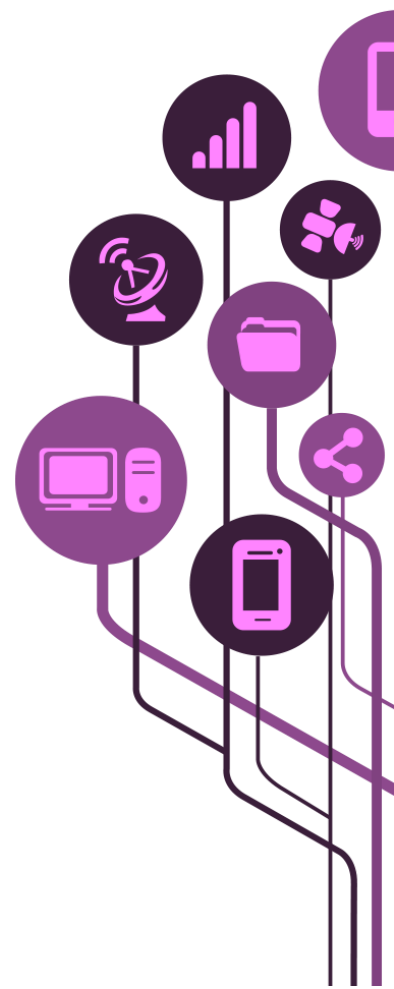


Guide to Equipment Leasing

By

JD Networks Ltd

June 2018



So, what is Leasing?

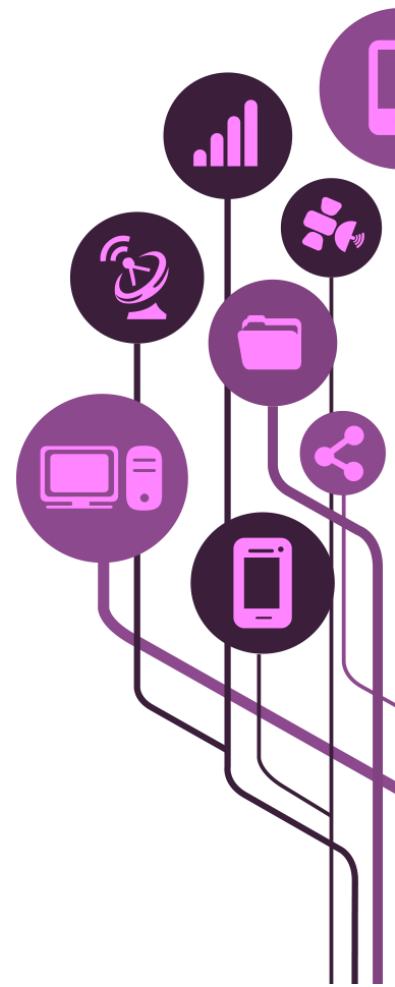
Leasing is quite simply the process of acquiring equipment via third-party finance and paying for it in manageable monthly amounts over a pre-agreed term.

It's like a loan, only the loan is secured by the assets you have acquired, which allows for a lower rate of interest.

We work with a number of Suppliers and third-party lenders, enabling you to get financing for the equipment you need **today**, without laying large sums of money upfront.

By paying for the equipment monthly you will be preserving your hard-earned working capital and not tying money up in ever-depreciating assets.

Most importantly, Leasing allows you to invest your money in more profitable activities – which enable your business to grow.

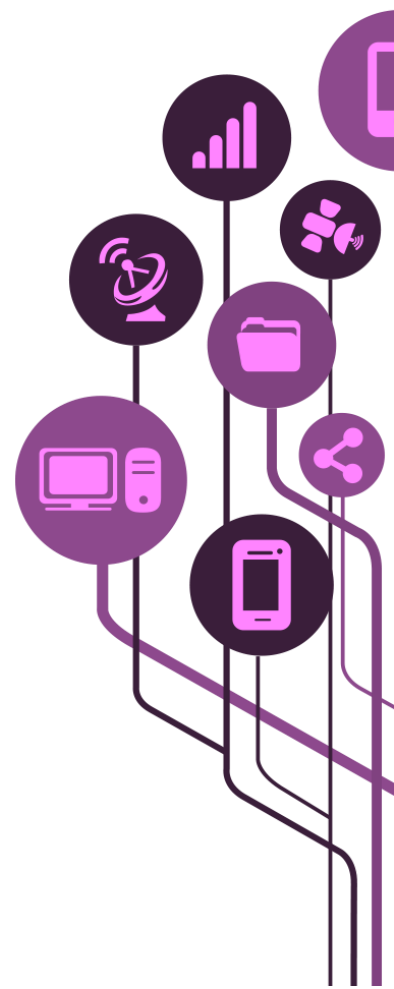


What are the benefits?

Putting your hard-earned money to better use is the #1 reason businesses lease office equipment.

