

Financial FACT SHEET

Inspiring Performance

Equipment Finance

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 any rental payments.

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

Finance Lease

A finance lease provides 100 per cent financing for business equipment, preserving your working capital. The 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 for its residual value. Rental payments can be claimed as a full tax deduction where the equipment is used to generate business income. Payments are subject to stamp duty and GST.

Operating Lease

An operating lease is an agreement to rent equipment for a fixed period. At the end of the lease agreement, the lessee returns the equipment without any obligation for the residual value. This is an attractive option for businesses or individuals needing to regularly update vehicles or technological equipment. Payments can be claimed as a tax deduction provided the equipment is used for business purposes.

This Fact Sheet contains general advice that has been prepared without considering your objectives, financial situation or needs. You should consider the appropriateness of any advice before acting on it. Peak Partnership Pty Ltd ABN 24 064 723 550. Peak Partnership Lending Solutions Pty Ltd ABN 83 123 736 281.

Payments may also be off-balance sheet to improve performance measures such as return on assets. Rental payments are subject to stamp duty and GST.

Commercial Hire Purchase

Commercial hire purchase suits people who want full ownership of the equipment - ownership is transferred automatically to the hirer after the final (balloon) payment, or the hirer may 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 cost of the equipment. There is no need for a deposit and the repayment schedule is flexible. Both the interest payments and depreciation can be claimed as tax deductions provided the equipment is used to generate business income.

Chattel Mortgage

This is an agreement to borrow funds to purchase equipment, where the equipment is used as security for the loan. 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. There is no GST on payments or the borrowed funds, but the financier is input-taxed and cannot claim GST, consequently potentially increasing the cost of this option.

continued over

ACCOUNTING

TAXATION

BUSINESS ADVICE

FINANCIAL PLANNING

SUPERANNUATION

LENDING

RISK INSURANCE

DEBT RECOVERY



The Peak Partnership
CHARTERED ACCOUNTANTS

17 Mt Gravatt-Capalaba Road
(PO Box 6048)

Upper Mt Gravatt Qld 4122

P 07 3360 9888

F 07 3422 0999

peakpartnership.com.au

Equipment Finance

Novated Lease

Only available for motor vehicles, a novated lease is where an employer (payee) pays the rental and running costs out of their employee's (lessee) 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, the lease ends and the employee becomes responsible for future payments.

For more information about equipment finance through The Peak Partnership Lending Solutions, contact Chris Coonan on 07 3360 9826 (direct) or send an email to chrisc@peakpartnership.com.au.