



Rent to Own vs Novated Lease: Which Option is Best for You?

Description

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Getting a new vehicle in Australia is exciting. But how to pay for it is still confusing. Most people know about traditional car loans. You take a loan from the bank, buy the car, and then pay it back over time. But what if you can't get a traditional car loan?

Don't worry, there are also other popular ways, such as Rent to Own and novated lease. These are two different paths to driving the car you want. Each suits a different type of driver, lifestyle and income level. One is about accessibility, and the other is about tax savings.

In this blog, we'll compare both the Rent to Own vs the novated lease program on the basis of features and ownership. It'll help you know which program suits your needs and budget best.



What is Rent to Own a Car?

A Rent to Own car is a simple and clear car ownership process. It's an agreement where you rent a car for a set period, 1 to 3 years. You make regular weekly, monthly or fortnightly payments according to your provider.

A small amount of your payment goes towards the ownership process. Then, at the end of the contract, the car becomes yours. It doesn't include any lump sum or hidden charges. This model is suitable for individuals who find traditional finance a bit tough. It cares more about your ability to pay rather than your credit history.

Advantages of Rent to Own

Easy Approval

The biggest benefit of the Rent to Own process is accessibility. Traditional lenders prefer a good credit score. In contrast, many Rent to Own providers are more interested in your current situation.

They offer approval only if you have a steady income and you can pay regular payments. Moreover, there is also flexibility to choose your payment types, such as weekly or monthly. Students, residents and even new arrivals to Australia can get approved. It's a second chance for many.

Simple Budgeting

You can precisely tell what you are paying when you have a Rent to Own agreement. The amount of the payment is not subject to change. It is not affected by interest rates or market changes. This makes it exceedingly easy to budget. You know the amount you will have to save every week or fortnight.

Guaranteed Path to Ownership

This is the end goal. Each payment you make is a step towards the ownership of the car. When you are through with all your payments at the expiry of the contract, the car belongs to you. No balloon payment or complicated choice to make. The ownership is just transferred into your name. You have created an asset in yourself.

No Large Upfront Deposit

One of the most difficult things about purchasing a car is saving. The majority of Rent to Own agreements do not demand a substantial deposit. You only have to pay your first payment and a small administration fee often. This is because you are able to get into a trustworthy car at a much faster rate without necessarily waiting months or years to save.

The Rent to Own Program is Suitable For

It's a specific solution for a specific group of people.

- Individuals with a poor or Bad credit history.
- [Car for Students](#) or young people just starting their financial journey.
- New residents to Australia who haven't built a local credit file yet.
- People receiving [Centrelink approved cars in Melbourne](#)
- Anyone who has a bank account has been knocked back for a Traditional car loan.

Understanding a Novated Lease Deal

The novated lease is a bit different from this rental & Rent to Own process. It's a three-way deal between the applicant (lessee or employee), the employer and the finance company.

The employee selects a new or old vehicle and signs a lease agreement with the provider. The employer will then accept making the lease payments out of the salary of the employee before tax. It can minimise the taxable income and generate possible tax savings.

Continuing vehicle expenses like fuel, servicing, insurance and registration are typically built into the lease payments. The employee can give back the car at the expiry of the lease period, renew the lease or pay the residual value to become the full owner.

Drive your own car with I Rent To Own

Flexible plans, no credit checks, and simple payments

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Rent to Own vs Novated Lease: Head to head comparison

Feature	Rent to Own	Novated Lease
Best For	People with bad/no credit, students, Centrelink recipients	Stable, full-time employees, especially those in higher tax brackets
Credit Check	Minimal or no credit check required	Standard credit and employment checks are required
Payment Structure	Fixed regular payments from post-tax income	Single bundled payment deducted from pre-tax income

Feature	Rent to Own	Novated Lease
Tax Benefits	None. Payments are made with after-tax dollars	Significant. Reduces taxable income, leading to tax savings
Car Selection	Limited to vehicles offered by the company	Wide choice. Can select a new or used car from any dealership
Running Costs	You pay all costs (insurance, registration, maintenance)	Costs are often bundled into the lease payment for simplicity
End of Term	Own the car outright after final payment	Must pay residual value to own the car or trade it in
Overall Cost	Generally higher than the car's cash price	Can be more cost-effective due to tax and GST savings
Key Requirement	Proof of regular income to afford payments	A willing employer and stable employment

Advantages of a Novated Lease

Big Tax Savings

Lease payments do come at your expense in terms of tax. This reduces your taxable income, and this means that you pay less tax. An additional amount of your income remains in your pocket.

All in One Payments

A novated lease enables the combination of all the car costs in a single payment. This normally involves registration, insurance, fuel and servicing. Stop pursuing numerous bills on a monthly basis.

Drive a Newer Car

Through novated leases, it is simpler to drive a brand new or near new vehicle. You can use the latest safety features, technology and comfort without incurring the entire cost at once.

GST Perks

The car purchase is claimed by the finance company on the GST. This decreases the total cost of the car and part of the running costs, and the lease will be cheaper.

Who is a Novated Lease Really For?

This option is good for people in a different financial situation.

- Full time employees with stable and permanent jobs.

- People in higher tax brackets who want to save on taxes.
- Individuals who love driving a new car every few years.
- Those who want the simplicity of one bundled payment for all vehicle costs.

Which Option is Right for You?

The selection of the right deal depends on your budget, vehicle needs and financial goals.

Choose Rent to Own Deal If;

- You've been turned down for a traditional car loan.
- You're a student or on Centrelink benefits.
- Your employer doesn't offer salary packaging.
- You want a simple, guaranteed path to ownership.
- You need a car quickly without any financial issues.

Pick a Novated Lease If

- You have a stable job, and your employer offers salary packaging.
- You want to reduce your tax and keep more of your take-home pay.
- You like driving new cars every few years.
- You want all your car costs bundled into one easy payment.
- You're prepared for the residual (balloon) payment at the end.

Final Verdict

Rent to own and novated lease offer two different roads to get your vehicle in Australia. Rent to own is all about accessibility. It assists individuals in acquiring a car where regular loans are inaccessible. It is straightforward, easy and simple and low-cost oriented. A novated lease is a tax-saving method to drive a newer car. It makes your budget easier. However, it is effective only when you have a good job, and you know the terms.

Whatever you do, research it. Read the small print, get to know all the costs and what you are expected to do. Being clear on what is available to you, you will make a confident decision and get in the right car. If you're considering a novated lease, talking to a financial advisor can help you crunch the numbers and make sure it fits your wallet.

And if you're going for a Rent to Own car program, choose a reliable local provider, such as [I Rent to Own](#). Being a reliable Rent to Own car provider, they offer flexible solutions with dedicated expert support. All these plans cover all maintenance costs and registration services, allowing you to get on the road without any financial stress.

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1. blogs

Date Created

December 31, 2025

Author

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