

# A Guide to Funding Methods



	Outright Purchase	Lease Purchase or Hire Purchase (HP)	Finance Lease	Contract Hire	Contract Purchase
<b>Who owns the vehicle?</b>	The Customer	The Funding Company until the final payment is made	The Funding Company until the final payment is made	The Funding Company	The Funding Company until the final payment is made
<b>Who carries the Residual Value risk?</b>	The Customer	The Customer	The Customer	The Funding Company	The Funding Company
<b>Who carries the ongoing Maintenance risk?</b>	The Customer	The Customer	The Customer	The Funding Company assuming a maintenance contract is taken	The Funding Company assuming a maintenance contract is taken
<b>Is the vehicle on or off the balance sheet?</b>	On balance sheet	On balance sheet	On balance sheet	Off the balance sheet	On balance sheet
<b>Typically, how much cash is required up front?</b>	100% of vehicle purchase price	Typically 15% of purchase price	Typically 15% of purchase price	Typically 6-7% of the purchase price (i.e. 3 months advance rental)	Typically 6-7% of the purchase price (i.e. 3 months advance rental)
<b>Who arranges delivery and collection of the vehicle?</b>	The Customer	The Customer	The Customer	The Funding Company	The Funding Company
<b>Does the customer own the vehicle at the end of the contact?</b>	Yes	Yes	No	No	Yes, if the final lump sum purchase payment is made
<b>Can the monthly payments be offset in full against tax?</b>	There are no monthly payments. Capital Allowances can be offset against tax but are limited to 25% or the vehicle price of £3000 per annum whichever is the greater.	The finance element can be offset. Capital allowances are available as per "outright purchase"	All of the monthly rentals may be offset against tax. For vehicles costing over £12,000 a proportion is disallowed.	All of the monthly rentals may be offset against tax. For vehicles costing over £12,000 a proportion is disallowed. In addition 100% of the maintenance payments may be fully offset.	The finance element is allowable with no rental restriction for cars over £12,000. Capital Allowances are also available.
<b>Assuming some private use, what % of input VAT can be reclaimed?</b>	None	None	50% of the VAT on rental payments. 100% of the VAT on maintenance.	50% of the VAT on rental payments. 100% of the VAT on maintenance.	None