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A Guide to Equipment Leasing
Creating freedom to help you do more business

A guide for established and new start businesses of all shapes, sizes and industry sectors

This guide has been created for the thousands of SMEs and large businesses across the UK. Investing in equipment for a business is a fundamental element which contributes to business growth and success.

Every single company is in the same boat - a garage cannot trade without its four-post lifts and diagnostic equipment, a beauty salon cannot provide its services without IPL Machines, a business cannot be kept secure without the most up-to-date CCTV and security equipment and an office-based company, like Tower and many others out there, cannot ensure efficient processes without IT equipment, telecoms and photocopiers.

Acquiring this equipment can be costly but you have many options and routes you can take to carry out this inevitable investment.

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What is leasing?

When **leasing** an asset, whether it is a vehicle, property or equipment, you are agreeing to pay structured **rentals** (weekly/monthly/quarterly payments) over a period of time for the use of the asset.

Why is equipment leasing so popular?

Did you know that new business in the **asset finance** sector was up 23% in July 2014 compared to July 2013? (FLA, September 2014)

Equipment leasing has always been a popular alternative for businesses all over the world and this popularity is continuously growing. Choosing to lease rather than purchasing equipment outright enables organisations to invest in the latest equipment whilst keeping cash within the business.

Investing in new, up-to-date equipment encourages business growth and prevents your business from falling behind your key competitors. Leasing helps you maintain your position in the marketplace whilst allowing you to invest in a cost-effective beneficial way.

How will leasing equipment benefit my business?

Leasing is a simple way to finance the use of an asset – why have the hassle of owning a piece of equipment which is at risk of becoming outdated?

Leasing is a complete service solution which provides the option of maintenance inclusive agreements as well as the option to insure the asset.

Tower Leasing Ltd provides lease agreements which suit your specific needs so that you can keep track of your budgets and effectively manage your working capital, meanwhile helping you obtain the equipment your business needs.

Below are some of the other benefits your business will enjoy:

- Enjoy fantastic tax benefits!
- Get the equipment when you want and need it rather than when budgets allow.
- Keep cash within the business.
- You're not investing your cash in a depreciating asset.
- Keep up with the latest technology by **upgrading** the equipment at any time throughout the lease period.
- Enjoy the fixed and structured payments that fit in with your budgetary allowances.
- Protect existing lines of credit by using leasing as an alternative to your existing funding facilities i.e. bank loans, overdraft etc.

The tax benefits of leasing

Example

Company A is looking to invest in some new IT equipment for its business. The company has two options, either to purchase the equipment or lease it.

Assumptions

Equipment Cost: £7,500

Lease Period: 3 Years

Frequency: Quarterly

Company's Tax Rate: 21%

Cash Purchase		
Year	Capital Allowance	Tax Relief
1	18% of £7,500 = £1,350	Less 21% = £283.50
2	18% of £6,150 = £1,107	Less 21% = £232.47
3	18% of £5,043 = £907	Less 21% = £190.47
Total Tax Relief: £706.44		

Lease Rental		
Year	Capital Allowance	Tax Relief
1	4 rentals of £817.73	Less 21% = £686.89
2	4 rentals of £817.73	Less 21% = £686.89
3	4 rentals of £817.73	Less 21% = £686.89
Total Tax Relief: £2,060.67		

By choosing to lease, Company A would gain £1,354.23 in tax relief when compared with a cash purchase.

So, how does this work?

When a business chooses to lease equipment it is able to gain tax relief on 100% of the lease rentals against its **corporation tax** (please refer to the Glossary to find definitions). This means for every lease payment made the business can claim 21% – 24% in tax relief against its corporation tax, keeping the cash within the company rather than with the HMRC.

Example

For 1 financial year:

