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Which option is best?

This will largely depend on your individual tax situation and the nature of the equipment you wish to purchase. It is often best to seek independent advice about which method is best for your business.

	Leasing	Hire Purchase	Chattel Mortgage	Rental
Ownership	Financier is the owner and retains ownership of the vehicle/equipment at the end of the leasing term, when various options can be negotiated.	Financier is the owner for the term of the agreement. Ownership is then automatically transferred to the Hirer when the final payment is made.	Client retains title to the goods however the financier holds a charge (encumbrance) over the goods until the final payment is received.	Financier is the owner and retains ownership of the vehicle/equipment at the end of the renting term, when various options can be negotiated.
Tax	All payments, excluding GST, are usually tax deductible when the vehicle/ equipment is used for business use (subject to current tax law).	Depreciation and interest components are usually tax deductible (subject to eligibility and current tax law).	Depreciation and interest components are usually tax deductible (subject to eligibility and current tax law).	All payments, excluding GST, are usually tax deductible when the vehicle/ equipment is used for business use (subject to current tax law).
Amount Financed	The invoiced amount less GST, as the financier is entitled to claim the Input Tax Credit (ITC). Motor Vehicles are subject to a Luxury Limit of \$57,009, therefore the maximum entitled ITC is \$5,182 regardless of cost over this amount.	100% of the invoiced amount, but deposits can be made to reduce the amount owing on the equipment.	100% of the invoiced amount, but deposits can be made to reduce the amount owing on the equipment.	The invoiced amount less GST, as the financier is entitled to claim the Input Tax Credit (ITC).
Residual Value	At the end of the term the financier by convention offers the Lessee a number of options. Usually this includes either payment of the residual plus GST, return the goods to the financier (the lessee is responsible for any shortfall after disposal of the asset) or if available, refinance the remaining balance for an additional term.	Ownership is transferred to the Hirer when the final payment (balloon) is made. Alternatively you may prefer, if available, to refinance the remaining balloon for an additional term.	Ownership is retained by the borrower and any encumbrance is lifted when the final payment is made.	Unlike a lease, no residual value is payable. At the end of the term several options can be negotiated from upgrade to new equipment, return equipment to financier for disposal, continuation of agreement for fixed term or month by month.
GST Issues	The amount financed is, as detailed above, less GST. The monthly repayments are including GST and are claimed on your monthly or quarterly BAS (if entitled and eligible). The Residual Value also attracts GST.	Hirer can claim ITC on the purchase of the goods (only if ABN registered and entitled), is subject to business use percentage and if the goods are a motor vehicle, up to a maximum ITC of \$5,182. This can be claimed either monthly or upfront on your next BAS.	The Borrower as the owner and purchaser of the equipment is entitled to claim the ITC on their next BAS. This is subject to being ABN registered, the business use percentage and if the goods are a motor vehicle, is up to a maximum ITC of \$5,182.	The amount financed is, as detailed above, less GST. The monthly repayments are including GST and are claimed on your monthly or quarterly BAS (if entitled and eligible).
Conclusion	As the GST is claimed by the financier and passed on to the lessee, interest is not being paid on the GST portion of the purchase. For a business this is the cheapest and most cost effective form of commercial lending. This contract has a constant tax claim over the term easing the accounting burden for smaller businesses. Please note: Novated Lease & Luxury Car Lease are also available.	This contract type is ideal for individuals on car allowance or companies on Accrual Accounting Method (who are entitled to claim the GST upfront). For tax purposes this contract is claimed as depreciation and interest over the term of the loan and is subject to eligibility and business usage. Stamp duty is included in the payments and GST is payable on the Stamp Duty only.	This contract is ideally suited to sole traders or partnerships and companies wanting to claim the GST upfront (on a Cash Accounting Method). Companies who use this option are subject to quite high lodgement costs. And in some cases some delays. As owner for tax purposes, depreciation and interest can be claimed, if entitled. Stamp duty is payable upfront on this contract.	As the GST is claimed by the financier and passed on to the renter, interest is not being paid on the GST portion of the facility. This contract has a constant tax claim over the term easing the accounting burden for smaller businesses. For larger businesses, this product has the advantage of not appearing on balance sheet, improving Return on Assets and preserving existing credit lines.