

Lease or Buy?

The Benefits of Leasing

Why it makes sense for you to lease

Increasing numbers of businesses are choosing to lease technology because of the benefits it offers.

Saves Working Capital

If businesses buy equipment outright, the capital invested becomes tied up in a depreciating asset, precluding investment in other projects. Leasing, on the other hand, allows you to save resources for other purposes, such as new business opportunities, unexpected needs, business development or marketing.

Easier Budgeting

Your payments are fixed for the full agreement period and are not affected by inflation or changes in interest rates. So you can accurately plan for your finance payments in advance, helping to simplify the budgeting processes.

Maintains Credit Lines

With leasing, existing credit lines arranged with a bank remain intact. As a result, you can acquire the solution you need and have the additional flexibility to still use your bank's facilities in the future.

No Deposit

A deposit need not be a prerequisite of the leasing arrangement. You simply make regular payments throughout the life of the agreement.

Tax Efficiency

Lease payments may be offset against taxable profits, reducing the net cost of leasing the equipment.

Upgrade Opportunities

Leasing allows you to keep up-to-date with advancing technology and to respond to changing needs. You can add to or upgrade your original installation to accommodate unforeseen changes in your requirements. In many cases, by extending the length of the lease, this can be achieved without an increase in monthly or quarterly payments.

Convenience

Payments can simply be made by direct debit. Multiple payments can be collected on one single monthly or quarterly direct debit, saving on bank charges and administrative time.

Flexibility

Individual leasing agreements, including contract lengths, are tailored to meet your particular needs, ensuring that the payments match your existing and planned budget.

Who uses leasing?

Leasing versus other funding options

There are many advantages to leasing when compared with other financing alternatives.

Cash

- Outright purchase has an immediate impact on cash flow. This is not the case with leasing
- The cash is tied into the asset and cannot be used elsewhere in the business. Leasing ensures the cash is available to be used to better effect elsewhere in the business
- The asset(s) is shown on the balance sheet whereas some types of lease are off balance sheet
- Writing down allowances are only claimable each year at a 25% rate on a reducing balance basis; leasing payments are 100% offset against taxable profits
- Outright cash purchase can reduce your flexibility to upgrade and add to your equipment as technology and your business needs change as you are dependent on future cash reserves. Leasing ensures total flexibility regardless of immediately available cash reserves

Loan

- Using a loan will use up some of your available credit and impact on your ability to obtain or increase any overdraft or current loan to fund working capital in the future
- The asset(s) is shown on the balance sheet whereas some types of lease are off balance sheet
- The lender may ask for additional security - eg a debenture over book debt or a charge over a freehold property, whereas a lease is always only ever secured on the asset in question
- Loans may be repayable on demand, whereas a lessor (the funder) cannot 'foreclose' on the transaction whilst payments continue to be made
- Only the interest element on loans and writing down allowances are claimable against tax, whereas 100% of leasing payments may be offset against taxable profits

Overdraft

- An overdraft is a short term finance facility to fund working capital, not asset acquisition, and is therefore less appropriate for buying technology
- As with a loan an overdraft will use up some of your available credit and impact on your ability to obtain or increase an overdraft to fund working capital in the future
- Interest is normally variable and calculated daily - lease payments are fixed and allow for easier budgeting
- Just as with a loan, repayment on an overdraft is on demand. Lessors will not foreclose on the arrangement whilst the lessee continues to make payments

The asset is shown on the balance sheet - some types of lease do not require this.

Copybest are fortunate to work with several funders and are able to obtain very competitive rates which are passed on directly to our clients. Copybest receive no commission for any equipment supplied via a lease agreement.