Here are some others:

- It can be cheaper than buying outright (once tax relief is accounted for)
- Afford the best quality - no compromises
- Flexible tenures from 12 – 84 Months
- VAT is charged on the smaller payments and not the large fee at the start
- Tax allowable — rentals are an operating expense and so are 100% tax deductible
- Payments are fixed for the term
- One rental can include all equipment and ancillary costs i.e. consultancy, installation, training and maintenance
- Keep your credit lines intact — Leasing does not affect any of your existing credit lines
- You are free to upgrade, make additions, or settle the finance agreement at any point



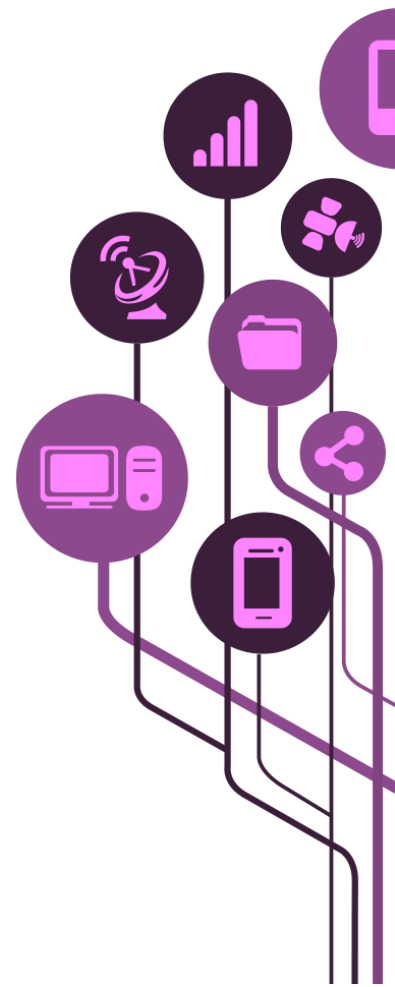
What can be Leased?

Leasing is applicable to a great number of equipment types, including software.

Here's an example of the things that can be offered via Leasing:

- Desktop Phones
- Telephone Systems
- VOIP licenses
- Mobile Phones
- Tablet Computers
- Servers & Networking
- Laptops
- Desktop Computers
- Copiers & Printers
- Peripherals (headsets, keyboards etc.)
- Telecoms & IT Software

Many business customers are delighted to find that professional services can also be included in the Lease. So if your upgrade requires installation, setup, training or maintenance fees, these can be broken down into monthly payments too!



How does tax relief work?

As highlighted on the benefits page, Leasing qualifies as an operating expense to your business and so is 100% tax deductible.

This means, at the end of each financial year you can deduct Leased expenditure from your tax bill, giving you greater profits!

Corporation tax is the tax applied to the company's profits at the end of the financial year, which in 2018 is set at 19%.

For every lease rental paid the company is able to claim 19% in tax relief against the corporation tax, so the business is able to keep the cash rather than paying it to the HMRC.

EXAMPLE

Company A makes **£100,000** profit in their financial year and has to pay corporation tax of 19%;

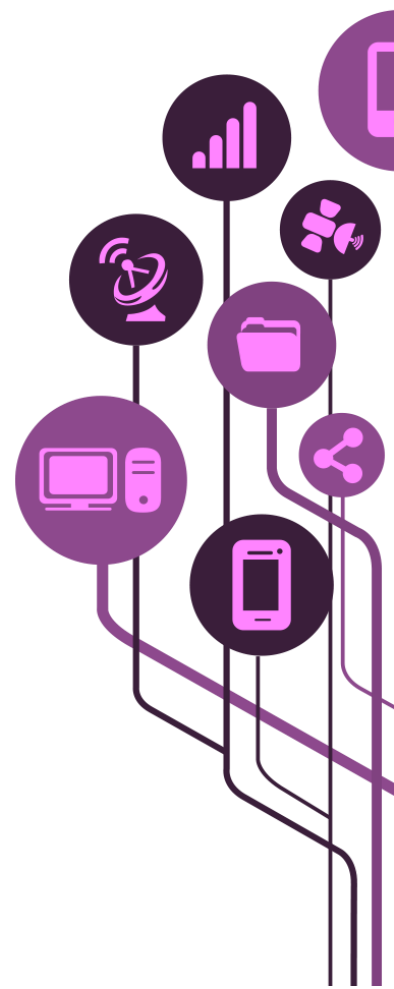
£100,000 profit minus 19% corporation tax = **£81,000** profit after tax. The tax the company has to pay is **£19,000**

Company B also makes **£100,000** profit and has to pay 19% corporation tax. The company also has **£10,000** worth of lease rentals for the year.

£100,000 profit minus **£10,000** lease rentals = **£90,000**.

£90,000 minus 19% corporation tax = **£17,100**

So, **Company A** pays **£19,000** in tax and **Company B** pays **£17,100**. Company B has saved **£1,900** in tax.



Can I get Tax Relief when paying cash for equipment?

The company will receive tax relief in the form of capital allowances. When purchasing equipment, a company will commonly receive a percentage of writing down allowance as a capital allowance.

What is writing down allowance?

A company can claim capital allowances on a percentage of the value of the equipment the company owns, this is called writing down allowance.

Example

If a company pays cash for a piece of equipment which costs £7,500, at the end of their first financial year, they can claim 19% in tax relief of 18% of the value of the equipment, which is as follows: $18\% \text{ of } £7,500 = £1,350$. Of this £1,350 the company can claim 19% against their corporation tax, which is £256.50.

At the end of the second year, the tax relief they claim will be lower as the equipment has been devalued by 18%.

The new value of the equipment is £7,500 minus £1,350 = £6,150. Of this £6,150, the company can claim:

19% in tax relief of 18% of the value of equipment:

$18\% \text{ of } £6,150 = £1,107$. Of this £1,107 they can claim 19% against their corporation tax = £210.33. Over a two-year period, the company has gained £466.83.

Which is better, leasing or cash purchase?

The company will receive more tax relief if they lease the equipment, as shown by the calculations above.



Contact Details

If you've never leased equipment before, then you are bound to have some additional questions.

Further to the support offered by your Supplier, you may contact JDNetworks using the below:

e: info@jdnetworks.ltd.uk

t: 0113 205 8120

w: www.jdnetworks.ltd.uk

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