

CAR LEASE FAQS – ENDING DURING THE YEAR

New Car Option – Compensation Plan Flexibility

Employees whose car lease ends between **April and February** (excluding March due to year-end processes) can opt for a new car under the **Compensation Plan**. This option is available via the [Payroll tool](#) > **Compensation Plan** page.

Key points:

- The new car can be opted for in **April or May (annual cycle)**.
- If missed, the option is available in the **month of salary revision**, limited to the amount of salary increase and or amount available under allowance i.e HRA, Personal & Other allowance but under no condition will the basic be reduced.
- The new car benefit can only be availed **after the current lease ends** and the **residual amount is paid** to the leasing company.

Note : All components in the compensation plan, including the Car Lease, are annual

1. My car lease expires between April and February, and I want to opt for a new car. What options are available to me?

Ans. For you, there will be 2 components –

- There is an additional field “**Car lease Existing**” where the balance of the existing car rental is blocked.
- You can also plan for new car under the field “**Cost of the company provided car**” during the comp window.

2. If I miss allocating money for a new car in April or May, but I still want to buy new car once my current lease expires, what options are available to me?

Ans. To avail a new car, it's important to settle the existing one by paying the Residual Value (RV) on or before the expiry of the current lease. If this condition is met, you have the option to allocate funds for the new car if you receive a salary increase before February. However, the allocation amount is limited to the extent of your salary increase and or amount available under allowance i.e HRA, Personal & Other allowance.

3. What will happen to my new car amount?

Ans. Until you avail the new car—which can only be done after settling the old one—the amount allocated for the new car will be paid monthly as 'Car Allowance – New' and will be taxable as per your eligibility.

4. What happens to the new car amount after the new car is availed?

Ans. Post-New Car Allocation: Car Allowance Adjustment

Once you avail the new car, the “**Car Allowance – New**” will be adjusted based on the difference between your **car eligibility amount** and the **actual lease rental paid** for the new car.

Example 1:

- New Car Lease Value: ₹1,20,000 (planned in April)
- Lease Processed: June
- Monthly Lease Rental Paid: ₹9,500
- Eligibility: ₹10,000 per month

April & May:

Since the lease was not processed yet, you will receive the full Car Allowance – New of ₹10,000 per month.

From June onwards:

You will receive ₹500 per month as Car Allowance – New, calculated as:
 ₹10,000 (eligibility) – ₹9,500 (lease rental) = ₹500

Example 2:

- New Car Lease Value: ₹1,20,000 (planned in April)
- Lease Processed: June
- Monthly Lease Rental Paid: ₹10,500
- Eligibility: ₹10,000 per month

April & May:

You will receive ₹10,000 per month as Car Allowance – New.

From June onwards:

Since the lease rental exceeds your eligibility, compensation adjustment will happen based on the maximum eligibility from components like allowance, but under no condition will the basic be reduced.

5. When I opened Comp Plan page, I saw a component called “Car Allowance”; what does this mean?

Ans. As an employee structure their compensation for the full year (April to March), the car lease amount is also blocked accordingly. Therefore, even if your lease expires during the year, the remaining amount—after recovering the lease rental up to the expiry date—gets reallocated under “Car Allowance.” This amount is then paid out as a taxable component after the recovery of the rental balance.

Please find below a detailed example.

Particulars	Calculation	A	B
Lease Start Date	A	Apr-25	Aug-25
Lease Expiry	B	Mar-28	Jul-28
Tenure (months)	C	36	36
Monthly Lease Rental	D	10000	10000
Total Lease Rental Recoverable	E = D * C	360000	360000
1st year lease period	F	Apr 25 - Mar 26	Aug 25 - Mar 26
1st year lease duration (months)	G	12	8

1st year lease rental	H=G*D	120000	80000
2nd year lease period	I	Apr 26 - Mar 27	Apr 26 - Mar 27
2nd year lease duration (months)	J	12	12
2nd year lease rental	K=J*D	120000	120000
3rd year lease period	L	Apr 27 - Mar 28	Apr 27 - Mar 28
3rd year lease duration (months)	M	12	12
3rd year lease rental	N=M*D	120000	120000
4th year lease period #	O	-	Apr 27 - Jul 28
4th year lease duration (months)	P	0	4
4th year lease period	Q=P*D	0	40000
Total Lease period completed	R=G+J+M+P	36	36
total Lease rental recovered	S=H+K+N+Q	360000	360000

A: Since the lease start date is in April, the rental is recovered accordingly. Employee A can reallocate the amount during the annual cycle for a new car.

B: Since the Lease start date is in the mid of the FY. In the 4th year, a lease rental of 120,000 will be blocked for the entire year. However, after recovering the balance rental, the remaining amount will be paid as taxable under 'Car Allowance' component from August 28 till March 28.

- 6. I have an existing car lease that expires during the year, and I have also allocated an amount for a new car. If I do not avail the new car during the year (i.e., after the expiry of the existing lease), what will happen to the amount allocated for the new car?**

Ans. In this case, you will receive two types of allowances related to car lease allocations:

- **Car Allowance:** This pertains to the old car which is getting paid to you after the lease tenure is over and will continue till March.
- **Car Allowance - New:** This pertains to the new car allocation. It is paid monthly until the new car is availed or until March, whichever comes first.

- 7. I have an existing car and have also allocated an amount for a new car. Can I reallocate the 'Car Allowance' and 'New Car' amounts to other components such as Basic, HRA, or Allowance during the year?**

Ans. No, the Car Allowance amount cannot be altered until 31st March of the current financial year. Neither the Car Allowance nor the New Car allocation amounts can be modified during the year.

- The **Car Allowance** component will automatically cease from April of the following financial year.
- The **New Car allocation** will also lapse if you do not avail the new car within the same financial year.

8. How does the new Comp Plan page look like for me?

Ans.

	Lease Period	Value of the Car	Lease Rate	
Car Lease Existing				81096
Car Insurance Existing				10893
Cost of the company provided Car	-- v	0	0	0
Car Allowance				405480
Car Running Expenses				72000
Car Insurance (Applicable only for company leased cars)				0
Car Maintenance				48000
Chauffeur's Salary		0	12	0
Cost To Company				3700922

Last update: 01-Apr-2025

9. If I have further questions on this, whom should I reach out to?"

Ans. For car lease queries:

- Connect us on respective MS Team IDs mentioned below on all working days - 10 a.m. to 6 p.m.
 Flexi Category (CL 9 & 8) – **ebooth**
 Executives (CL 7, 6 & 5)- **econnect**
- Please raise query on [Service Now](#) using the path **Human Resource & Payroll** > Payroll > Ask question > Select category. Response SLA is 3 working days.