

OPTIONS FOR PROCUREMENT OF A NEW TRACTOR BY THE SHIRE FOR USE BY THE DDRA

The existing Darling Downs Residents Association (DDRA) tractor is now about 20 years old. A recent inspection by the Shire indicates that the age of the tractor means that it is likely to become very expensive to maintain as many parts are wearing out. This costly repair cycle has already started. Therefore, it will be important to procure a new tractor so the DDRA can continue their work maintaining the Darling Downs Equestrian Park (DDEP) on behalf of the Shire. A synopsis of the requirement is provided in Enclosure 1.

After extensive analysis conducted earlier this year (*see the attachment provided with the associated email*), the best option for replacement has been identified as the Kioti DK4810 with a Front End Loader (FEL), a 4-in-1 bucket, Roll-Over Protection (ROP) and canopy, and pallet forks. This new tractor will allow the DDRA to effectively continue maintaining the DDEP, which could otherwise be jeopardised when the old tractor fails.

Two quotes were identified from local distributors, and the quoted costs (including GST) are outlined in Table 1. These quotes were recently updated, and the quotations from the suppliers are provided in Enclosures 2 and 3. As illustrated in this table, Beacon has provided a quote that is \$4,260 less than the one supplied by Wattleup Tractors. Consequently, procurement through Beacon is the cheaper option.

Table 1: Quotes for procurement of a Kioti DK4810

	Wattleup Tractors	Beacon
Kioti DK4810	\$46,310	\$ 43,990
KL5510 Loader & 4in1 Bucket	Included	Included
Pallet Forks	\$1,400	\$ 1,250
ROP Canopy & Mounting Kit	\$1,200	\$ 650
Counterweight/Ballast Box	\$1,650	\$ 800
Delivery	\$390	Nil
Total	\$50,950	\$ 46,690

A key advantage of the Shire purchasing a new tractor is that it can avoid projected high maintenance costs for the old DDRA tractor. Additionally, it can help to optimise the Shire's tax position. For example, the current DDRA tractor is so old that it is unlikely to provide a depreciation benefit to support the Shire's tax position. A new tractor can be depreciated⁽¹⁾ to help the Shire enhance its bottom line. Additionally, using any of the three proposed financing options (*discussed below*), the Shire can claim reimbursement for the GST component of the purchase price (\$4,244.55) to help offset the up-front costs.

1. In line with Australian Tax Office (ATO) guidance, the replacement DDRA tractor can be assessed in terms of arboriculture and gardening services. Consequently, it would have an effective life (for depreciation purposes) of 8 years. Therefore, depreciation can be claimed at 12.5% per annum under the prime cost rate, or 25% for the diminishing value rate. The implications of these depreciation rates are illustrated in Enclosure 4.

The Shire will also likely gain from trading in the existing DDRA tractor, which may yield about \$15,000. As outlined in the three procurement options discussed below, these funds could be utilised to minimise the procurement cost or be included directly in the Shire's operational funds if considered appropriate.

Three options have been identified to finance the procurement and help optimise the cashflow position of the Shire through this procurement. These options are defined as:

- **Option 1: Purchase outright.** In this option, the Shire will purchase the Kioti DK4810 and the ancillaries. It has been assumed that the trade-in value of the old DDRA tractor would be applied to minimise the overall purchase price.
- **Option 2: Use a Chattel Mortgage to cover the purchase cost minus the trade-in of the old DDRA tractor.** In this option, a chattel mortgage⁽²⁾ would be utilised to fund the purchase of the DK4810. After the GST component is removed (*as the ATO should rapidly reimburse this*), as well as the trade-in for the DDRA tractor (*estimated at \$15,000*), this would mean that only about \$27,445 would need to be financed in this way.
- **Option 3: Use a Chattel Mortgage for the full ex-GST purchase cost.** This alternative provides a variation on Option 2. In this case, the Shire would utilise a chattel mortgage to finance the purchase price minus the GST component (*as this should be reimbursed*). In practical terms, this would mean that the chattel mortgage would finance about \$42,445. By doing this, the Shire may be able to take the trade-in revenue from selling the old DDRA tractor and utilise these funds for other operational purposes.