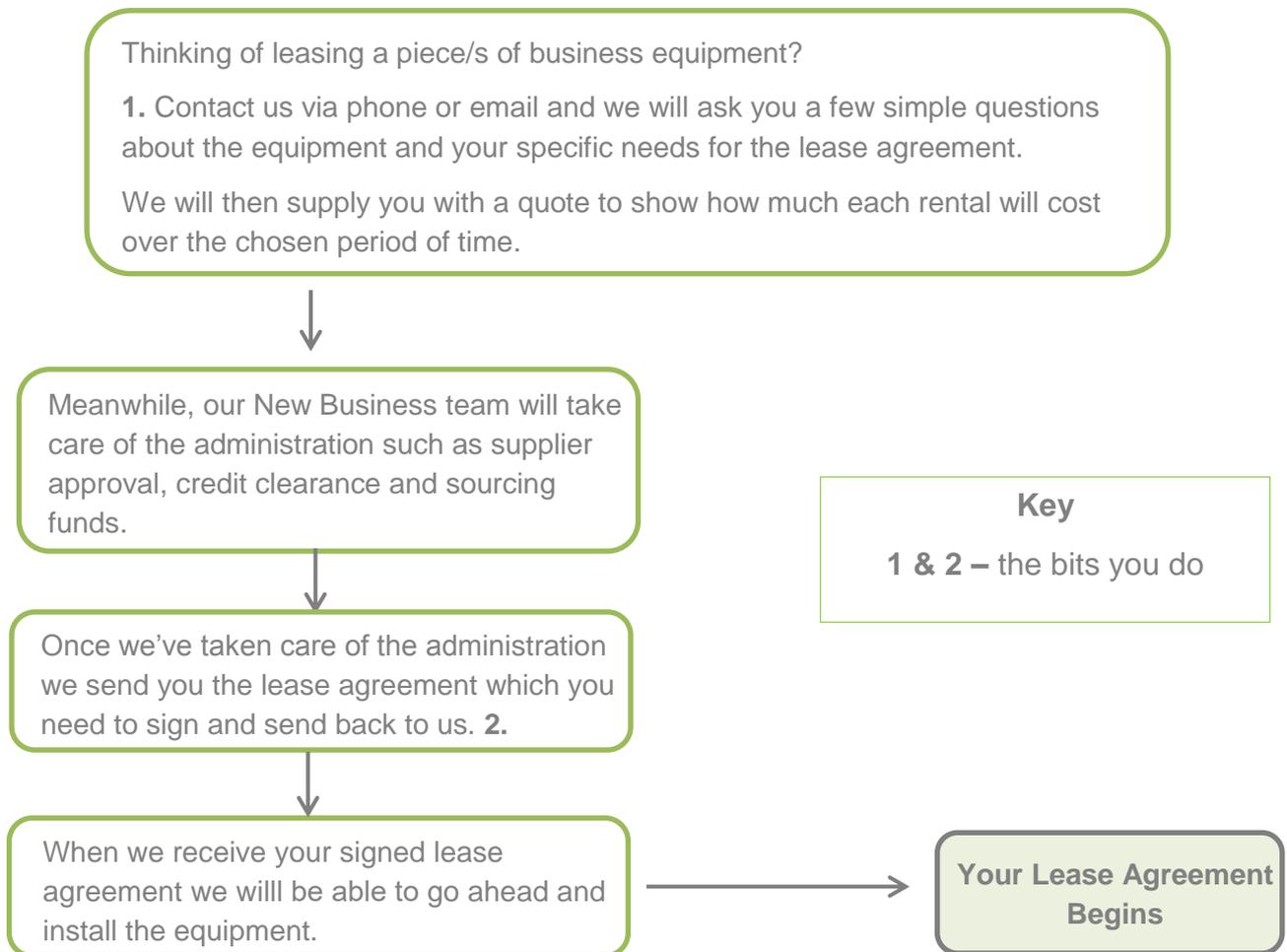
Customer A	Profit	Corporation Tax to be Paid	Profit after Tax	Total Tax Paid
	£100,000	21%	£100,000 – 21% = £79,000	£21,000

Customer B	Profit	Corporation Tax to be Paid	Lease Rentals to be Paid	Profit after Lease Rentals	Total Tax Paid
	£100,000	21%	£10,000	£90,000	£18,900

Customer A pays £20,000 in tax and Customer B pays £18,000 **saving £2,100** in tax.

Receiving tax relief on the equipment you invest in is a fantastic benefit but how it works can be hard to get your head around – for more information please feel free to contact us, we are always happy to explain this in more detail.

Steps to leasing



How the lease payments work

You can either pay your lease **rentals** quarterly or monthly - this will be arranged for you at the very beginning of the lease process.

Once the equipment is installed your lease agreement begins.

Your payments can be made by direct debit or by invoice, whichever method you prefer.

Keeping up with the latest technology

It is very important that every business keeps up with the latest technology and invests in the most up-to-date facilities – if businesses fail to do so they are at risk of falling behind their competitors and losing profit.

With leasing you are able to upgrade the equipment you have on lease at any time throughout the lease period. This enables you to offer a consistent, high-quality service to your customers and employees at all times, whilst keeping up with others in the marketplace.