POSmate POS System Leasing

In today's economy leasing a POS system becomes an attractive proposition to start-up businesses, which don't want to spend a great deal on equipment prior to their opening. Even established businesses may wish to upgrade their POS infrastructure without the hassle of extensive up front investments. POSmate clients now have the option to lease-out POS systems and take advantage of a new revenue model.

When should one consider leasing? How would we explain the difference of leasing vs. purchasing?

The advantage of leasing is a cash flow matter. When you want a new car, you get presented with the option to buy it or lease it. When you buy it, you have to come up with the cash amount (unless you pay it off in rates) or you can lease it for a fixed amount per months for the duration of the lease. In other words, a business has more flexibility with its cash flow, when it leases equipment as opposed to having to come up with a lump sum to buy it. This gives the business more flexibility to spend its money on other things as well such as additional inventory of hiring more start up staff. Start-up businesses have limited resources, so leasing equipment places less immediate strain on the back account.

Moreover, in the Australia there are tax advantages. The key component of a FMV lease (Fair Market Value Lease) is that the lessee has the option to return the equipment at the conclusion of the lease (24 months) -- without further obligation. The lessee may also have the option to purchase the equipment for its "fair market value" or to continue leasing the equipment from the lessor. Technically, the lessee does not own the equipment - it is similar to a rental. The lessee does not record the equipment as an asset on its balance sheet, nor does the lessee record a long term liability. The lease is generally treated as an off-balance sheet, "operating expense" and hence, it is 100% TAX DEDUCTIBLE.

Definition Fair Market Value (FMV) Lease – Australian Taxation Office

"Equipment lease where the lessee has the option to either continue the lease at the FMV renewal rate, or to buy the asset at its FMV at the end of the lease term."