



# GUIDE TO EQUIPMENT LEASING

Find out why leasing can be the best option, all the benefits, the leasing process and answering your frequently asked questions.

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# WHAT IS EQUIPMENT LEASING? AND WHY IT COULD BE THE BEST OPTION FOR YOU

**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.**

The Lease Group work with a number of suppliers and third-party lenders, enabling you to get financing for the equipment you need today, without paying 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, enabling your business to grow further.

**Lease contracts are clear, concise and can be issued for digital signature saving on printing and postage costs**

## What are the benefits?

**Putting your hard-earned money to better use is the number one reason businesses lease office equipment.**

**Here are some others:**

- It is 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
- Flexible options at the end of the lease – including indefinite ownership

# WHAT IS THE PROCESS AND REQUIREMENTS FOR LEASING?

**It's really quite simple.**

**First of all, tell Sevadis what it is that you require and inform them that you wish to be quoted a lease option.**

Sevadis, in partnership with the Lease Group, will be able to offer you a range of payment options, including monthly, quarterly, and tenures from 1 – 7 years.

Confirm the tenure that best suits your budget and soon after, your finance agreement will arrive via email.

Upon completion of the paperwork Sevadis will deliver the equipment and then your instalment will begin (paid by Direct Debit).

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!

**Are you a charity? We can finance the lease through your limited entity if so – check that you have one!**

**30 – 40% of a lease sale can be made up of professional service charges, further saving you on upfront costs**

## What are the requirements?

**As long as your equipment totals £1,000 (ex VAT) or more then you qualify for the lease option.**

Prior to paperwork being sent we will perform a quick credit check on your business to ensure we can secure funding for the amount required.

As will be itemized in our Lender T&Cs, your equipment will need to be insured; otherwise the Lender will add insurance for you. This gives you and the Lender added security in case any of the equipment gets lost, damaged or stolen during the term.

Do not worry though, the equipment is usually already covered in your building and contents insurance - this is the case 97% of the time.

Due to the Consumer Credit Act, it can be easier and quicker to arrange finance if your company is registered as one of the following:

- Limited Company
- LLP
- PLC
- LEA School
- Any organisation in the public sector
- Partnerships of 4 or more partners

# EVERYTHING YOU NEED TO KNOW ABOUT TAX RELIEF

## How does tax relief work?

As highlighted in the benefits, 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!



## Tax relief example

Company A is looking to purchase a new EVCP system. The supplier has offered them two options, either to buy the equipment outright or to utilise a lease option.

### Assumptions:

- Equipment Price: £7,374
- Frequency: Monthly
- Lease Period: 3 Years
- Company's Tax Rate: 30%

### Cash Purchase:

Tax relief is only available on the capital allowances on the equipment.

Year 1 - 25% of £7,374 = £1,843 - Less 30% = £553.00  
 Year 2 - 25% of £5,531 = £1,383 - Less 30% = £415.00  
 Year 3 - 25% of £4,148 = £1,037 - Less 30% = £311.00

Total tax relief: £1,279.00

### Lease Purchase:

Tax relief is available on all rentals, in this case at a rate of 30%.

Year 1 - 12 rentals of £252.00 - Less 30% = £908.00  
 Year 2 - 12 rentals of £252.00 - Less 30% = £908.00  
 Year 3 - 12 rentals of £252.00 - Less 30% = £908.00

Total tax relief: £2,724.00

By choosing to Lease, Company A would gain over £1,400 more in tax relief when compared with a cash purchase.

# EVERYTHING YOU NEED TO KNOW ABOUT TAX RELIEF

## How is tax relief accounted for?

**When a business leases their equipment they are able to gain tax relief on 100% of the lease rentals against its corporation tax.**

This means, for each and every lease payment made the business can claim 20%+ in tax relief against its corporation tax, keeping the cash in the company as opposed to handing it over to the HRMC!



### Company A

Profit: £100,000  
Corporation Tax to be paid: 21%  
Profit after tax: £100,000 - 21% = £79,000  
Total Tax paid: £21,000

### Company B

Profit: £100,000  
Corporation Tax to be paid: 21%  
Lease Rentals to be paid: £10,000  
Profit after Lease Rentals: £90,000  
Total Tax paid: £18,900

Company A pays £21,000 while Company B pays £18,900 in corporation tax.

