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ALLIEDCAPITAL 
EQUIPMENT FINANCE



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Allied Capital has cost-effective and innovative financial solutions which meet the changing equipment needs of small and medium-sized businesses. Our staff have strong financial and business backgrounds which enables them to understand your financial needs. Due to our wide range of financial products, we are able to assist in structuring the optimum solution for your business.

Allied Capital takes the time to understand its customer's needs when providing financial solutions. We also provide advice on equipment financing, and the way each option may impact on the financial position of each client. Allied capital offers clients financing options which include

- Finance lease
- Operating lease
- Commercial hire-purchase
- Chattel mortgage

ADVANTAGES OF EQUIPMENT FINANCE

- Tax Advantages
- Provided the equipment is used to derive assessable income, clients can claim significant deductions on finance payments*
- Conserving Working Capital
- By financing equipment over a fixed term, financing costs can be offset, with the income derived from the equipment improving business cash flow.
- Budgeting
- The majority of finance contracts are set at a fixed rate of interest allowing clients to better predict cash flow and ensuring a easier budget process.
- Payment Flexibility
- When structuring finance contracts, flexibility can be built in, to account for fluctuations such as seasonal earnings which may affect the business.



LEASING

Leasing provides clients with the benefit of financing 100% of the asset value. This enables capital to be maintained for other business needs.

Ownership: The financier owns the asset. At expiration of the term the client can chose to return the asset, offer to purchase the asset from the financier with a residual payment, or refinance the asset on a new lease.

Residual Payment: Usually a percentage of the assets purchase price, agreed at the conclusion of the lease contract.

Accounting: A finance lease is shown in the books and records of the company as both an asset and liability. Payments also attract GST at the rate of 10% on the base rental amount, plus any applicable State Stamp (Rental Business) Duty. GST component is tax deductible for a client where the asset is used for income producing purposes. The lease principle excludes GST, as the lessor is entitled to this as a input tax credit.

HIRE PURCHASE

Hire Purchase allows clients to finance up to 100% of the asset - a deposit may be used. The lender provides the asset to the client to use. Payments can be made in advance or arrears. Balloon payments (larger payments) can be incorporated into the repayment schedule to meet client cash flow needs.

Ownership: The financier owns the asset until the final payment is made. Ownership transfers with final payment.

Residual Payment: Residual Payment is the last payment made - the size of this can be set by the client depending on their preference when the contract is established.

Accounting: A hire purchase agreement is treated for taxation purposes as being beneficial ownership, so although title remains with the financier until, the final payment, the client can claim depreciation on the asset. Interest payments may also be deductible if the asset is used for income producing purposes. GST treatment is based on the level of detail specified in the finance contract. In a Hire Purchase agreement GST is deemed to be applicable at the inception of the contract (deemed the point of sale of the asset), in this case, if the hirer accounts for GST on an accrual basis, the client should be able to claim the full input tax credit for the tax period in which the purchase arrangement is commenced. However, the Australian Tax Office have indicated that clients who account for GST on a cash basis, will not be entitled to claim the input tax credit up front, but rather over the period of the hire purchase arrangement, as the cash repayments are made. Clients who use a cash accounting method should consider a Chattel Mortgage.*

RENTAL (OPERATING LEASE)

This is an operating lease where the primary consideration is maintaining up to date equipment.

Ownership: Legal ownership resides with the lender for the duration of the term

Residual Payment: At the expiry of the term the client has a number of choices. They can return the equipment, renew the contact for the same equipment at a new reduced rental, or make an offer to the financier to purchase the equipment.

Accounting: The rental payments are usually a 100% tax deductible expense. The equipment remains off-balance sheet allowing utilisation of the balance sheet for other borrowings. GST and stamp duty are normally payable on each installment.*



CHATTEL MORTGAGE

Chattel Mortgages give clients another option for financing equipment needs. It is typically used where due to GST considerations commercial Hire Purchase is not suitable.

Ownership: The asset will be held on-balance sheet, and depreciation allowances will typically be deductible.

Residual Payment: Chattel mortgages are a flexible product allowing them to nominate or exclude a balloon payment from the repayment schedule.

Accounting: Chattel payments are frequently used by businesses who have opted to operate under the Cash accounting rules. This allows the full GST value of the asset to be claimed in the next Business Activity statement, simplifying administration of the asset.*

* All clients should seek independent specialist advice from their accountant or advisor on the tax implications before entering into any finance contracts.