As outlined in more detail in Enclosure 4, a cashflow and tax position analysis was undertaken. The outcomes of this analysis are:

- **Option 1: Purchase outright.** This approach aligns with standard procedures utilised by the Shire to procure equipment. Implementing the changeover can provide substantial depreciation-related tax benefits over the asset's ATO Effective Life (EL). In particular, the Diminishing Value approach may create greater initial benefits. Additionally, as the DDRA tractor is likely to be operational for many more years than the ATO EL, this would allow ongoing depreciation benefits to be claimed. The downside to this approach is that the purchase cost is front-loaded. However, after the trade-in of the current DDRA tractor, the total cost (ex GST and trade-in) is expected to be about \$27,445.
- **Option 2: Use a Chattel Mortgage to cover the purchase cost minus the trade-in of the old DDRA tractor.** This option avoids the up-front costs associated with an outright purchase, which may help the Shire's operational cashflow. A chattel mortgage

2. A chattel mortgage is a type of financing that can be used to help deliver the following benefits in this case. Firstly, when using a chattel mortgage, the Shire can claim back the GST at the end of the next reporting period. In other words, for this purchase, the Shire can seek rapid reimbursement of the GST component of the purchase (\$4,244.55), which helps reduce the cashflow impact of the procurement. Additionally, interest charges and depreciation are tax deductible. Lastly, the transaction can be implemented before maintenance on the DDRA tractor becomes too expensive, and the Shire can avoid the front-loading of cost associated with an outright purchase using the Shire's funds (Option 1).

covering \$27,445 (*purchase cost – GST and trade-in*) would accrue a monthly payment of \$414.23 (*at 7% interest and a 7-year term*). Additionally, because the Shire may be able to claim financing fees, interest costs and depreciation as positive tax positions, this can mostly offset the cost of capital associated with this option (see Enclosure 4).

- **Option 3: Use a Chattel Mortgage for the full ex-GST purchase cost.** As illustrated in Enclosure 4, the monthly repayments for a chattel mortgage on \$42,445 would be about \$640.62 (*at 7% interest and a 7-year term*). Interestingly, because of this option's higher loan repayment rate, the tax/cashflow position is less positive than Option 2.

Consequently, the following recommendations are made:

- If the Shire wishes to utilise standard up-front procurement approaches, then Option 1 is recommended.
- If the Shire wishes to minimise the front loading of the purchase by using a chattel mortgage, then Option 2 is likely to provide the best cashflow/tax position.

Enclosures:

1. Business Case for the replacement of the existing DDRA tractor
2. Updated Quotation from Wattleup Tractors
3. Updated Quotation from Beacon
4. Simplified cost/tax benefit analysis of the three options

1. Vehicle/ Make and Model

Type	Tractor
Make/Model	Kioti DK4810
Business Unit/ Driver	Shire loan to Darling Downs Residents Association
Linked to New FTE request	No (Volunteer Effort)

As shown in Figure 1, this is a relatively small utility tractor, which will also be fitted with a 4-in-1 bucket, sun/safety canopy, and pallet forks.



Figure 1: DK4810 with loader and 4-in-1 bucket (the proposed version will also have a canopy)

2. Mandate and expected benefits

Background

In 2005, the Shire of Serpentine Jarrahdale purchased a Daedong DK35 tractor and loader for use by the Darling Downs Residents Association (DDRA). This tractor was provided so the DDRA volunteers could conduct work within the Darling Downs Equestrian Park (DDEP) on behalf of the Shire. Notably, the finance used to purchase this tractor was predominantly supplied from DDRA funds provided by the developers when the Darling Downs Equestrian Estate (DDEE) was established.

Figure 2 (overleaf) illustrates that this tractor has been used widely within the DDEP for vegetation clearance (e.g. clearing fallen trees and branches), tilling, spraying, spreading, mowing, grading and track levelling. Consequently, it has been an essential tool that has allowed the DDRA to bring the entire 76 hectares of the DDEP under high-quality management.

This effort means that the Shire's workload in this area is minimised, and it is widely acknowledged that the DDRA is excellently maintaining the DDEP. This voluntary effort delivers a real financial benefit to the Shire. For instance, during this Financial

Year (between 1 July 2023 and 23 January 2024), the DDRA has provided more than 1,300 hours of effort to maintain and manage the DDEP. If the Shire had to do his work, it would have cost us over \$103,000. Similarly, during the 2022/23 FY, DDRA volunteers supplied more than 2,254 hours of effort. In practical terms, these tasks would have cost the Shire more than \$178,069 in personnel costs alone.



