



Lease or Buy: That is the Question

- If the car is valued at less or equal to \$30,000 plus taxes then you are really only looking at the comparison of interest rate between leasing and buying. We can calculate rates for you if needed.
- If the vehicle is valued at higher than \$30,000, (which is the maximum deductible purchase price for tax depreciation purposes) and if the lease payment is \$800 per month or less then you may want to consider leasing. \$800 is the maximum allowable you can deduct on a lease payment.
- If you have the funds in your personal or in your business account and if the car is to be used 90% or more for business, consider buying it out right if the interest rate you are earning on your cash is less than the financing cost.
- If you are considering purchasing a new vehicle towards the end of the year there is a bias toward buying as you can deduct the full 15% amortisation for the whole year regardless of when the vehicle was purchased. Conversely there is a slight preference to leasing if you are considering a change very early in the year.
- It may not matter if the car is registered in the business name or under your name as long as the vehicle is used 90% for business. If it is used less than 90% of the time for business, buy or lease it personally and have costs reimbursed to you by the business. You still deduct all expenses for the vehicle in the business/corporation and the business can pay costs including loan/lease payments directly or by reimbursement to you. If the vehicle is not in the business name, then GST cannot be claimed on the lease cost of the vehicle.