

HIRE PURCHASE

A hire purchase arrangement is an agreement to purchase equipment subject to payment terms. During the term of the agreement, the financier owns the vehicle. Ownership is automatically transferred to you when you make the final payment. You also have the option to purchase the motor vehicle at any time during the term of the agreement.

Deposits are optional but generally not required. Stamp duty is payable. Hire purchase arrangements are also subject to GST. Where the term charges are disclosed in the hire purchase agreement, GST is calculated on the cost of the motor vehicle less the input tax credit applicable to the purchase. Repayments are not subject to GST.

In addition, were your employer possibly makes the repayments from your salary package, there may be fringe benefits tax payable.

The advantages of a commercial hire purchase for you are:

- Repayments can be tailored to meet your cash flow.
- Ownership automatically transfers to you with the final repayment.
- Motor vehicles can be purchased at any time during the term of the agreement.
- There is no need for a deposit.
- Flexible repayment arrangements.
- The interest component of the repayments, and the depreciation on the motor vehicle, can be claimed as a tax deduction provided the motor vehicle is used to gain assessable income.