Things to consider before purchasing new machinery?

For most businesses, even those with large turnovers, purchasing a new machine is a huge financial decision that should not be made lightly. Some machinery costs a substantial amount of money, so that purchase can alter the cashflow of the business. It is also important to consider a number of other factors, such as how much use the machine will get, and what extra work flow it will create. This is explained below. In this guide we look at some of the important points to consider before purchasing any new machinery.

Tax Implications

You are able to claim a certain amount of tax and also depreciation in Australia on certain types of plant and machinery. It's important to check with your accountant on what these incentives might be as they do change from time to time.

Growth Plans & Usage

Another important area to consider is how the new piece of machinery meshes in with the growth or expansion of the business – Is there enough projected use for the machinery, and will the machinery add extra opportunities and jobs that weren't there before? It is important to be sure that you have enough work for the machinery to make the purchase a viable one. If you already have plenty of work, consider the size and amount of new machinery that will be required. You may require specialty attachments with the machinery to maximise the use of the machinery and which may lower your overheads requiring less staff as a result of owning the new machinery and becoming more efficient.

Finance

While many businesses can have the means to purchase a piece of machinery outright, many choose to utilise our low cost finance options. With interest rates being low, and a lot of competition in the market, it is very much a buyers market when it comes to finance. Again, this is something that is is best to discuss with your accountant. However, we have seen many times is that most businesses prefer to keep their cash into the business, finance the machine and work with their accountant on how best to purchase the machine.

Time Of Ownership

Another factor to consider is how long you plan on keeping the machinery or equipment for. For many companies there might be a specific amount of time that they will choose to own the machine before replacing it. This might come down to the tax depreciation time or the length of the finance taken out on the piece of plant or machinery. Other factors might include length of warranty and the lifespan of the machinery before major repairs are needed. It may be a cheaper option to replace the machinery after a set amount of time. Do you have another piece of machinery that you can compare this to?

Warranty & Running Costs

Often overlooked but highly important, running costs should be at the forefront of your mind when buying any piece of machinery. New machinery can vary dramatically when it comes to service costs and spare parts costs. It’s important to note the service intervals and where to take the machine come service time. Is there a service department close to you? What warranty does the new machinery have and what does it cover? Can you do the servicing yourself without voiding a warranty? c