

# END OF FINANCIAL YEAR REPORTING ASSOCIATE LEASE

Under an Associate Lease, the lease payments made to your nominated associate are deemed to be income and as such, taxable and therefore must be declared on the associate's tax return at the end of the financial year.

To offset this income, the associate is able to deduct all the running costs in relation to the operation of the vehicle. These deductible operating costs include:

- > Fuel;
- > Registration Costs;
- > Insurance Premiums;
- > Maintenance, servicing costs and parts;
- > Roadside assistance and auto club membership;
- > Car washing and detailing;
- > Depreciation; and
- > Finance Costs (interest only as paid by associate).

The table below will assist you in documenting these costs on your vehicle(s). Simply complete the table with the operating cost record you have been keeping during the year and submit it with all tax receipts, for your associate's tax return.

The Associate Lease Tax-Tip Sheet on the following pages will assist you and your tax agent in completing the reporting requirements on your associate's tax return.

If you have any questions at all, please contact us.



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Let us know how to keep in contact with you best.

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Motor Vehicle Details	Vehicle 1	Vehicle 2	Vehicle 3
Make/Model:			
Year:			
Wholesale Value:	\$	\$	\$
Registration Cost:	\$	\$	\$
Insurance Cost:	\$	\$	\$
Maintenance/Tyres:	\$	\$	\$
Fuel:	\$	\$	\$
Other Costs (e.g. car wash):			
Depreciation:			
Interest on Finance:			

# GENERAL GUIDE TO COMPLETION OF THE 2011 TAXPACK FOR ASSOCIATE LEASE PROVIDERS

## REQUIRED PAPERWORK

- > TaxPack 2011
- > TaxPack 2011 Supplement
- > Business and Professional Items Schedule for Individuals 2011

## COMPLETION OF FORMS

Note that this guide to completion of the tax pack for associate lease providers (the taxpayer) is provided on the assumption that the only business activity being carried on by the associate is the provision of a vehicle as part of an associate lease arrangement. If the taxpayer is conducting any other business activities in their own name, they should seek their own independent taxation advice with regards to the completion of these forms.

NB. The below is appropriate for taxpayers who provided a vehicle worth less than \$57,466 in the 2010/11 year.

Taxpayers who provided vehicles worth more than this amount will need to seek further taxation advice and guidance to assist the completion of these forms and the tax consequences of the associate lease arrangement.

## BUSINESS AND PROFESSIONAL ITEMS SCHEDULE FOR INDIVIDUALS 2011

1. Tax File Number and Name details need to be included for the taxpayer providing the car that forms part of the associate lease.
2. P1 - As the associate's income is earned mainly from the granting of the right to use property, the taxpayer can answer "No" to the question "P1 - Did you receive any personal services income?"
3. P2 - Description of business activity can be answered "Passenger car rental and hiring".
4. P3 - Number of business activities (see disclaimer above) - will normally be 1.
5. P4 - If this is the first year of the arrangement then put an X next to "Commenced business". If this is the final year of the arrangement



then put an X next to "Ceased Business". Otherwise, leave both boxes blank.

6. P5 - Usually the business name will be the name of the taxpayer on their ABN registration. If the taxpayer has adopted a trading name, this name should be inserted in this section. Include the taxpayer's ABN provided by the ATO upon registration as a business.
7. P6 - Business address of main business will normally be the taxpayer's residential address.
8. P7 - Did you sell any goods or services using the internet? It is likely that, for a single associate lease arrangement, the answer to this question will be "No".
9. P8 - Income from the hiring of the vehicle should be shown at Label J (Other business income earned from non-primary production). If the taxpayer is registered for GST, the amount to be included here is the GST exclusive amount. If the taxpayer is not registered for GST, the full amount of the income needs to be included at this label with no reduction for GST (A taxpayer is not entitled to provide a "tax invoice" charging GST to the recipient if they are not registered for GST). The Total Business Income amount will be the amount from Label J.
10. P8 - Expenses associated with the hiring of the vehicle need to be included in this section. All expenses included should be declared in the second column (expenses incurred from non-primary production)

# GENERAL GUIDE TO COMPLETION OF THE 2011 TAXPACK FOR ASSOCIATE LEASE PROVIDERS

and then transferred to the relevant label in the third column.

11. As the taxpayer is not involved in a trading operation, Labels K, L and M can be left blank.
12. Should the taxpayer be financing the vehicle themselves via a lease, then the total costs of the lease should be included next to lease expenses in the non-primary production section and then transferred to Label J to the right.
13. Interest expenses associated with any loans (including chattel mortgage or hire purchase) to acquire the car should be claimed in the non-primary production section and then transferred to Label Q or R as appropriate.
14. Depreciation expenses involved with the ownership of the vehicle (if owned) need to be disclosed in the non-primary production section and transferred to Label M.
15. Any running costs of the vehicle paid for by the taxpayer can be claimed at motor vehicle expenses in the non-primary production section and transferred to Label N. As the taxpayer is fully assessable on the income earned from the associate lease, no private apportionment should be necessary for expenses paid by the taxpayer directly. It is our understanding that it is more common of the employer of the employee to meet all of the running costs of the vehicle as part of the employee's salary package and, if so, this section should be blank.
16. Repairs and maintenance expenses should be separately disclosed in the non-primary production section and transferred to Label P. Again, it is more common for the employer to meet these costs. If the employee has packaged these costs, they should not be re-included at this section.
17. All other expenses associated with the running of the business should be included in the non-primary production section and transferred to the Label P. This will exclude the costs of managing taxation affairs (eg accounting fees for the preparation of income tax returns) which should be disclosed at Item D10 on page 4 of the tax return itself.
18. The total of all expenses should be added and disclosed at "Total Expenses" Label T; and the amount transferred across to the third column.
19. All expenses should then be set off against the income received to establish the net income or loss from the business this year which needs to be shown at "Net income or loss from business this year" Label C. (It is unlikely that any income reconciliation adjustment need to be made with regards to associate lease arrangements unless the vehicle is worth more than \$57,466. If the amount is a loss, put an L in the box to the right of Label Z. The amount is then transferred to the third column of the section.
20. If the amount arrived at under Label C is a loss then the Losses section at Label P9 needs to be completed. (The completion of this section is beyond the scope of these instructions. We strongly advise that in the event of a loss the taxpayer seek assistance with the completion of their return and check with their financial adviser as to the effectiveness of the associate lease arrangement).
21. The amounts at Label C are then transferred to "Net income or loss from business" Label Z (and transferred to the third column of the section). This assumes that no deferred non-commercial losses exist to be applied against current year net income. If the taxpayer does have prior year non-commercial losses we advise that the taxpayer seek professional assistance with the completion of the return.
22. The net income amount at Label Z, if positive, needs to be transferred to Label C at Item 15 on the TaxPack 2011 - Supplement.
23. (For taxpayers who are small business entities using the simplified depreciation rules) P10 disclosure needs to be made from vehicle depreciation costs at Label B. Note that the amount to be disclosed is the depreciation amount and not the pool balances.