

tower



A Guide to Equipment Leasing

Creating freedom to help you do more business

Written by Kerry Howells

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.

About the author



Kerry Howells has worked within the asset finance sector for over 19 years and is an industry expert. Currently Kerry is the Managing Director at Tower Leasing Ltd and plays a key role as an Account Manager to many of our customers. On a day-to-day basis Kerry meets and liaises with countless businesses across the UK to enable them to offer leasing (if an equipment supplier) to their customers and to help customers secure the finance they need to invest in essential business equipment.

Over the years Kerry has gained qualifications through Cranfield University and Harvard Business School strengthening her knowledge and experience.

“We believe that this guide will truly help those companies who are in need of equipment and are considering the lease finance route. The guide simply explains the elements of leasing and will help companies make an informed decision which they are 100% comfortable with.” – Kerry Howells



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1.0. 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.

1.1. 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.

1.2. 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.



2.0. 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.



2.1. 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.



3.0. What kind of equipment can be leased?

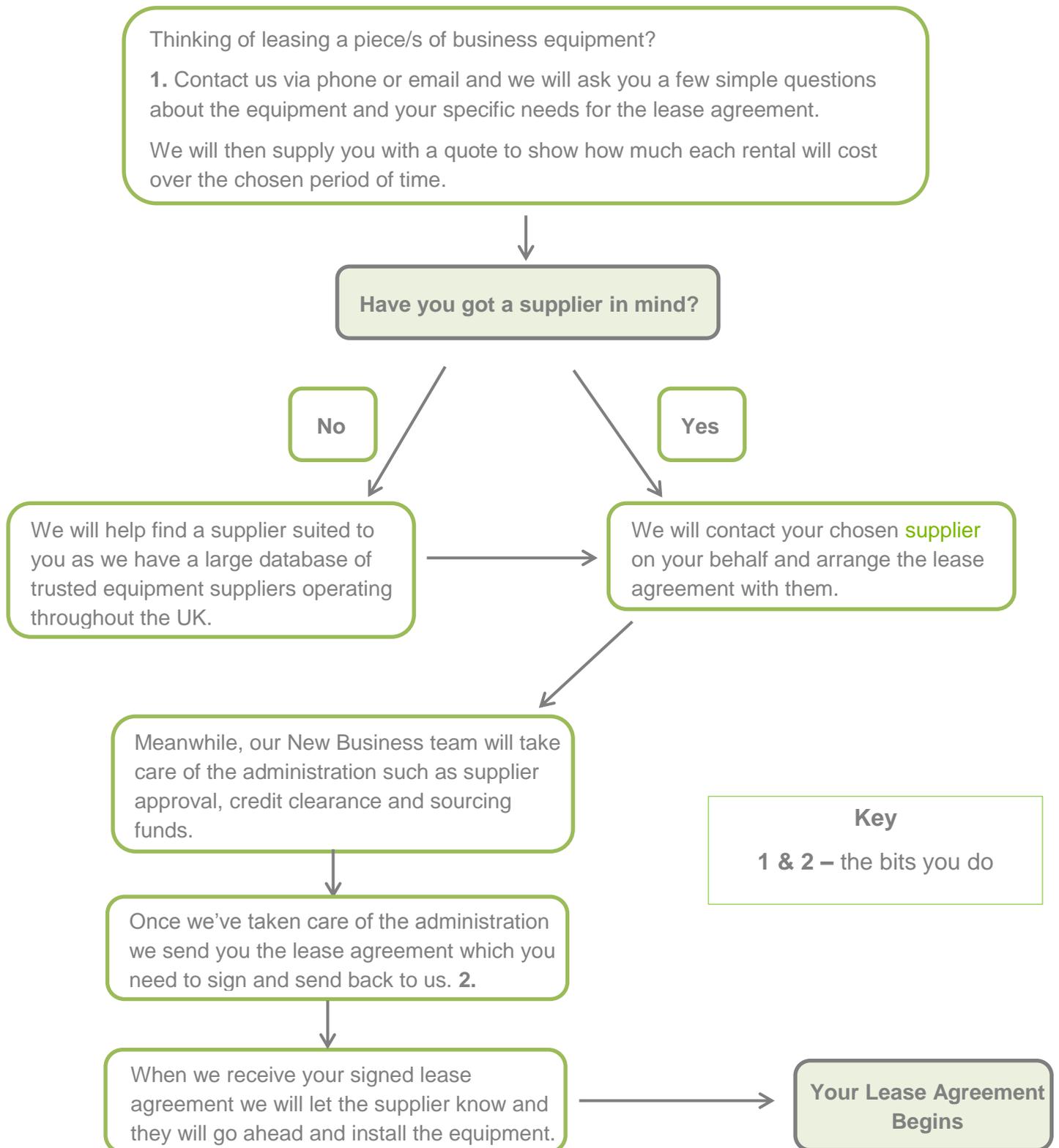
Throughout our 25 years we have provided finance for a wide range of equipment for our customers, this list is ever-growing...

