

# EQUIPMENT & VEHICLE FINANCE OPTIONS

In this White Paper we focus on the options for financing assets.

## FINANCE OPTIONS EXPLAINED

There are varied options for funding Assets.

All generally allow 100% of the purchase price to be funded (secured by the asset itself) with a fixed term with the comparisons as follows:

FINANCE TYPE	OWNERSHIP	TAX STATUS	DEPOSIT?	RESIDUAL?
Chattel Mortgage	Yes	Claim Interest & Depreciation	Yes	Yes
Commercial Hire Purchase	Yes - at end	Claim Interest & Depreciation	Yes	Yes
Finance Lease	No - option to buy at end	Claim payment as Tax Deduction	No	Yes
Operating Lease	No	Claim payment as Tax Deduction	No	No

## Chattel Mortgage

You take ownership of the asset. The financier takes their interest over it by way of mortgage.

Once the contract is completed, the security interest is removed giving the customer clear title to the vehicle.

### Benefits

For businesses registered for GST on a cash basis, they may claim back GST in full in their next Activity Statement. Gives certainty of ownership and ability to contribute a deposit.

## Commercial Hire Purchase

The financier purchases the asset on behalf of the customer, and then hires it back over the term, and after the residual is paid assumes ownership.

### Benefits

Gives some certainty of ownership at end, but generally less tax effective than a Chattel Mortgage option. Not a widespread product option currently.

## **Finance Lease**

The financier retains actual ownership of the asset with an option to purchase at the end of the term.

### **Benefits**

A good option if you update equipment or vehicles on a regular basis. The financier retains ownership of the asset, so you only finance the purchase excluding GST. You may also not want ownership for legal or accounting reasons too.

## **Operating Lease**

A higher headline cost, though simple.

### **Benefits**

"Off balance sheet" and you can simply return the goods at the end of the term. An option when you are turning over equipment regularly and want one simple repayment.

## **TAXATION**

The taxation treatments associated with ownership of equipment can be unique to your personal circumstances.

For motor vehicles, these can become more complicated when considering depreciation cost limits and luxury car tax.

We can support you in getting accounting advice.

This can assess whether the benefits associated with asset ownership of equipment, outweigh any benefits of a full deduction of payments through leasing.

## **Ready to Apply?**

You may qualify without providing financial information if:

- ✓ You own a residential property.
- ✓ You have a registered ABN and been in business for two (2) years.
- ✓ You have clear credit and no outstanding tax obligations.

## **More Information?**

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