Chattel Mortgage

Chattel mortgages are suitable for businesses wanting to purchase company vehicles or machinery.

In summary:

- Allows a business to finance a vehicle if it is used for business purposes 51% of the time.
- Uses the financed vehicle as security.
- Allows the business to benefit from ownership of the vehicle immediately.
- May include a balloon payment to lower monthly repayment costs.
- Is generally set between 2 - 5 years.
- Chattel Mortgage fees are generally lower than other forms of vehicle finance.
- May include early repayment or termination fees.
- Offers GST, depreciation, and tax-deduction benefits on a vehicle.

What is a chattel mortgage?

A chattel mortgage is a type of finance used by sole traders and businesses for the purchase of a vehicle, often due to the significant financial advantages it offers over a standard car loan. An advantage may include claiming the GST upfront and therefore assisting your cash flow but this needs to be checked with your accountant or the Australian Taxation Department.

To qualify, the vehicle must be used at least 51% of the time for business.

Chattel mortgages are a fixed-term finance contract with a fixed interest rate, most similar to secured car loans but for business customers. This means the vehicle or vehicles you purchase will still act as security for the loan, but your business can immediately take advantage of the tax benefits of ownership.

If you are approved:

- A lender will provide the funding needed to purchase the vehicle.
- You will purchase the vehicle and take full ownership and responsibility.
- You will make regular repayments to the lender for a fixed period of time.
- The lender will register a mortgage over the asset.

Chattel mortgages are required to be registered similar to how a lender secures a home loan by registering the mortgage on a property. Under this arrangement, you or your business will own the vehicle and assume full responsibility for it as an asset.