

Contract Hire

Also known as
Operating Lease

- 🔗 **Low initial rental**
- 🔗 **No capital investment**
- 🔗 **Rentals allowable against tax**
- 🔗 **All advantages of ownership**
- 🔗 **Budgeted transport costs**
- 🔗 **Full maintenance**
- 🔗 **No disposal problems**
- 🔗 **Improved cash flow**
- 🔗 **Minimised administration**
- 🔗 **VAT recoverable**

Low initial rentals

On a typical Contract Hire Agreement, the initial payment is normally equal to just a few months rentals.

No capital Investment

Switching customer expenditure to revenue budget means off balance sheet financing and no capital investment.

Rentals allowable against tax

The rentals you pay are allowable against your profits before tax for cars costing up to £12,000. For more expensive cars this could be slightly reduced. This can result in a significant tax benefit compared with the writing-down allowance you could claim if you purchased the same car. Note that the tax is not saved forever, but is deferred. This creates additional funds, free of charge, for you to use in your business. It is this tax deferral aspect which has made Contract Hire so attractive to numerous businesses. An agreement starting at the beginning of your financial year will maximise the tax allowances available to you.

All advantages of ownership

Contract Hire gives you all the advantages of ownership and unrestricted use of the vehicle without the administration costs and the risk of depreciation.

Budgeting transport costs

A Contract Hire Agreement enables you to forecast your transport costs. The desired amount of control of further costs can be determined by the services required.

Full maintenance available

A complete maintenance package designed to suit the particular needs of your business.

No disposal problems

No worries as to disposal or value of the vehicle at the end of your contract.

Improved cash flow

The availability of variable length contracts and the low initial payment required enables an improved cash-flow to be obtained.

Minimised administration

Contract Hire can reduce such routine administration tasks such as invoice checking, operating cost records, buying, selling and maintaining the fleet.

VAT recoverable

Rental payments are subject to VAT. Whilst this is no longer fully recoverable on cars if there is any private use, the fact that the rental companies can now reclaim the input VAT on new (and other qualifying cars) means that rentals are comparatively lower. The net cost to you, the operator is still reduced.

If your business largely involves making VAT exempt supplies, or if you are self-employed or in a partnership, you should check this aspect with your accountant. We offer alternative schemes if you are not in a position to recover VAT.

Operating Lease

An Operating Lease is essentially a non-maintenance contract hire agreement providing similar benefits to those listed above.