

	RENTAL (OPERATING LEASE)	FINANCE LEASE	COMMERCIAL HIRE PURCHASE	COMMERCIAL HIRE PURCHASE (CHATTEL MORTGAGE)
Flexibility	Highly flexible –easy upgrades and add-ons at any time with a simple contract variation. Often possible without any change to monthly payment.	Less flexible – can only upgrade by taking out a new lease and paying out the old one.	Less flexible – can only upgrade by taking out a new CHP and paying out the old one.	Less flexible – can only upgrade by taking out a new CHP and paying out the old one.
Tax Treatment	Monthly payments 100% tax deductible with business use. Consistent amount for tax deduction over the period of the lease.	Interest component of payments, plus depreciation of equipment tax deductible, as per ATO guidelines. Generally higher tax deduction in earlier years of purchase and less as years progress.	Interest component of payments, plus depreciation of equipment tax deductible, as per ATO guidelines. Generally higher tax deduction in earlier years of purchase and less as years progress.	Interest component of payments, plus depreciation of equipment tax deductible, as per ATO guidelines. Generally higher tax deduction in earlier years of purchase and less as years progress.
Residual Risk	No residual risk obligation.	A pre-determined residual is owed at the end of the term.	A final balloon payment is an option with Hire Purchase contracts.	A final balloon payment is an option with Hire Purchase contracts.
Ownership	Ownership not main motivation. Equipment generally returned or re-rented. Can be purchased at end of term for an agreed amount.	Ownership is agreed and guaranteed upon payment of the predetermined residual value at the end of term.	Ownership granted at the beginning of the Hire Purchase term. Contract is finalised upon receipt of all payments and final balloon.	Ownership granted at the beginning of the Hire Purchase term. Contract is finalised upon receipt of all payments and final balloon.
Accounting Treatment	Rental/Operating Lease payments should be treated as an operating expense and so do not appear on the Balance Sheet as a financial liability.	Finance lease liabilities are noted on the Balance Sheet as capital expenditure.	Finance lease liabilities are noted on the Balance Sheet as capital expenditure.	Hire purchase commitments are noted on the Balance Sheet as capital expenditure.
GST Treatment	Payments are calculated on GST exclusive price. Payments then have GST added (which you account for on your BAS and claim as an Input Tax Credit)	Payments are calculated on GST exclusive price. Payments then have GST added (which you account for on your BAS and claim as an Input Tax Credit). Businesses who account for GST on a cash or accruals basis claim GST on each repayment over term of the lease.	Payments calculated on the GST inclusive price. No GST is applicable to the payment. Businesses who account for GST on an accrual basis are entitled to claim GST on purchase price in next BAS. Businesses who account for GST on a cash basis are entitled to claim a portion of GST on each repayment made.	Businesses who account for GST on a cash and accruals basis are entitled to claim GST on the purchase price of Chattel in next BAS