

Hire purchase or lease? 3/43/22

A hire purchase is different from a lease in terms of various economic risks and VAT treatment. Although the customer is allowed to pay the purchase price by instalments, the supplier is liable to calculate and pay VAT on the entire amount of the transaction. This VAT treatment is not new, yet we have had to deal with situations where a taxable person has missed this important difference or finds it difficult to determine what kind of transaction is in fact taking place. This article explores key differences between the two transactions for VAT purposes.

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