

## **Commercial Hire Purchase**

A Commercial Hire Purchase is a type of business loan used to purchase an asset from a lender by making scheduled repayments over a set period of time. At the end of the term, the borrower will make a final payment and take ownership of the asset.

This type of finance may also be called a Corporate Hire Purchase, CHP, or HP. It allows you to get the benefit of the asset whilst protecting your business cash flow.

Businesses, sole traders and self-employed individuals can all make use of commercial hire purchase, provided the asset is used predominantly for business purposes. This means at least 50% of the time. The borrower will benefit if they don't need to purchase the asset outright or own the asset immediately but can still generate income from its use.

As a CHP frees up cash flow on medium-value assets, it is often used by hospitality businesses to finance commercial kitchen equipment. While the majority of lenders offering a commercial hire purchase will focus their product around vehicle finance, a CHP can be used to finance many types of business assets.

### **How to use a commercial hire purchase for business assets**

Under a Commercial Hire Purchase arrangement, the lender agrees to purchase the asset on behalf of the customer, who will then hire the asset from the lender over a fixed term. A CHP is similar to other types of equipment finance and:

- Uses the financed asset as security on the borrowed amount
- Allows a business to pay for an asset over a fixed term instead of upfront
- Does not offer ownership of the asset until the end of the term
- May include a residual payment

The customer has free use of the asset while making repayments but will not technically own the asset until the finance amount is repaid. At the end of the contract term — when the total price of the asset (minus any residual) and all interest has been paid in full — the customer will take full ownership.

With a CHP, a business will:

- Choose an asset
- Submit an application to a lender and provide details of the asset
- Provide any additional documents required by the lender to approve the application
- Agree to lender repayments and terms when finalising the agreement
- Arrange to collect the asset from the supplier
- Make regular repayments to the lender
- Take full ownership of the asset once repayments are complete



A CHP can be suitable for businesses registered for GST on a cash accounting basis, as they should be able to claim the asset's purchase-price GST amount on their next Business Activity Statement (BAS).

**What you can finance with a CHP:**

- Vehicles — Cars, utes and vans
- Heavy vehicles — Trucks, trailers and buses
- Agricultural equipment — Tractors, trowels, cultivators
- Construction and access equipment — Excavators, loaders, forklifts, scissor lifts
- Other equipment — Computers, business fit-outs and manufacturing equipment

Contact Chocolate Money on 1300 137 539 or [info@chocolatemoney.com.au](mailto:info@chocolatemoney.com.au) for all your financing options.