



How to Play the Car Finance Game

Buying and financing a new vehicle (or fleet) for your business can become a trap for the unwary. But with guidance, you could avoid unnecessary fees, charges and costs while your business benefits from tax breaks and flexible repayment options.

Choose the right vehicle AND the right finance

Car buyers will often undertake extensive research on the make and model of the vehicle of choice and shop around for the best deal, however not afford the same amount of diligence to secure the right finance. It may well be that all your hard work securing a great deal may be undone if the most appropriate finance option is not chosen.

At the dealership, you will usually be offered a range of after-market products and accessories including finance. It's not surprising because car dealers can make a sizeable portion of their income through the sale of insurance, accessories, paint protection and finance.

On average, barely 5% of a dealer's profit comes from new car sales. Most of their profit comes from parts and services (about 50%), finance (about 30%) and insurance with the balance from used car sales¹.

Please note that the majority of car dealers only have one finance option that may not necessarily be suitable for your business and financial position, nor will they be in a position to compare the cost of other finance options.

Therefore, after negotiating that great deal, don't be lured in by car dealer finance BEFORE you know all your finance options.

Business vehicle finance eligibility

Most business vehicles are eligible for finance, including cars, utes, trucks (usually to an upper limit of 4.5-5 tonnes), motorbikes and vans. Generally, to be able to buy or lease and deduct the associated expenses within your purchase, the vehicle needs to be primarily used for business purposes. Please bear this in mind when car shopping.



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You could also potentially opt for a second-hand vehicle, but there may be restrictions based on the nature and age of the vehicle.

How do you decide your best business car finance option? Ask yourself these three questions...

- 1. What are the requirements for your business vehicle?** This will determine the type of vehicle your business needs.
- 2. What is the nature of use for the vehicle?** Will you be using the vehicle often? Will it be subject to extensive wear and tear? How often will you need to turn over the vehicle having regard to the nature of use? You may need a short finance period that allows the vehicle to be upgraded more regularly.
- 3. Do you want to retain ownership of the vehicle at term end?** Some financing options give you ownership of the vehicle on purchase, others only grant ownership at the end of the loan term while others do not grant ownership at all.

If you are looking to purchase a car (or even a whole fleet of cars) for your business, it's worth thoroughly considering your finance options.

Contact us for our guide: What are my Business Vehicle Finance Options?

As your dedicated finance specialist, we can step you through the different business car finance options to help you choose the right one for you.

1 Dealer profit margins explained - Car Advice | CarsGuide

Remember to contact us to read our topic sheet **'What are my Business Vehicle Finance Options?'**

