



AUSTRALIAN EQUIPMENT  
LESSORS ASSOCIATION  
Incorporated ABN 19 054 908 520

GPO Box 1595 Sydney 2001

Level 7, 34 Hunter Street  
Sydney 2000

Telephone (02) 9231 5479  
Facsimile (02) 9232 5647

20 June 2011

Senate Economics Committee  
Parliament House  
Canberra ACT  
[economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Committee Members,

**Tax Laws Amendment (2011 Measures No 5) Bill 2011, Schedule 5:  
Reform of the car fringe benefits rules**

This submission is made on behalf of members of the Australian Equipment Lessors Association (AELA) and the Australian Fleet Lessors Association (AFLA). AELA members include the majority of car and general equipment financiers in Australia, with total equipment finance receivables of some \$90 billion; AFLA members have a total motor vehicle portfolio in excess of 500,000 vehicles. Membership lists of both groups are attached. Our members appreciate the opportunity to comment on the reform of the car FBT arrangements by replacing the current four statutory rates with a single rate of 20% regardless of kilometres travelled.

In September 2007 AFLA made a submission to the Committee on Regional Affairs and Transport, outlining an alternative to the four statutory bands that would remove the incentive for more car use; a similar reform was suggested in our submission to the Henry Review. Accordingly our members understand the rationale for the fringe benefits tax reforms contained in the above Bill.

We also support the general intent of the transitional arrangements, that is, to leave employees/employers who have made pre-existing commitments under the old arrangements. However, we believe in certain cases this will not be the outcome. For instance, example 5.8 in the Explanatory Memorandum refers to a novated lease where a change in employer will be regarded as a new arrangement. We suggest that a change in employer should not constitute a new arrangement for these purposes. The vehicle remains the same, the period of the lease remains the same, and the beneficiary of the fringe benefit (the employee) remains the same; the only change is the employer, which is a change that in some instances will be outside the control of the employee, for example in the case of a company takeover or the employee's retrenchment.

...2/

In a similar vein, some lease contracts (maintained operating leases), whilst being of a specified duration may also contain a kilometre specification which is used as the basis for calculating maintenance charges (as distinct from lease rentals) under the lease. If the distance travelled is greater than initially projected, this aspect of the arrangement will need to be adjusted during the duration of the lease. We submit that such instances should not constitute a new arrangement, provided the duration of lease has not changed.

We recognise that making a change to the Bill to reflect our concern would add some complexity, but submit this would be outweighed by equity considerations. It is reasonable to apply the new rules where an employee makes a decision to extend the term of a lease or enter a new lease, but we believe it is fairer to ensure that employees are not penalised where they have made binding arrangements and there are no fundamental changes to those arrangements. We do not believe a change of this nature would be a significant incentive for parties to defer application of the new rules, but would enhance the equity of the transitional arrangements.

We appreciate the opportunity to comment on these provisions, and can provide further details as required.

Yours sincerely,

---

**JOHN BILLS**  
**Director**



AUSTRALIAN EQUIPMENT  
LESSORS ASSOCIATION  
Incorporated ABN 19 054 908 520

GPO Box 1595 Sydney 2001

Level 7, 34 Pitt Street  
Sydney 2000

Telephone (02) 9231 5479  
Facsimile (02) 9232 5647

## **AELA MEMBER COMPANIES**

Advance Business Finance	Kemp Strang
Alleasing Group	Key Equipment Finance
Allens Arthur Robinson	Komatsu Corporate Finance
Alliance e-finance	KPMG
ANZ Asset Finance	Lanier (Australia)
Atlas Copco Customer Finance	Macpherson + Kelley Lawyers
Australasian Asset Residual Management	Macquarie Leasing
Australian Structured Finance	Mallesons Stephen Jaques
Baker & McKenzie	Medfin Australia
Bendigo Bank Leasing Division	Members Equity Bank
Blake Dawson	Mercedes-Benz Financial Services
BMW Australia	Mercer Australia
BOQ National Finance	Morris Finance
Bynx Australia	National Australia Bank
Canon Finance Australia	NetSol Australia
Capital Finance Australia	NLC
Caterpillar Financial Australia	Norton Rose Australia
Challenge Consulting Australia	PACCAR Financial
CHP Consulting	Pitney Bowes Credit Australia
Cisco Systems Capital Australia	Protecsure
CIT Financial	Realtime Computing
Clayton Utz	RentSmart
CNH Capital Australia	Ricoh Finance
Colin Biggers & Paisley	RR Australia
Commercial Asset Finance Brokers Assoc.	Service Finance Corporation
Commonwealth Bank of Australia	SG Equipment Finance
De Lage Landen	Sharp Finance
Deloitte Touche Tohmatsu	Sofico Services Australia
DibbsBarker	Solutions Asset Management
equigroup	Southern Finance Group
Experien	Spectra Financial Services
FlexiGroup	St. George Bank
Freehills	Suncorp
Fuji Xerox (Finance) Australia	SunGard Asia Pacific
GE Commercial Finance	The Leasing Centre (Australia)
Holman Webb Lawyers	Toyota Finance Australia
Henry Davis York	Traction Group
HP Financial Services	United Financial Services Capital
IBM Global Financing	Volvo Finance
Innovation Fleet	Westlawn Finance
Insyston	Westpac Institutional Banking
International Decision Systems	White Clarke Asia Pacific
John Deere Credit	Yamaha Motor Finance

June 2011



## **Australian Fleet Lessors Association**

---

Incorporated - ABN 78 059 998 533

### **AFLA MEMBER COMPANIES**

**Alphabet Fleet Services**

**Capital Finance**

**Custom Fleet**

**Fleetcare**

**FleetPartners**

**FleetPlus**

**LeasePlan Australia**

**McMillan Shakespeare**

**NLC**

**ORIX Australia**

**QFleet**

**sgfleet**

**StateFleet**

**Summit Auto Lease Australia**

**Toyota Fleet Management**

June 2011