

# Leasing fact sheet

## WHY LEASE?

Leasing is probably the most popular method of financing new equipment today. Virtually any item of equipment can be leased from £250 upwards.

## SHOULD I PAY CASH OR LEASE?

You may be able to afford to buy the equipment outright, but before you make this decision you must consider the following:

1. All leasing payments are rental payments and as such are an allowable business expense, therefore if a business is making profits they reduce the profit by the amount of the rentals you pay each year which in turn reduces your tax bill.
2. Lease payments are normally the same throughout the lease contract. This means that increases in interest rates do not affect you and enables you to budget your cash flow more effectively.
3. Leasing enables you to save your cash for other purchases such as new stock, staff training, advertising, new business opportunities and unexpected happenings.

## DO MY PAYMENTS INCREASE IF INFLATION OR INTEREST RATES RISE?

No. Your monthly payment is fixed at the start of the lease and so are unaffected by interest rate rises. This enables you to budget your cash flow more accurately. As inflation rises, because your payments are fixed the cost of the equipment reduces in real terms.

## ARE THERE TAX BENEFITS ASSOCIATED WITH LEASING?

Yes. Any business wishing to acquire capital equipment should seek the most tax efficient way when doing this. All lease payments are treated as an allowable business expense and therefore attract tax relief for the full duration of the lease agreement. Your accountant will be able to confirm this.

## HOW DO I MAKE MY PAYMENTS?

All payments are mainly made by Direct Debit on the same date each month or quarter. Quarterly invoice payments are available on occasion although an extra charge of 2% is made by the banks for this facility due to the extra administrative work involved.

## SHOULD I GO TO MY BANK?

Using your bank for all your business funding is not a good practise. If you use all your overdraft facilities you leave yourself in a vulnerable position to react to any unexpected needs of short-term borrowing. Your bank may change the interest rate mid-way through a loan or reduce your overdraft facilities, which can dramatically affect the cash flow of your business. Sometimes banks will limit the amount they will lend you without further security such as taking a charge on your home. It is not financially prudent to have all your eggs in one basket.

## WHO LEASES?

Nearly every market sector large or small benefits from leasing, from new start business to large established companies.

## HOW DOES A LEASE WORK?

A lease agreement is a contract between you 'the customer' and a leasing company. This enables you to use equipment over a period of time on payment of rentals to the leasing company. With a typical lease agreement, you make a series of regular payments (usually on a monthly basis), thus helping cash flow, as opposed to a large capital outlay for the equipment.

## HAVE THE BEST EQUIPMENT

You normally only pay one Monthly payment in advance with a lease agreement, this enables you to choose the best equipment available with only a small initial cash outlay. This enables you to have the best equipment available with the latest technology and start to enjoy the extra profits this generates before your next lease payment is due. The full invoice amount is settled with Solutex (the supplier) upon the equipment being installed or delivered.