Figure 2: Just some of the uses for the current DDRA tractor

Current Situation

The DDRA has carefully maintained the current tractor using its funds and ongoing efforts. This care is illustrated by the generally good condition of the tractor, as shown in Figure 3 (*overleaf*).



Figure 3: A recent picture of the DDRA tractor

However, this tractor is 19 years old, and various critical parts and systems are starting to fail. For example, the Master Hydraulic Control Valve (MHCV) is currently failing, as demonstrated in the videos at the following links:

https://darlingdownsra.sharepoint.com/:v:/g/EfINPkoq9adAgeAzA2aN7NUBrJ-vJvOzV8vg6qW_xIur7g?e=vOJfpV.

https://darlingdownsra.sharepoint.com/:v:/g/ESq1J6MiUWFGukSnxM8kZKcBaiceoLUg7C6TIKoY_D8jA?e=PeuhBT

https://darlingdownsra.sharepoint.com/:v:/g/EapIjbbH01xOr47c614Fp4AB3hMBwxNT60R0A1yRHr_6PA?e=OjSYTI

A short-term fix has been implemented to limit this shuddering and uncontrolled movement of the equipment on the three point linkage (3PL). However, the DDRA has been advised that the MHCV is likely to fail in the near future. Other systems, such as the electrics, are also starting to fail. Unfortunately, it is proving to be very hard to source replacement parts for a 2005 vintage tractor.

In practical terms, this means the following:

- Maintaining the existing tractor will likely become more difficult and costly. For instance, after the DDRA discussed the issues with the mechanics at Wattleup Tractors, they had to adjust their budget until the end of the 26/27 Financial Year. The updated budget includes forecast/contingent costs of more than \$8,000 to

keep the tractor operational. This projected expenditure could be better spent on other works that will benefit the many users of the DDEP.

- As sourcing replacement parts is expected to become more challenging, future mechanical failures will likely mean that the DDRA tractor is not available to support the required tasks.
- In these circumstances, the Shire will need to conduct tasks currently being conducted by the DDRA volunteers, which will put further operational and financial pressure on our team.

A Solution

It is recommended that the existing DDRA tractor be replaced to avoid the problems identified above. An analysis of possible replacements was undertaken, and this included investigating the following options: John Deere 3038E, John Deere 3046R, John Deere 4044R, Kubota L3800, Kubota L4600 HD, Kioti CK3710, Kioti CK4210, Kioti DK4810, CASE IH Farmall 35B, CASE IH Farmall 40B and CASE IH Farmall 50B. The investigation shortlisted key options and then analysed which would provide the best value for money.

As a part of this investigation a range of key tools/accessories were also costed. These tools/accessories will ensure that the replacement tractor can safely and effectively meet the work requirements. These tools/accessories are:

- (1) **4-in-1 bucket.** The existing tractor has a square bucket, which has been used extensively. However, this bucket is severely limited in its capabilities. In particular, the current tractor cannot effectively grab material (e.g. branches, etc.) to move them around. The DDRA have had to utilise the pallet forks, which are often ineffective in meeting the objectives. On the other hand, as shown in Figure 1, the 4-in-1 bucket will allow the replacement tractor to move and manipulate trees/branches more effectively. Using a 4-in-1 bucket also means that materials can be stacked more readily for mulching by the Shire. Consequently, this bucket will remove the need for a great deal of manual handling and make these operations quicker and safer.
- (2) **Pallet Forks.** Pallet forks will also need to be included to support moving materials and equipment. For example, this will facilitate using the sprayer and man cage. It also means that equipment can be stacked effectively on the racking shown in Figure 3. Without the forks, these operations would be impossible.
- (3) **Canopy.** The current tractor has a sun/safety canopy. This canopy helps reduce the risks of objects falling on the operator (e.g. overhanging branches) and provides some shade for the operator to reduce skin cancer risks. A similar canopy has also been recommended for the replacement tractor.
- (4) **PTO & Three Point Linkage.** A rear Power Take-Off (PTO) will be essential to ensure that existing equipment, such as the flail mower (as pictured in Figure 3), can be operated. A standard Category 1 three-point linkage (3PL) will also be essential to allow other equipment, such as the grader, to be utilised.