<u>Photocopiers</u>	<u>Telecoms Equipment</u>	<u>CCTV & Security Systems</u>
<u>Vending & Coffee Machines</u>	<u>Catering Equipment</u>	<u>Garage Equipment</u>
<u>Air Conditioning Systems</u>	<u>Refrigeration Equipment</u>	<u>IT Hardware & Software</u>
<u>Laundry Machines</u>	<u>Waste Compactors</u>	<u>Epos Systems</u>
<u>Smartphones/Tablets</u>	<u>Fitness Equipment</u>	<u>Beauty Equipment & Furniture</u>
Agricultural Equipment	Heating and Pumping Equipment	New & Refurbished Vending & Catering Equipment

Just because the equipment you're after is not listed above does not mean to say we cannot finance it, simply give us a call and let us know the details of the equipment and we will let you know your options.



4.0. 7 steps to leasing, and of those, we take care of 5 for you



5.0. How much can I borrow?

We finance a wide range of capital equipment for businesses across the UK, as long as the piece/s of equipment you require is £1,000 or more, we can help you.

5.1. 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 we will pay the supplier in full and your lease agreement begins.

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

6.0. 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.

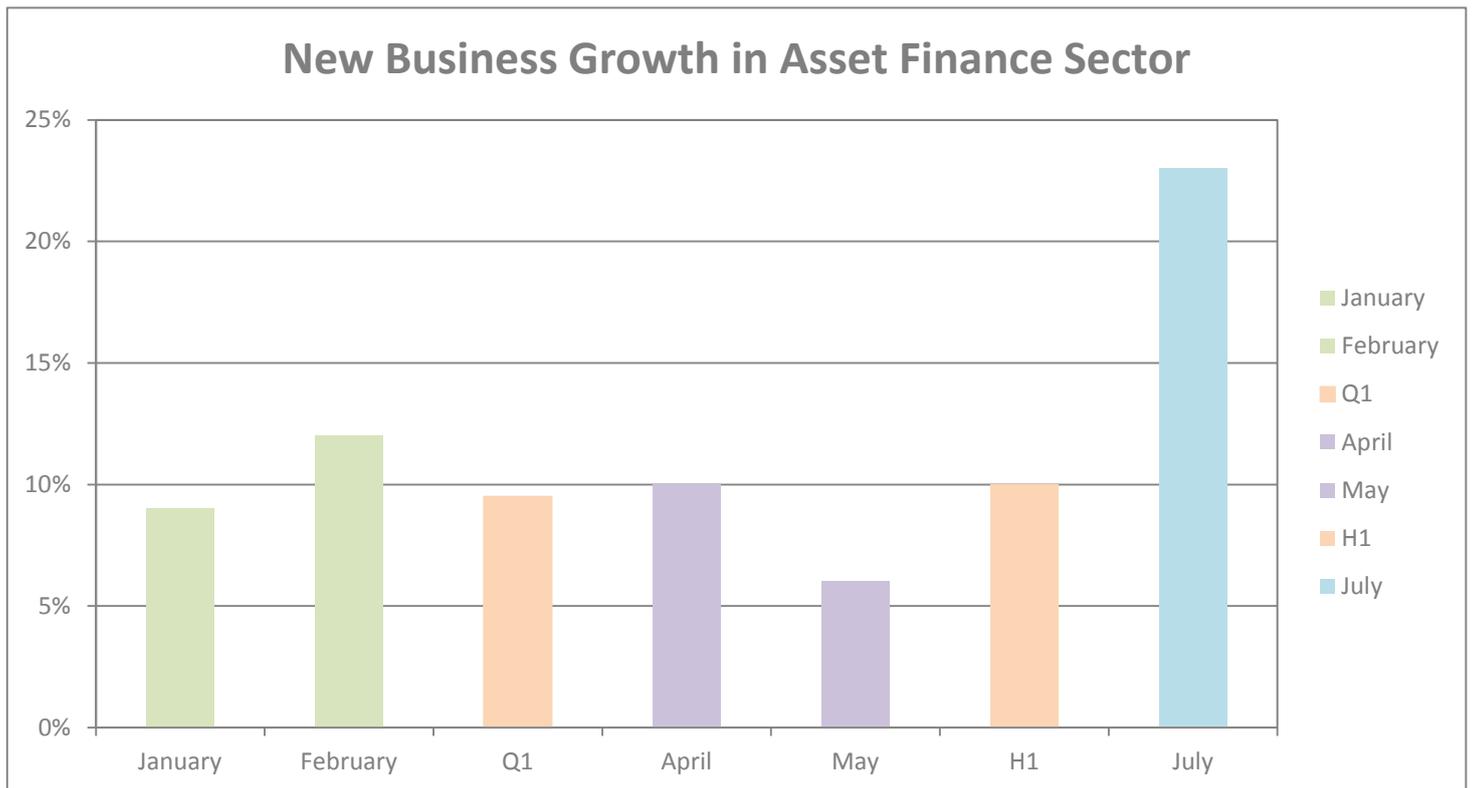


7.0. Leasing news, facts & figures

A lot of businesses lost faith in leasing during the economic recession as it became harder and harder to get cleared for finance. However, leasing did support many businesses throughout this time by helping them keep cash within the business and spreading the cost for much needed equipment over time.

2014 has been a very successful year for the economy – there have been many reports showing that we are on the road to economic recovery. This news has rejuvenated much confidence in the business world meaning more businesses are choosing to invest; more are being cleared for finance which means more businesses are choosing to lease.

