



## **WHY LEASE?**

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Before signing your leasing agreement you may have a few questions. The following answers deal with the most common leasing queries:-

### **1. What is leasing?**

Leasing is a well established, tax efficient method of financing a wide variety of capital equipment. Virtually any item that is used in business may be leased, from computers to vehicles, vending machines to photocopies. Values range from a few hundred pounds to (in some cases) several million pounds.

### **2. Who leases?**

Practically every sector of the British economy takes advantage of leasing: Organisations which lease can be found throughout industry and commerce, in business both large and small, commercial and non-commercial. A recent survey shows that around 8 out of 10 accountancy practices lease equipment and some 85% of the Times Top 100 UK Companies.

### **3. How does leasing work?**

Leasing is a contract between a leasing company and a customer, giving the customer use of the equipment on payment and rentals over a period. When you lease equipment you make a series of regular (usually 3 monthly) payments instead of a large capital outlay. Payments are spread throughout the useful life of the equipment and are made out of your revenue budget.

### **4. Why not buy equipment outright?**

The cash flow and tax relief benefits of leasing provide a very strong case against cash purchase. If you buy equipment outright the capital invested becomes, in effect, tied up in a depreciating asset. Leasing on the other hand, allows you to save resources for other purposes such as new business opportunities, responding to unexpected problems or simply investing in product development or marketing.

### **5. What about borrowing the money?**

Using an existing credit line will prevent you from been able to use it in the future for unexpected needs or for short-term funds. Moreover, the business that borrows to finance equipment is still vulnerable to changes in interest rates. Banks may also want to limit the amount financed and impose a fixed or floating charge as security. Leasing, however, is not effected by fluctuations in interest rates and allows you to plan your budgets accordingly. Financing equipment through a loan is unlikely to offer you the same flexibility to change the equipment by upgrading or adding other items.

### **6. Are payments affected by inflation?**

Payments made throughout the life of a leasing agreement are not affected by inflation. The real cost of leasing will reduce over time as the value of money depreciates.

### **7. What if we decide to replace the equipment?**

A leasing facility allows businesses to keep up with the changes in technology. Your original installation can be altered, either during or at the end of the lease, to accommodate unforeseen changes in your business needs. If you are re-financing the new equipment through Wyse, you will receive a discount on your existing rentals.

## **8. What is the tax situation?**

Businesses choosing to lease equipment can claim full tax deductibility on leasing payments under the tax rules which apply to business profits. So long as the term of the lease matches normal depreciation rates for the equipment, lease payments are generally fully allowable against tax profits. For example: If your company is paying Corporation Tax at 33% then £33 in every £100 of lease payment can be reclaimed. *Please this information is given without liability on the part of Wyse Leasing, you may wish to seek guidance from your professional advisers on this matter* to ensure all the relevant issues have been taken into account.

## **9. Will the rental amount change?**

Only if the government chooses to increase the rate of Corporation Tax or makes amendments to V.A.T. Changes to any maintenance facility, however, will depend upon the individual arrangement you have with your supplier.

## **10. Why should I pay by direct debit?**

The convenience of making lease payments by direct debit means you avoid the need to organise payment for the equipment on a quarterly invoice basis.

## **11. What about insuring the equipment?**

You need to arrange insurance for the lease equipment at your own expense.

## **12. Can charges for maintenance be included in the rentals?**

If the supplier offers you a “maintenance inclusive” plan, you will be able to contribute to the financing and servicing of the equipment under a single agreement. By combining the financing and maintenance elements, you have the peace of mind that the equipment will be serviced throughout the lease and all administration is simplified into a single all-inclusive periodic payment. The maintenance element of your agreement is also tax deductible as a business expense in the same manner as the lease rental.

## **13. Why arrange a lease deal through a supplier?**

The most obvious advantage of using a supplier is convenience. It will save the time involved in shopping around for a lease and the supplier should take care of the administration. There are other benefits too, especially when the supplier has established links with a specialist leasing company. Because the supplier will be working hand-in-hand with the lease company, you can be sure of an individual package which will balance your financial needs with servicing requirements.

## **14. How do I know I'm signing an ethical contract?**

Dealing with a member of the Finance and Leasing Association (FLA) will provide you with the reassurance that you're dealing with a reputable leasing company which is sympathetic to your individual requirements. You should make sure that, before signing the lease document, you check your agreement using the FLA checklist for lessees. This should be attached to the contract itself. In this way you can make sure you're getting an individually tailored package, combined with fast, efficient and flexible service at a sensible price.