

Equipment Loan

Equipment is a commercial finance product that enables a financier to lend money to your business to purchase energy efficiency equipment (also known as chattel mortgage). You repay the loan via regular instalments. You own the equipment at the time of purchase, while the financier takes a mortgage over the equipment. Once the final instalment has been paid to the financier, the equipment's asset title is transferred to the customer.

Equipment loan lease finance may be a good fit if your business:

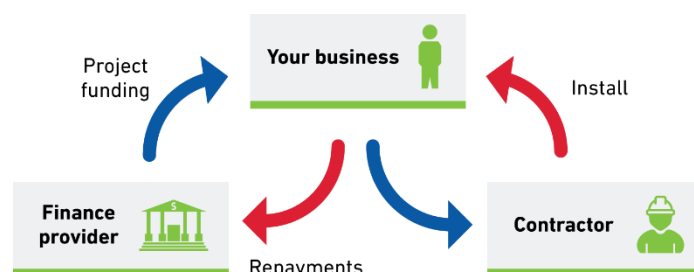
- Requires longer term financing with low monthly payments
- requires less upfront cost
- wants a faster loan as up front capital or security isn't required
- Wants to claim the depreciate of the asset

How it works

The customer enters an equipment loan agreement with the financier:

- The customer receives money to purchase equipment.
- The customer is the owner of the equipment.
- They must make regular loan repayments

- The financier holds a mortgage over the equipment until the last payment is made and the title is then transferred to the customer.



Advantages

- **No upfront capital or security:** Equipment loan loans may enable a business to undertake energy efficiency upgrades without having to find up-front capital or security.
- **Realising savings now:** Businesses that use finance for their energy efficiency projects can realise immediate cash flow benefits. Energy efficiency projects can result in higher savings than loan costs.
- **Tax and accounting:** As the business owns the asset, the business may be able to claim depreciation of the asset. As the business pays interest on the debt, the interest may be deductible at the company tax rate. Seek specific tax

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and accounting advice for your situation.

Disadvantages

- **Project risk:** As the business is considered the owner of the asset, the business bears the risk associated with owning the asset. To secure the loan, the financier may seek security of existing business assets.
- **Size and length Limitation:** Leases have a minimum project cost as well as a maximum length of around 7 years.
- **No specialised benefits:** Unlike other options, they don't guarantee things like performance or maintenance of equipment.
- **Creditworthiness:** Your businesses creditworthiness may have an impact on finance availability and rates which are offered.

Frequently Asked Questions

Which banks offer Equipment loans?

Most major banks and financiers offer Equipment Loan finance. Currently some financiers provide concessional finance for energy efficiency equipment upgrades. Visit cefc.com.au/assetfinance for more details.

What type of energy efficiency equipment can be purchased?

An example list of energy efficient equipment can be found on the CEFC website, these may vary bank to bank.

www.cefc.com.au/assetfinance

What are the loan amounts?

Varying from bank to bank, between \$7,500-\$20,000 as a minimum. Maximum is typically \$5 million. Contact your bank to understand their amounts

How long does an equipment loan last for?

Terms range between 1-7 years depending on the type of loan, bank and amount.

How do I arrange an Equipment loan?

Contact your bank directly and ask about their energy efficiency equipment loan options.

What fees can I expect?

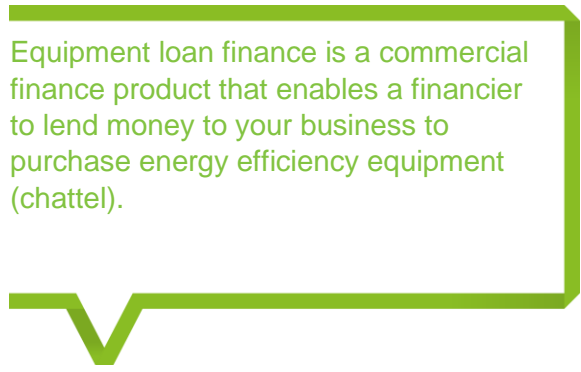
Some Banks may issue an establishment or administration fee normally around a few hundred dollars. There can also be monthly fees.

Are there any tax deductions?

The interest on the finance and depreciation of the asset may be tax deductible. There can also be monthly fees. Please seek advice from an accountant for more information.

Government subsidies

Businesses can also receive a discount on energy efficient products that are installed by accredited Victorian Energy Upgrade (VEU) providers.



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Visit <https://www.victorianenergysaver.vic.gov.au/energy-advice-for-business> for more information.

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