The Recommended Tractor

Key comparisons related to the top two shortlisted tractors from the options discussed above are outlined in Table 1.

Table 1: Comparison of the top two Shortlisted Tractors ⁽¹⁾

Capability/Information	Kubota L4600HD	Kioti DK4810
Total Price	\$ 52,066.00	\$ 48,820.00
Dimensions		
Total length (mm)	2995	3157
Total width (max) (mm)	1585	1730
Wheelbase (mm)	1845	1810
Height of the ROPS (mm)	2330	2246
Weight with ROPS (kg)	1450	1596
Engine		
Engine	Indirect injected vertical, water-cooled 4 cyl diesel	Daedong 4B243DTL-A1
Horsepower	46.3	48
Number of Cylinders	4	4
Drivetrain		
Gearbox	Constant mesh with synchronised Shuttle	3 range hydrostatic transmission
Max Speed - Forward (Kph)	25.4	31.7
4WD	Standard	Standard
Hitch/Linkage		
Type	Cat 1 3PL	Cat 1 3PL
Lift capacity (kg)	1053	1232
PTO		
Type	Live continuous running	Hydraulic independent
Location	Rear	Rear
Roll Over Protection System		
ROPS	Yes	Yes
Integral Sun/Safety Canopy	Yes	Yes
Loader		
Loader Type	7J286-13210	KL5510
Bucket	4-in-1	4-in-1
Pallet Forks	Yes	Yes
Lift Capacity (kg)	530	575
Counterweight Required	Yes	Yes

An analysis of the options discussed above has identified that the Kioti DK4810 can provide the best value-for-money option to achieve the required activities effectively. For instance, the Kioti DK4810 has the power to complete key tasks that are beyond

- Note: Quotes are based on 14 day validity from 22 January 2024. However, they should be indicative.

the current tractor's capabilities. As examples, the DK4810 will be able to spread sand in the arenas and slow track more effectively, and move items that are currently too large for the DK35. Additionally, the DK4810 bucket linkages will allow the DDRA to level areas and achieve required earthworks that are not feasible with the current tractor.

It is also noteworthy that if the purchase of the Kioti DK4810 is made before the end of February 2024, Kioti will provide additional equipment up to the value of \$3195 (inc GST). This offer means the pallet forks would cost nothing, and a post-hole digger or new grader blade could be procured at little cost.

Benefit

The provision of a replacement tractor will:

- help to ensure that the DDRA can continue to maintain the DDEP efficiently and cost-effectively; and
- ensure that the Shire personnel and other equipment will not be required to maintain the DDEP, which can save us significant money, as discussed above.

3. Cost

	\$ inc GST
Purchase Cost and Fit out Cost	
<i>(include any additional items to make plant operational such as branding or vehicle mounts etc)</i>	
Kioti DK4810 Tractor (with hydrostatic transmission), ROPS, Loader, 4-in-1 bucket, cruise control, 4WD, diff lock, 1 x rear remote, drawbar, 3-point-linkage)	\$ 44,995
Integral ROP Sun/Safety Canopy	\$ 1,200
Counterweight (safety requirement)	\$ 990
Pallet Forks (Note the discount above)	\$ 1,245
Delivery to site	\$ 390
Total Purchase Cost	\$ 48,820
Annual Maintenance and Running Costs	\$ 3093 (see the following notes)
<i>Notes on Annual Maintenance and Running Costs</i>	
1. The DDRA tractor is not used on every working day. Additionally, the tractor is just working within the DDEP. Consequently, fuel and other long-distance	

running costs are not applicable. Consequently, the total costs are considerably lower than for a normal Shire vehicle.

- 2. There is a two-year warranty (up to 2000 hours of operation) for the drive train and a two-year warranty (up to 1500 hours of operation) for the rest of the tractor. Consequently, maintenance costs for the first two years can be expected to be low, which means that the annual maintenance costs are likely to be substantially lower than would be required for the current DDRA tractor.*
- 3. As implemented for the current tractor, the primary cost for the Shire will include covering registration and insurance. Consequently, ongoing costs for the Shire are minimal.*
- 4. In line with the management and operating expense approach applied to the current tractor, the maintenance and running costs for the new tractor will be supported by the DDRA budget.**

4. Alternative Options

Three alternative options are available, which are discussed in the following table.

