



#### Contract Hire in more detail

There are two distinctive types of finance agreements. Which one you choose depends on whether you wish to own the vehicle(s) at the end of the agreement or not:

**A Purchase agreement** is where you, the customer, have the right to obtain legal title to the vehicle. (Supply of Goods)

**A Hire agreement** is where you, the customer, have no option to gain legal title to the goods. (Supply of Services)

Contract Hire is a **hire agreement** and the monthly rentals are fixed and also known as an Operating Lease. This simple method of hiring can be used on new and used vehicles. The Contract Hire agreement is normally available from 24-60 months and usually up to 150,000 miles.

#### The benefits of Contract Hire

- Off balance sheet funding
- Consistent and accurate budgeting
- Improved cash flow
- Fixed interest rates
- Fixed cost maintenance available
- Low initial outlay
- Minimum capital expenditure
- No depreciation risk - underwritten by finance company
- No disposal risk
- Reduced administration costs
- Rentals allowable against taxable income
- VAT Recoverable on monthly rentals

How you are using the vehicles will depend on how much VAT can be recovered.

- Private Use - If you are using the vehicle (s) for private use then you can only claim 50% of the VAT on the Finance element.
- Business Use - If the vehicles are being used for business use, such as a Pool Car then 100% can be claimed.
- If you have chosen to include the additional Maintenance elements to the agreement than **ALL** of the VAT is recoverable on the Maintenance Element, as this is a business expense.

#### Rentals allowable against taxable income

The CO2 of the vehicle(s) you choose will dictate how much you can offset against your taxable income.

If the CO2 is 160g.km or less you can offset 100% of the taxable income.

If the CO2 rating is higher than 160g/km then the maximum you can offset is 85%.

#### Who should consider Contract Hire?

This finance option is best suited VAT registered companies who prefer to hire new or used vehicle(s) for an agreed time and mileage without ownership.

#### Still not sure which finance option is best for you?

Why not take a quick glance at our Financial Comparison Chart to make sure that you have considered the advantages and disadvantages of each finance option. Our Comparison Chart provides a checklist of finance & tax, and running cost issues.

If you require any further information or would just like to talk to one of our Customer Service Team about your individual requirements then simply call us on **0161 406 3936**.