



Finance Lease

A Finance Lease is an attractive finance option for sole proprietors, partnerships and companies that use the 'cash' method of accounting for the Goods and Services Tax (GST). Under the cash method, the vehicle is financed excluding the GST component of the acquisition price of the motor vehicle (or other asset) that is claimed back by the financier. This means you are financing the GST-exclusive price, reducing the amount borrowed. However, GST is then charged on your monthly payments, which can be claimed back on the entity's next Business Activity Statement over the term of the finance contract.

Features

During the term of the lease agreement the lessee pays rental and does not obtain ownership or equity in the vehicle. The lessor retains ownership of the vehicle, while the lessee assumes the risk of the residual value.

At the end of the lease, the lessee has the option of:

- Returning the vehicle to the lessor (and make up any shortfall in the residual)
- Paying out the residual and obtaining ownership of the vehicle
- Refinancing the residual for another lease term

Under a finance lease, the lessee is responsible for all maintenance and running costs of the vehicle. Finance lease rentals are subject to GST, as is the residual value of the motor vehicle.

Flexibility

A finance lease allows the lessee to select a lease term and repayments to suit their cash flow. Lease rentals and residual values can be negotiated within an appropriate range to allow more flexibility in budgeting.

Tax Benefits

Where the vehicle is used for business purposes, the lease rental will be tax deductible. The extent of the tax deductibility will depend on the business percentage of use and whether or not the motor vehicle cost price exceeds the Luxury Car limit (\$57,009 in 2005/2006).

The lessee (where registered for GST) will be entitled to claim back the GST paid on the lease rentals.



Other Benefits

- There is no initial outlay required from the lessee as finance is for 100% of the value of the vehicle
- The vehicle does not appear on the lessee's balance sheet
- The term of the loan ranges from 12 to 60 months

To obtain a Finance Lease quotation tailored for you, please complete our attached finance enquiry form. Alternatively, call our friendly finance consultants on 1300 132 700.

Contact Details

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Disclaimer: We recommend that prior to entering into any financial arrangement that you seek independent financial advice. The information contained herein is of a general nature only and does not take into account your personal circumstances. Southgate Financial Services Pty Ltd, its agents, employees and lenders accept no responsibility for any loss that may arise.