

BORROWING FOR BUSINESS EQUIPMENT FINANCE

WHEN YOU NEED FINANCE FOR BUSINESS VEHICLES, PLANT AND EQUIPMENT

Equipment finance is an ideal way to acquire motor vehicles and other equipment for business purposes. This form of finance enables you to preserve your cash flow and claim tax deductions on the finance arrangement.

There are several equipment finance options available, depending on your business circumstances.

FINANCE LEASE

A finance lease provides 100% financing for business equipment, preserving your working capital.

The financier/lessee owns the equipment, which is leased for an agreed period and fixed rental amount. While the lessee has no option or right to buy the equipment at that time, many financiers will consider an offer to purchase at the expiry date.

Rental payments can be claimed as a full tax deduction where the equipment is solely used to generate business income. Payments are subject to GST.

OPERATING LEASE

An operating lease is an agreement to rent equipment for a fixed period. At the end of the lease agreement, the financier/lessee returns the equipment without any obligation for the residual value.

This is an attractive option for businesses needing to regularly update vehicles or technology equipment.

Payments can be claimed as a tax deduction provided the equipment is used for business purposes.

The asset may be off-balance sheet to improve performance measures such as return on assets. Rental payments are subject to GST.

COMMERCIAL HIRE PURCHASE

Commercial hire purchase suits people who want full ownership of the equipment - ownership is transferred automatically to you the hirer after the final (balloon) payment, or the hirer can purchase the equipment at any time during the contract period.

Stamp duty is payable and while there is no GST on repayments, it is charged on the initial cost of the equipment.

In most cases, there's no need for a deposit and the repayment schedule is flexible. Interest payments and depreciation can be claimed as tax deductions provided the equipment is used to generate business income.



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Learn more at www.peakpartnership.com.au



The Peak Partnership
CHARTERED ACCOUNTANTS

EQUIPMENT FINANCE FOR YOUR BUSINESS

GOODS MORTGAGE (formerly a 'CHATTEL MORTGAGE')

This is an agreement to borrow funds to purchase equipment, where the equipment is used as security for the loan. You the borrower owns the equipment while the financier holds the mortgage.

Interest payments and depreciation on the equipment are generally tax-deductible for business-related use. GST is applied to the purchase price but not the repayments.

NOVATED LEASE

Only available for motor vehicles, a novated lease is where (at the employer's discretion) an employer pays the rental and running costs out of their employee's pre-tax salary.

The employer can usually claim a tax deduction for the lease rentals and other costs, and an input credit on the GST paid on lease payments. If an employee leaves the business, they keep the car and the employee becomes responsible for future payments.

Fringe Benefits Tax (FBT) can be a factor for the employer and employee, which can generally result in a novated lease being a more expensive finance option. For employees, it's always best to check with your tax advisor and employer prior to committing to a novated lease.

NEED MORE INFORMATION?

For more information about your equipment finance options and the tax considerations for your business, just contact your Accounting Advisor at The Peak Partnership on 07 3360 9888 or send your email to email@peakpartnership.com.au.

We can even facilitate an introduction to one of our preferred finance brokers to help get the most effective equipment finance deal for your business circumstances.



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