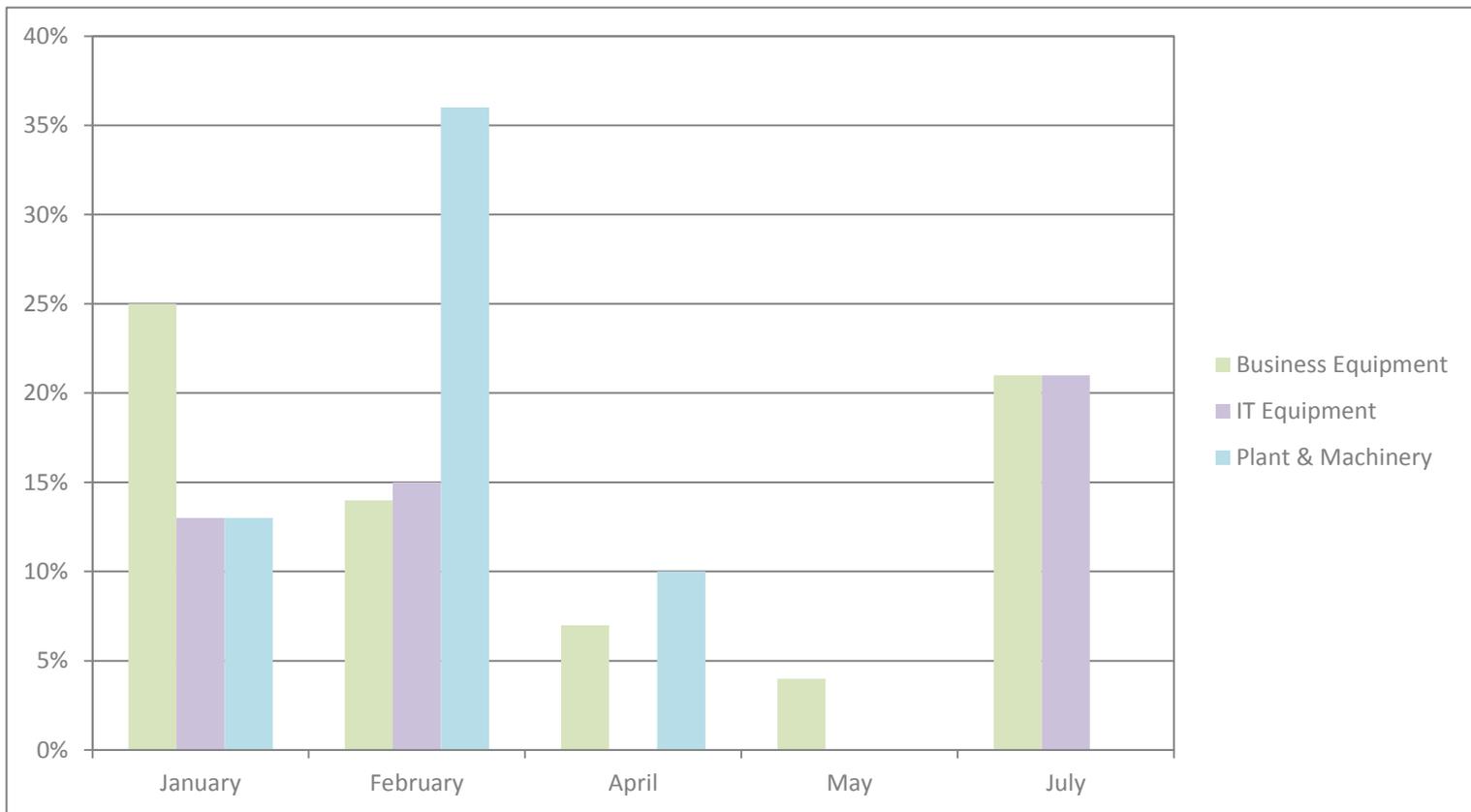
See the bar graph below to see how much new business has grown in the asset finance sector this year.



Source: Finance & Leasing Association (FLA) & Leasing Life, September 2014



The graph below also breaks down the increase in businesses leasing business, IT, plant and machinery equipment in 2014.



Source: Finance & Leasing Association (FLA) & Leasing Life, September 2014

“The positive start to 2014 follows exceptionally strong growth of more than a third in December 2013 and reflects growing confidence in this sector.”

Geraldine Kikelly, the FLA’s Head of Research and Chief Economist – FLA, March 2014

“The figures show another strong performance from the asset finance market, making April the seventh consecutive month of growth.”

Geraldine Kikelly, the FLA’s Head of Research and Chief Economist – FLA, June 2014

A new government guide to finance aimed at UK businesses has acknowledged asset finance as the “perfect solution” for securing equipment companies might not otherwise be able to afford. *Leasing Life, June 2014*

UK economy more than halfway to full recovery, says Bank Governor

The Guardian Online, August 2014

Lending from members of the National Association of Commercial Finance Brokers (NACFB) to UK small businesses increased by 20% year-on-year to £12.7bn.

Leasing Life, September 2014

New business in asset finance market in July 2014 up 23%.

“The July figures show clearly the active role asset finance is playing in helping UK businesses invest... The industry is also optimistic about further growth in the coming months. Our latest asset finance confidence survey shows that FLA members expect growth of about 10% in new business over the next 12 months.”

Geraldine Kikelly, the FLA’s Head of Research and Chief Economist – Leasing Life, September 2014

These statistics and figures show that leasing is a very popular, beneficial option which many businesses choose. Why not get involved and enjoy the advantages too?