Alternative Option Description	How does the option vary from this business case?	What would the implications of this option be?
Continue using the current DDRA tractor	In this case, a replacement tractor will not be procured	<p>The following are the key implications:</p> <ol style="list-style-type: none"> (1) The DDRA tractor is likely to begin failing more often. (2) Repairs are going to be quite expensive and may be delayed due to the lack of spare parts for this vintage tractor. (3) While the tractor is unavailable, the DDRA will not be able to complete critical tasks that are essential to maintaining the DDEP. (4) The Shire will need to fulfil many tasks that volunteers would otherwise complete. This outcome can add significant operational and cost burdens on the Shire.

Alternative Option Description	How does the option vary from this business case?	What would the implications of this option be?
Purchase the Kubota L4600 HD	In this case, the alternative option from the shortlist will be procured and utilised.	(1) The Kubota L4600 HD is a capable tractor that can meet the DDRA's needs. (2) However, as illustrated by the information in Table 1, it is not quite as capable as the Kioti DK4810. (3) This option will cost the Shire an extra \$3,246. (4) This option does not provide the current bonus of getting the extra equipment gratis (as discussed above).
Lease/finance the tractor	It may be feasible to implement a lease/finance arrangement for either of the tractor options.	(1) This would allow the phasing of cashflows, which can alleviate the up-front costs of an outright purchase.

5. Executive Review and Endorsement

This section is completed by Corporate Performance during budget deliberations.

Date Discussed:	
Project Endorsed?	
Comments:	
Call to action:	

Enclosure 2: Wattleup Tractors updated quote

From: Luke Bundesen <lukeb@wattleuptractors.com.au>
Sent: Thursday, 21 November 2024 2:49 PM
To: Bruce Hilliard <President@ddrawa.onmicrosoft.com>
Subject: RE: Tractor quotes

Hi Bruce, yes the price is still valid on stocked tractors
 Price is valid till the end of December, but only while stocks last.

thanks

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WATTLEUP
TRACTORS



FENDT



From: Bruce Hilliard <President@ddrawa.onmicrosoft.com>
Sent: Thursday, 21 November 2024 9:14 AM
To: Luke Bundesen <lukeb@wattleuptractors.com.au>
Cc: Peter Benson <Vice-President@ddrawa.onmicrosoft.com>
Subject: RE: Tractor quotes

Dear Luke,

Back in September, you provided a quote for a DK4810 tractor (see below). The Shire is moving closer to a decision. Can you please provide an update to the earlier quotation that will be valid until the end of December 2024.

Wishing you all the very best,

Bruce Hilliard

President

Darling Downs Residents Association

Mobile: +61 (0)410 745 731

Email: President@ddrawa.onmicrosoft.com

Click this link to visit the DDRA [Web Page](#)

Click this link to access the DDRA [Facebook Page](#)



From: Luke Bundesen <lukeb@wattleuptractors.com.au>
Sent: Wednesday, 11 September 2024 10:20 AM
To: Bruce Hilliard <President@ddrawa.onmicrosoft.com>
Subject: RE: Tractor quotes

Hi Bruce

Current prices on the tractor and attachments
DK4810 Kioti Tractor with front end loader and 4n1 bucket \$46310 inc gst
Canopy \$1200 inc gst
Pallet Forks 1000kg \$1400 inc gst
400kg rear counterweight \$1650 inc gst
Delivery to Serpentine \$390 inc gst
Total \$50950 inc gst

Current Finance programs for all New Kioti Tractors
1.95% over 24 months with 30% deposit
3.95% over 36 months with 30% deposit
4.95% over 48 months with 30% deposit
5.95% over 60 months with 30% deposit

Hope this helps

thanks

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9'Dwtej gm'Y c {. 'Mgy f crg'Y C'8327'nRQ'Dqz'3257.'Enq xgtf crg'Y C'8327
G'luke@wattleuptractors.com.au "Y 'y y y Qy c wrgwr Qeqo_ "



