

▶ Choosing the right finance for you

The world of asset finance can be complicated and confusing. To help you make the right choice, here is a simple overview of the main products available and their key features.

	Finance Lease	Hire Purchase	Operating / RV Lease	Loan
Overview	Sometimes called a “full pay-out” lease because you pay the full capital amount plus the interest over the term of the lease.	As the name suggests, this facility allows you to spread the cost of a purchase and own the assets at the end of the agreement.	The bank takes “risk and reward” in the asset by setting a residual value (RV). Your repayments are lower as a result.	Does not need to be based on the asset and the amount borrowed is repaid over an agreed term.
Typical Use	Extremely tax efficient and very popular as a result. Can be used for the widest range of assets.	Popular for ‘hard’ assets that will be used well beyond the term of the agreement.	Historically* the only off balance sheet option but still popular due to the lower rentals	Great for non-asset based projects such as software, websites or even VAT or tax bills.
Tax Treatment	Repayments are 100% allowable against taxable profits.	Partially deductible (equivalent to using cash).	Repayments are 100% allowable against taxable profits.	Partially deductible (equivalent to using cash).
VAT Treatment	Spread over the term.	In full with first payment.	Spread over the term.	N/A
Rates	Fixed.	Fixed.	Bank.	Fixed.
Ownership	Bank throughout.	Client (subject to full payment).	Assets to be returned in good condition or retained by paying secondary rentals to cover the RV.	N/A
End of Term	Either return the assets or retain permanently for a nominal fee.	Title passes automatically at the end subject to paying a modest Option To Purchase (OTP) fee.	Assets to be returned in good condition or retained by paying secondary rentals to cover the RV.	N/A

*From January 2019 onwards, accountancy treatment for operating leases changed to be the same as for finance leases under IAS regulations

Contact us today to learn more about how we can help you finance your projects.

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