

CORPORATE FUNDING PLANS

Contract Hire (a form of lease, also known as 'operating lease') – You elect to rent a vehicle for a given term and mileage (eg. 36 months/ 60,000 miles). You pay a monthly rental. You have full use of the vehicle 24 hours/day, 365 days of the year. At the end of the contract the vehicle is returned to the hire company. Road tax is provided for the contract period. A maintenance package is often included. Title and equity remains with the funder.

Advantages – Makes easy budgeting, as barring fuel and insurance, you know what your monthly motoring costs will be. Normally low initial payment. No disposal worries. Rentals are allowable against corporation tax (cars – 100% up to CO2 of 160g/km, 85% over 160g/km; 100% on commercial vehicles). VAT recoverable (limited if private use). Off balance sheet accounting.

Finance Lease (a form of lease) – Over the lease period (known as primary period) the full capital cost of the vehicle is repaid (similar to hire purchase). You pay a monthly rental. You have full use of the vehicle 24 hours/day, 365 days of the year. Upon completion of the primary period the vehicle can be retained for a 'peppercorn' rental (literally a few pounds per month), for as long as you like. A maintenance package is not normally included. Title remains with the funder, but you have the equity.

Advantages – Normally low initial payment. A residual (balloon) payment can be included to minimise the monthly rentals. Rentals are allowable against corporation tax (cars – 100% up to CO2 of 160g/km, 85% over 160g/km; 100% on commercial vehicles). VAT recoverable (limited if private use). On completion of the agreement 95% or more of the disposal proceeds are returned to you. On balance sheet accounting.

Contract Purchase (a form of hire purchase) - You elect to take a vehicle for a given term and mileage (eg. 36 months/60,000 miles). You pay a monthly instalment. You have full use of the vehicle 24 hours/day, 365 days of the year. Road tax is provided for the contract period. A maintenance package is often included. At the end of the contract there is a residual (balloon) payment, which was originally calculated as the likely value of the vehicle given the term and mileage. At the commencement of the contract the funder undertakes to repurchase the vehicle at the residual value. You have the option to retain the vehicle and the equity therein on payment of the residual value.

Advantages – Makes easy budgeting, as barring fuel and insurance, you know what your monthly motoring costs will be. Normally low initial payment. No disposal worries. No VAT on payments (small amount on maintenance only if option taken), and therefore good for businesses outside scope for VAT. Tax efficient for more expensive cars.

Hire Purchase – Usually a larger down payment is made with the balance of the purchase price being repaid over the agreement period. You pay a monthly instalment. You have full use of the vehicle 24 hours/day, 365 days of the year. Upon completion of the agreement the vehicle and the equity therein passes to you. A maintenance package is not normally included.

Advantages – A higher initial payment minimises the monthly instalments. No VAT on payments and therefore good for businesses outside scope for VAT, and those wishing to have equity in the vehicle. Tax efficient for more expensive cars.

Lease Purchase (a form of hire purchase) - Over the agreement period the full capital cost of the vehicle is repaid. You pay a monthly instalment. You have full use of the vehicle 24 hours/day, 365 days of the year. Upon completion of the agreement the vehicle and the equity therein passes to you. A maintenance package is not normally included.

Advantages – Normally low initial payment. A residual (balloon) payment can be included to minimise the monthly instalments. No VAT on payments and therefore good for businesses outside scope for VAT, and those wishing to have equity in the vehicle. Tax efficient for more expensive cars.