

What is Contract Hire?

Contract Hire is simply an agreement for a business user (sole trader, partnership, limited company, PLC or charitable organisation) to hire a vehicle for a specific period, usually between 12 and 60 months. Rentals are normally paid monthly, with an initial payment equivalent to only three rentals. Rentals are determined by the capital cost of the vehicle (less a generous fleet discount), the vehicle's anticipated annual mileage, the term of the agreement and the vehicles predicted future value.

Because even a small number of vehicles can represent a significant investment in both time and money, many businesses favor Contract Hire because it offers a much simplified route for acquisition, servicing and disposal - all for a fixed monthly rental. In turn, this aids cash-flow, future planning and removes the financial risks associated with owning vehicles.

Contract Hire also offers a particularly tax efficient alternative to traditional finance methods and offers VAT registered businesses the opportunity to reclaim a portion of VAT on cars. Furthermore, a proportion of rentals can be offset against taxable profits and because Contract Hire vehicles do not appear on the balance-sheet (as ownership remains with the leasing company), the removal of these expensive capital assets can enhance a company's gearing (borrowing) ratio.

The main benefits of Contract Hire can be summarised as follows:

- Accurate Monthly Budgeting
- Minimum Capital Expenditure
- Fixed Interest Rates
- No Depreciation Risks
- No Disposal Hassles
- Optional Maintenance Agreement
- Improved VAT & Tax Efficiency

Customer Comment:

"...we were failing to get the impartial advice we needed. Fortunately we came across you. Like a breath of fresh air the team explained in English, all we needed to know about the (vehicle) leasing concept. We felt this was very thorough and were delighted with the outcome. Our success with both of our new vehicles is a product of the professionalism and knowledge of your team. You understand your business very well, which enables us to get on with ours!" [Mr Chris Allen](#)

Frequently Asked Questions

Q. What models are available?

A. KVS can supply any model of new car or light commercial vehicle. Customers choose the colour trim and any options.

Q. Are used vehicles available and are they cheaper?

A. Yes - used cars are available on Contract Hire although they normally work out to be more expensive. Several factors make used cars more expensive. Firstly the difference in residual value. Although used cars are less expensive - they're also worth less at the end of the contract. Secondly, leasing companies benefit from an economy of scale when buying new - a benefit passed on in the way of reduced rentals.

Q. Where will the vehicle come from and where will the servicing be done?

A. Vehicles are sourced from KVS preferred suppliers and delivered directly to the customer's home or office. However, if the customer would prefer their local dealer to supply, this can usually be arranged. Even if the car comes from a KVS supplier the local Dealer will be happy to carry out the servicing etc.

"A reputation built on service"

Main Street - Cherry Burton - East Yorkshire - HU17 7RF - Tel. 0845 166 2405 - Fax. 0845 166 2406

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- Q. What else is included in a contract?
- A. All Contract Hire agreements include Road Tax for the duration of the agreement, with replacement discs being sent in the post. Unless the optional maintenance agreement is selected the customer is responsible for the vehicles servicing and replacement tyres. Servicing must be carried out in-line with the manufacturer's guidelines using genuine parts.
- Q. What is included in the optional maintenance package?
- A. The optional maintenance package will cover all of the vehicle's routine servicing; any repairs not covered by the warranty and replacement tyres (due to fair wear and tear). An additional monthly charge is made to cover maintenance.
- Q. What if the vehicle covers more than anticipated mileage?
- A. If the vehicle is returned with mileage in excess of the agreement then a 'pence per mile' penalty will apply at the rate specified in the agreement. This is usually somewhere between 3p and 10p per mile, however, it could be higher for very expensive vehicles.
- Q. What happens if the car is damaged in an accident?
- A. Contract Hire vehicles must be covered by a fully-comprehensive motor insurance policy at all times. If the vehicle is damaged then the insurance company will repair it in the normal way.
- Q. What if the vehicle has some damage when it's returned to the leasing company?
- A. Normal wear and tear is expected and this is quite acceptable. However, large scratches, cracks in glass, large dents, rips in upholstery etc., are not acceptable. In the event of damage considered to be beyond 'fair wear and tear' a charge will be made for rectification. At the end of the agreement Key Vehicle Solutions can advise customers as to what is considered acceptable. (For further information please ask for a copy of the BVRLA 'Fair Wear and Tear Guide').
- Q. Where do I have to take the car at the end of the contract?
- A. Nowhere! KVS will arrange for the vehicle to be collected directly from your home or office.
- Q. Can I buy the car at the end of the contract?
- A. Some leasing companies will offer customers first refusal on buying the car at the end of the contract. However, in our experience prices are seldom attractive, so it usually makes more sense to send the car back and take out a new contract.
- Q. What are the VAT rules for Contract Hire?
- A. VAT Registered businesses can reclaim half of the VAT charged on rentals. However, if the optional maintenance agreement is selected then all of the VAT can be claimed on that portion of the rental.

Any further questions?

Please contact us on 0845 166 2405 and we will be pleased to answer your questions without obligation.

N.B. This document is intended for information purposes only and does not form part of an agreement.

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