objectives our members regarded as desirable, we strongly believe there should be no further changes to these arrangements. The transition to the new arrangements has required considerable changes to systems and processes for employers and entities involved in the supply of employer-provided cars, and was accompanied by the usual uncertainty that occurs with changes of this nature. The new regime has been in operation for eighteen months, and is now well understood.

Changes of this nature inevitably result in uncertainty, especially in the transitional period. The Government announcement of the change, by its nature, will leave many questions unanswered. Even when the legislation has received Royal Assent many uncertainties will remain. In relation to the car fringe benefits changes the Australian Tax Office typically provided very constructive compliance assistance to taxpayers, but this process itself needs to be thorough and accordingly requires further time.

In the recent period there have been significant regulatory reforms requiring implementation. The changes to the car fringe benefit arrangements occurred during the time of the introduction of significant consumer credit reforms, anti-money laundering and counter-terrorism reforms, a new personal property securities regime, and changes to GST hire purchase arrangements; in addition to these major reforms have been a myriad of other regulatory changes at the Commonwealth and State levels that all require attention. Our members have been required to devote considerable resources to ensuring compliance with these reforms, as well as existing laws, and employers face similar challenges in complying with regulatory requirements.

Given this background, our members are of the firm view that it is in the interest of all parties that no further changes are made to the current car fringe benefits arrangements. The new framework is now well understood, the transitional arrangements are progressing as intended, systems and procedures have been implemented and modified in the light of experience, and staff training completed. The introduction of the one statutory rate has simplified compliance, parties have certainty in relation to the new rules, and the incentive for greater car use has been addressed.

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Alleasing Group	KPMG
Allens Arthur Robinson	Komatsu Corporate Finance
ANZ Asset Finance	Lanier Australia
Ashurst Australia	Macpherson + Kelley Lawyers
Australian Structured Finance	Macquarie Leasing
Bendigo Bank Leasing Division	Mallesons Stephen Jaques
BMW Australia	Marubeni Finance (Oceania)
BOQ National Finance	Members Equity Bank
Bynx Australia	Mercedes-Benz Financial Services
Canon Finance Australia	Morris Finance
Capital Finance Australia	National Australia Bank
Caterpillar Financial Australia	NetSol Abraxas
Challenge Consulting Australia	NLC
CHP Consulting	Norton Rose Australia
Cisco Systems Capital Australia	PACCAR Financial
Clayton Utz	Print Solutions Finance
CNH Capital Australia	Realtime Computing
Colin Biggers & Paisley	RentSmart
Commercial Asset Finance Brokers Assoc.	Ricoh Finance
Commonwealth Bank of Australia	RR Australia
De Lage Landen	Service Finance Corporation
DibbsBarker	SG Equipment Finance
Dominion Group	Sharp Finance
equigroup	Sofico Services Australia
FlexiGroup	Solutions Asset Management
Fuji Xerox (Finance) Australia	Southern Finance Group
GE Capital	Spectra Financial Services
Henry Davis York	St. George Bank
Herbert Smith Freehills	Suncorp
Holman Webb Lawyers	SunGard Asia Pacific
HP Financial Services	The Leasing Centre (Australia)
IBM Global Financing	Toyota Finance Australia
Innovation Fleet	Traction Group
Insyston	Volvo Finance
International Decision Systems	Westlawn Finance
Investec Bank (Australia)	Westpac
John Deere Financial	White Clarke Asia Pacific
Kemp Strang	
Key Equipment Finance	

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## **Australian Fleet Lessors Association**

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### **AFLA MEMBER COMPANIES**

Capital Finance

Custom Fleet

Fleetcare

FleetPartners

FleetPlus

LeasePlan Australia

McMillan Shakespeare

NLC

ORIX Australia

QFleet

Selectus

sgfleet

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Summit Auto Lease Australia

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