



Home Loans
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Fact Sheet: Hire Purchase

What is a Commercial Hire Purchase?

A Commercial Hire Purchase (CHP) is a commercial finance product where the customer hires the vehicle from the financier for a fixed monthly repayment over a set period of time.

Commercial Hire Purchase can also be known as a *Corporate Hire Purchase*, *Hire Purchase* or *Offer To Hire*, and is often abbreviated as *CHP* or *HP*.

How Does a Commercial Hire Purchase (CHP) Work?

Under a Commercial Hire Purchase (CHP) arrangement the financier agrees to purchase the car on behalf of the customer, and then hire it back to them over a set period of time.

The customer has the use of the vehicle for the term of the contract but is not the owner of the vehicle. At the end of the contract term when the total price of the vehicle (minus any residual) and the interest charges have been paid in full, the customer takes ownership of the car.

Benefits of a (CHP)

- Flexible contract terms ranging from 24 to 60 months (two to five years)
- Residual value (balloon or final instalment) may be placed on contract
- Fixed interest rate
- Monthly repayments are fixed
- Costs are known in advance
- Deposit (either cash or trade-in) may be used
- A tax deduction is available when the vehicle is used for business
- GST is not charged on the monthly rental or residual payment
- Customers registered for GST can claim the GST in the vehicle price
- The finance is secured against the vehicle, allowing lower interest rates

Who does a Commercial Hire Purchase (CHP) suit?

A Commercial Hire Purchase (CHP) is suitable for companies, partnerships and sole traders who account for GST on an Accruals basis, and individuals using the vehicle for business purposes.

Tax implications of a Commercial Hire Purchase (CHP)

Where the hirer is registered for GST, they can apply Input Tax Credits to claim some or all of the GST contained in the purchase price of the vehicle.

Businesses using Accrual accounting can claim the GST as a lump sum on their next Business Activity Statement (BAS), whereas those using Cash accounting can claim the GST in instalments over the term of the contract.

GST is not charged on the monthly repayment or on the balloon (final instalment) amount. Where the vehicle is used for business purposes, the hirer can claim depreciation up to the Depreciation Limit and interest charges on the contract as a tax deduction.



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So why choose a Professional Lending Specialist over dealership lending?

- **We specialise in Lending – That is all we do!**
- **Significant experience in the position.**
- **You the client are the boss, not the bank.**
- **You can build a long term relationship with the same specialist**
- **We have access to all of the asset and equipment funding options from most lenders in the country.**
- **Flexible, we can work in with you to make it happen.**
- **We own our own business, so we need to make sure you have a great experience.**

Remember, we are professionals with many years experience in the finance industry, and our business is all about giving you total satisfaction. We understand how banks think, and therefore take the stress out of dealing with them directly. We become your personal advocate with the lender to ensure that your experience is a great one.

We are also here for you when you need to ask a question. Anytime!

What our clients say:

"I have used Jon personally for my lending requirements.... I can highly recommend him and his associates.....I particularly like that he is local and understands the local market, but brings professionalism and expertise that he has developed over his career. Jon is an expert in his field having worked for one of the big four banks for numerous years.... I have no hesitation in recommending Jon for your lending requirements" **Wayne Staal - Noosa**

"I have known Tammy for over five years both on a professional and personal basis. I have always found Tammy to be competent, ethical and personable. She is highly qualified in her field and if you are looking for a loan broker who will look after you, then I highly recommend Tammy." **Sharee Miller, Business Owner**

"It is evident as soon as you start talking to Jayne that her experience is vast. Once we explained our needs and plans for our business, Jayne advised us of the products that were available to us and which ones would be most beneficial." **Christine Lomas, Coolum**

If you would like to speak to a Professional Mortgage Specialist about your lending requirements, please phone Loan Wize for an appointment.