



# kennet

## EQUIPMENT LEASING

### Comparison of Leasing tax relief against Cash/Hire purchase tax relief

Cash price net of VAT £6,000

#### Cash/Hire purchase

50%	allowance given in year 1	£3,000
13%	allowance given in year 2	£750
9%	allowance given in year 3	£563
72%	allowance given over the useful life of the asset	<u>£4,313</u>

#### Leasing

Under generally accepted accounting principles you are able to claim 100% tax relief over the useful life of the equipment, which is usually taken to be the term of the lease

33%	allowance given in year 1	£2,000
33%	allowance given in year 2	£2,000
33%	allowance given in year 3	£2,000
100%	allowance given over the assets useful life	<u>£6,000</u>

### Comparison of Leasing tax relief against Cash/Hire purchase tax relief

#### Assumptions

Capital cost of equipment	£6,000
Useful life	3
First year allowance rate	50%
Writing down allowance	25%

For more information on how leasing can help you call:

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**FLEET PARTS LIMITED**

MORE THAN 30 YEARS TECHNICAL KNOW HOW



## Why Lease Purchase?

### Lease Versus Cash.

When you pay **CASH** for capital equipment, you are able to show a written down allowance each year but based on a reduced scale due to the equipment having a devaluation factor.

With **LEASE** payments however there is no reducing or devaluation effect to take into consideration. This has a substantial impact on the amount of tax relief you can claim.

- With a **CASH** purchase, you only get written down allowances each year based on a reducing balance.
- If you **LEASE** however, every lease payment is 100% tax allowable against profits with **NO** reducing balance to take in to consideration. In fact lease repayments are treated as a trading expense for taxation purposes much like your heating, lighting, telephone etc.

Lets take a look at the example below, based on equipment costing £10,000+Vat.

<b>CASH</b>	<b>LEASE</b>
Year 1 £10,000 less 22% = £2,200.00	Year 1 Total repayments of £4,080
Year 2 £7,800 less 22% = £1,716.00	Year 2 Total repayments of £4,080
Year 3 £6,084 less 22% = £1,338.48	Year 3 Total repayments of £4,080
 Tax allowable expenditure after 3 Years: <b>£5,254.48</b>	 Tax allowable expenditure after 3 Years: <b>£12,240</b>

The above example clearly demonstrates that after 3 years the Tax benefit of a lease for equipment costing £10,000 is £12,240. The tax benefit based on cash is only £5,254.48, a significant difference of £6,985.52



Electronic Technologies  
for Automotive

# Equipment Leasing

For Business Trading 3 Years and Over

Figures Supplied by Kennet Leasing

No Deposit

Finance Figure	2 Year Term 24 Months		3 Year Term 36 Months		5 Year Term 60 Months	
£4,000.00		PMTH	£146.90	PMTH	£100.00	PMTH
		PWK	£33.90	PWK	£23.00	PWK
£4,500.00		PMTH	£165.00	PMTH	£110.50	PMTH
		PWK	£37.90	PWK	£25.50	PWK
£5,000.00		PMTH	£183.00	PMTH	£123.50	PMTH
		PWK	£42.20	PWK	£28.50	PWK
£5,500.00		PMTH	£201.50	PMTH	£135.00	PMTH
		PWK	£46.50	PWK	£31.00	PWK
£6,000.00		PMTH	£219.30	PMTH	£147.50	PMTH
		PWK	£50.60	PWK	£34.00	PWK
£6,500.00		PMTH	£238.50	PMTH	£160.50	PMTH
		PWK	£55.00	PWK	£37.00	PWK
£7,000.00		PMTH	£255.70	PMTH	£171.60	PMTH
		PWK	£59.00	PWK	£39.60	PWK
£7,500.00		PMTH	£274.00	PMTH	£180.00	PMTH
		PWK	£63.20	PWK	£41.53	PWK
£8,000.00		PMTH	£292.50	PMTH	£185.00	PMTH
		PWK	£67.50	PWK	£42.50	PWK
£8,500.00		PMTH	£310.30	PMTH	£208.25	PMTH
		PWK	£71.60	PWK	£48.05	PWK
£9,000.00		PMTH	£328.50	PMTH	£220.60	PMTH
		PWK	£75.80	PWK	£50.90	PWK
£9,500.00		PMTH	£346.90	PMTH	£228.00	PMTH
		PWK	£80.00	PWK	£52.61	PWK
£10,000.00		PMTH	£366.20	PMTH	£234.00	PMTH
		PWK	£84.50	PWK	£54.00	PWK
£10,500.00		PMTH	£383.50	PMTH	£258.00	PMTH
		PWK	£88.50	PWK	£59.50	PWK

Figures are Approx to nearest £.

Payments will be confined with Lease Application and may be more or less than figures shown.