7.1. Leasing News Reports & Blog

[Taurus Clearer Communications Ltd – How financing or leasing assists your business](#)

[Loma Systems - Supporting the food industry with cost-effective alternatives](#)

[Mobileworxs – Why SMEs should lease their Enterprise Mobility Solution](#)

[One in two brokers saw a strong H1](#)

[FLA: July’s leasing figures strongest in 2014](#)

[And more...](#)



8.0. Case study

A bit of guidance goes a long way

Tower works alongside many **equipment suppliers** who are new to offering leasing. To make it easier for them we guide the supplier through each stage of the process so that leasing can become a simple sales tool which benefits both the supplier and their **customers**. Once these businesses have experienced a successful lease it is very common that offering and asking for leasing becomes a regular thing. This is shown through the below case study.

In June 2014 we began liaising with a catering supplier who was relatively new to offering leasing. The supplier's **Account Manager** at Tower, Ben King, liaised with the Sales Director and explained how leasing works, answered all of her questions and discussed how leasing could become a way for her to gain more business by offering it alongside cash purchase.

As a result of this conversation the Sales Director began to look over a few of her quotes and started to re-do them, incorporating a finance option, and sent them over to the customers who had 'gone quiet' on her.

One of her customers, a new start café, got back in touch as the finance option was very appealing to them. This customer did not realise that they could invest in equipment through lease finance and had gone quiet because, as a new start, they wanted to keep cash within the business and were looking for cheaper alternatives. The café was happy with the quote and asked the supplier to organise the lease.

This is where we came in... we made the lease process easy for both the supplier and customer. Our New Business team cleared the customer for credit, sent the paperwork to the customer, the customer signed the agreement and sent it back to us – the equipment was then installed and the lease agreement began.

The café was also in need of some industrial sized refrigerators. They were so impressed with our service and the beneficial alternative that they spoke to a new supplier and asked them to organise a lease with us. We worked alongside this supplier and organised another lease agreement for the customer.

Both the suppliers and customer benefited from our service and now continue to offer and ask for leasing when selling and investing in equipment.



9.0. About Tower Leasing Ltd

Tower Leasing Ltd has been established for 25 years. Our aim is to deliver an alternative which enables businesses to invest and grow.

We pride ourselves on the service we deliver, our customers are our number one priority and we go the extra mile to help them acquire the equipment they need.

Over our years we have built strong relationships with over 10 funding lines and have access to our own book funds meaning credit clearance and acceptance rates are high. We have also built up a large database of trusted, loyal suppliers who we refer to our customers so that they can get the equipment they need.

Our team consists of expertise, enthusiasm and a united determination to deliver our service in an efficient and satisfactory manner.

To find out more about Tower Leasing Ltd please click [here](#).



10. Fancy a chat?

If you're thinking of leasing some equipment or just fancy talking more about this option please do not hesitate to contact us.

T: 01753 837077

E: enquiries@towerleasing.co.uk

W: www.towerleasing.co.uk

Keep up-to-date with our team and the latest leasing news by following us on Twitter and LinkedIn!

Follow: [@towerleasingLtd](https://twitter.com/towerleasingLtd)

Link: [Tower Leasing Ltd](https://www.linkedin.com/company/tower-leasing-ltd)



11. Glossary of terms

Leasing/Asset Finance – When leasing an asset you are agreeing to pay structured rentals over a period of time for the use of the asset.

Customer/End User/Lessee – A business that requires equipment on lease.

Supplier/Dealer – A business that supplies equipment to a customer.

Lessor/Funder – An organisation that provides funding to a customer.

Rentals – The payments made by the customer in respect of the lease agreement. These would normally be quarterly or monthly.

Capital Allowance – The sums of money a UK business can deduct from the overall corporate or income tax on its profits.

Corporation Tax – The tax applied to a business's profit at the end of its financial year, it is generally between 20% - 24%.

Account Manager - This is the dedicated person at Tower Leasing that will be looking after you for the duration of your lease or any future leases you may do with us.

Upgrade - A lessee may choose to upgrade the equipment they have leased to a newer version. We can offer the lessee an upgrade on their current lease to accommodate the new equipment. The rentals would be adjusted accordingly.

To find some more definitions for leasing keywords please go to our [Jargon Buster](#).



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