

# Rental, Financial or Operational Leasing

Your options:



## Rental or Contract Hire

You lease the asset for a fixed period for an agreed monthly fee and are not the owner

### The most suitable option if:

- You don't want the risk of owning an asset
- You're looking for an off-balance-sheet financing method
- You don't want the responsibility of maintenance and repairs

### Pros

- ✓ Full use of equipment without the risk of ownership
- ✓ Payments cover maintenance and repair work
- ✓ Rental costs are reduced due to another party taking the residual value and obtaining tax benefits
- ✓ Rental payments include VAT and are fully deductible as an operating expense
- ✓ You'll know exactly what you have to pay and when you'll have to pay it

### Cons

- ✗ You don't own the forklift
- ✗ You'll have to stick within your contractual agreement
- ✗ At the end of your agreement, you'll have to give the equipment back to the leasing party, without the option of paying one final lump sum to purchase the forklift

## Financial Lease, Capital Lease or Ownership Lease

You are the owner of the asset and at the end of the leasing period, have the option to purchase the asset

### The most suitable option if:

- You want to have ownership of the asset
- You want the option to purchase the asset at the end of the leasing period

### Pros

- ✓ You are seen as the owner of the asset
- ✓ At the end of the forklift leasing period, you have the option to purchase the asset
- ✓ The expenses for the asset are allowed for tax deduction

### Cons

- ✗ Rentals are not reduced because there is no residual value
- ✗ Maintenance and repairs become your responsibility
- ✗ You adopt the risks of ownership

## Operational or Non-Ownership Lease

You are not the owner of the asset, but sometimes have the option to purchase the asset at the end of the leasing period

### The most suitable option if:

- You're looking for an off-balance-sheet method of finance
- You don't want the risk of owning the asset
- You might want to purchase the forklift or continue to rent the forklift at the end of your contract

### Pros

- ✓ Maintenance and repairs are often covered in your agreement
- ✓ The rental payments include VAT which are 100% tax deductible as operating expense
- ✓ Rental costs are reduced due to another party taking the residual value and obtaining tax benefits
- ✓ Full use of equipment without the risk of ownership

### Cons

- ✗ You are not the owner of the asset
- ✗ You might not have the option to buy the forklift at the end of the leasing period
- ✗ The rental period may be short as the leasing party will intend the asset to have a re-sale value at the end of your contract