Beacon Equipment

Enclosure 3: Beacon Equipment
Quotation

ACN: Bepassey Nominees Pty Ltd
ABN: 15 081 442 908
7-9 Baile Road
Canning Vale, Perth WA
Ph: 08 9456 5811 Fax:
Email: admin@beaconequipment.com.au

Invoice to:

DARLING DOWNS RESIDENTS ASSOC
154 COMIC COURT
DARLING DOWNS WA 6122
0404222906 ,

Deliver to:

DARLING DOWNS RESIDENTS ASSOC
154 COMIC COURT
DARLING DOWNS WA 6122

Quote	Date	A/C Abbn	Order #	ABN
Quote 11375 #1	19/11/2024	DAR042		

Loc	Item Number	Description	Qty	Price	Total
-	NO\ITEM NUMBER	KIOTI DK4810 WITH FEL (4IN1)	1	\$43,990.00	\$43,990.00 T
-	NO\ITEM NUMBER	HIMAC PALLET FORKS	1	\$1,250.00	\$1,250.00 T
-	NO\ITEM NUMBER	ROPS MOUNTED CANOPY	1	\$650.00	\$650.00 T
-	NO\ITEM NUMBER	BALLEST BOX	1	\$800.00	\$800.00 T

Please send all remittances to admin@beaconequipment.com.au
BEACON EQUIPMENT BSB: 016-307 ACCOUNT: 455520117



Paul Beacon was pleased to serve you.

Sub-Total Ex GST **\$42,445.45**

GST Content **\$4,244.55**

Ordinary Council Meeting 9 December 2024
TOTAL IN GST **\$46,690.00**

Quote

Approximate Trade In Price (TBC) \$ 15,000

Notes: Asset depreciation may be claimed for tax purposes in all three options. If the tractor is associated with Gardening Services, the expected life for tax purposes may be considered as eight (8) years. The following figures are based on depreciation claims using the Prime or Diminishing Value techniques. The front-loaded costs associated with the outright purchase are not included to help simplify the apples-and-apples comparison. However, when assessing the actual cashflow outcomes, the front-loaded purchase costs must be included in the analysis. Lastly, there are a number of other holistic factors that will need to be taken into account when determining the cashflow implications. However, for the purpose of a primary analysis, this provides figures that are likely to be related to a general outcome.

Option 1

Purchase outright

Purchase price	\$	46,690
GST Component	\$	4,244.55
Purchase Price ex GST	\$	42,445.45
Purchase price minus trade-in & GST	\$	27,445.45

Depreciation Only	Prime Cost	Diminishing Value
Year 0	\$ 5,305.68	\$ 10,611.36
Year 1	\$ 5,305.68	\$ 7,958.52
Year 2	\$ 5,305.68	\$ 5,968.89
Year 3	\$ 5,305.68	\$ 4,476.67
Year 4	\$ 5,305.68	\$ 3,357.50
Year 5	\$ 5,305.68	\$ 2,518.13
Year 6	\$ 5,305.68	\$ 1,888.59
Year 7 (End of life for tax purposes)	\$ 5,305.68	\$ 1,416.45
Total	\$ 42,445.45	\$ 38,196.12

Tax Claim GST, Depreciation & Trade-in	Prime Cost	Diminishing Value
Year 0	\$ 24,550.23	\$ 29,855.91
Year 1	\$ 5,305.68	\$ 7,958.52
Year 2	\$ 5,305.68	\$ 5,968.89
Year 3	\$ 5,305.68	\$ 4,476.67
Year 4	\$ 5,305.68	\$ 3,357.50
Year 5	\$ 5,305.68	\$ 2,518.13
Year 6	\$ 5,305.68	\$ 1,888.59

Year 7 (End of life for tax purposes)	\$	5,305.68	\$	1,416.45
Total	\$	61,690.00	\$	57,440.66

Option 2

Use a Chattel Mortgage to cover the purchase cost minus the trade-in of the old DDRA tractor

Notes: (1) It has been assumed that the Shire would claim the GST relatively quickly in their BAS, so this would not need to be funded in the chattel mortgage. (2) It has been assumed that the loan would be taken for the maximum time of 7 years to match this closely with the defined ATO Effective Life of the asset. (3) It has been assumed in all cases that the depreciated value of the current DDRA tractor will be zero (as it is 20 years old), so this will not adversely impact the Shire's tax position (and tax free status). (4) It has been assumed that the GST for the full amount of the purchase price can be claimed even though the trade-in is applied. This needs to be confirmed. (5) The interest rate and establishment fees have been supplied by Ledge Finance, who were recommended by Beacon. It is possible that a lower interest rate and establishment fee can be identified with further shopping around if Option 2 or 3 is selected. Variations on terms for the loan and interest rates can be assessed by utilising the spreadsheet provided with the associated email.

Assumption: It has been assumed that the loan would be taken for the maximum time of 7 years to match this as closely as possible to life of the asset.

Assumption:

Purchase Price (Ex GST)	\$	42,445.45		
Minus Trade in (Chattel Mortgage Amount)	\$	27,445.45		
Nominal Interest Rate		7%	As provided by Ledge Finance	
Establishment Fee	\$	800.00	As provided by Ledge Finance	
Monthly Repayments		\$414.23		

Interest Claim per annum	Total Outgoing - Principal & Interest	Interest	Prime Cost	Diminishing Value	Total Cashflow (Prime)	Total Cashflow (Diminishing)
Year 0	\$ 4,970.70	\$ 1,821.42	\$ 9,550.23	\$ 14,855.91	\$ 4,579.52	\$ 9,885.20
Year 1	\$ 4,970.70	\$ 1,593.75	\$ 5,305.68	\$ 7,958.52	\$ 334.98	\$ 2,987.82
Year 2	\$ 4,970.70	\$ 1,349.63	\$ 5,305.68	\$ 5,968.89	\$ 334.98	\$ 998.19
Year 3	\$ 4,970.70	\$ 1,087.86	\$ 5,305.68	\$ 4,476.67	\$ 334.98	-\$ 494.04
Year 4	\$ 4,970.70	\$ 807.17	\$ 5,305.68	\$ 3,357.50	\$ 334.98	-\$ 1,613.20
Year 5	\$ 4,970.70	\$ 506.19	\$ 5,305.68	\$ 2,518.13	\$ 334.98	-\$ 2,452.58
Year 6	\$ 4,970.70	\$ 183.45	\$ 5,305.68	\$ 1,888.59	\$ 334.98	-\$ 3,082.11
Year 7 (End of life for tax purposes)			\$ 5,305.68	\$ 1,416.45		
					\$ 6,589.39	\$ 6,229.28

Option 3**Chattel Mortgage on the total purchase price minus GST**

Notes: (1) Similar assumptions to those provided above have been applied.

Purchase Price (Ex GST)	\$	42,445.45	
Nominal Interest Rate		7%	As provided by Ledge Finance
Establishment Fee	\$	800.00	As provided by Ledge Finance
Monthly Repayments		\$640.62	

Interest Claim per annum	Total Outgoing - Principal & Interest	Interest	Prime Cost	Diminishing Value	Total Cashflow (Prime)	Total Cashflow (Diminishing)
Year 0	\$ 7,687.44	\$ 2,816.89	\$ 24,550.23	\$ 29,855.91	\$ 16,862.79	\$ 22,168.47
Year 1	\$ 7,687.44	\$ 2,464.80	\$ 5,305.68	\$ 7,958.52	-\$ 2,381.76	\$ 271.08
Year 2	\$ 7,687.44	\$ 2,087.26	\$ 5,305.68	\$ 5,968.89	-\$ 2,381.76	-\$ 1,718.55
Year 3	\$ 7,687.44	\$ 1,682.43	\$ 5,305.68	\$ 4,476.67	-\$ 2,381.76	-\$ 3,210.77
Year 4	\$ 7,687.44	\$ 1,248.33	\$ 5,305.68	\$ 3,357.50	-\$ 2,381.76	-\$ 4,329.94
Year 5	\$ 7,687.44	\$ 782.85	\$ 5,305.68	\$ 2,518.13	-\$ 2,381.76	-\$ 5,169.31
Year 6	\$ 7,687.44	\$ 283.72	\$ 5,305.68	\$ 1,888.59	-\$ 2,381.76	-\$ 5,798.85
Year 7 (End of life for tax purposes)			\$ 5,305.68	\$ 1,416.45		
					\$ 2,572.24	\$ 2,212.14