



LEASE PACKAGES

There are two options available to finance your proposed project:

1. LEASE RENTAL

- **Payments are 100% tax deductible un like a purchase..**
- **VAT is payable on each rental and reclaimed in the usual way**
- Payments can be made monthly, quarterly or yearly
- Payments are made by direct debit
- Options at the end of the period:
 - a) Continue to rent the equipment at a very small monthly charge
 - b) Return the equipment to us
 - c) **Negotiate ownership of the equipment via a third party for a nominal charge.**

2. LEASE PURCHASE

- **All VAT is paid in advance**
- Payments can be made monthly, quarterly or annually
- Payments are made by direct debit or by invoice at small increase in rate
- **At the end of the period, the equipment automatically becomes your property**
- **Payments are NOT 100% ALLOWABLE**
- **Customer claims capital allowances as per cash purchase**

This will also offer you the following benefits:



OVERCOME BUDGET LIMITATIONS

Make the most of your budget by spreading the cost over 2, 3, 4 or 5 years and acquire the solution that meets your needs fully, rather than that which your budget dictates. You can pay monthly, quarterly or annually, from your Revenue Budget, to suit you.

EASE CASHFLOW AND BUDGET TO INCLUDE EVERYTHING

Lease payments are fixed for the period allowing you to budget for one easy monthly or quarterly payment for the total project.

PRESERVE BORROWING POWER

Other lines of credit from your bank remain intact for other credit needs. In addition to which, leasing is far more cost effective than bank borrowing as loan payments do not attract 100% allowances.

LEASE RENTAL BENEFITS FOR A COMPLETE PROJECT :

All of the above AND Complete Project becomes 100% ALLOWABLE



Why Lease Rental is Favourable to your company's fit out project and notes about Capital Allowances:

NOTES REGARDING CAPITAL ALLOWANCES

Tax relief on commercial property expenditure is given in the form of Capital Allowances. Whether the expenditure relates to the capital costs of a new refurbishment, fit-out or property acquisition **Capital Allowances will be available on the plant & machinery element.**

The downside is that the definition of 'plant' in the context of a fit-out is extremely complicated. Items that qualify as 'plant' are actually defined by exclusion - **that is to say it excludes expenditure on the provision of buildings, structures and land. Included in the expression 'buildings' are walls, floors, and mains services. Needless to say there are therefore a number of elements of a fit-out that do not qualify for Capital Allowances (including most partitions, doors, frames and skirting and lighting) as they are deemed to part of the 'building'.** Deloitte and Touche have carried out a review of completed projects financed by Plus Finance and calculated that on average 65% of a typical project (excluding furniture) would qualify for capital allowances.

Generally the overall percentage will increase on projects with a significant element of mechanical and electrical work - i.e. air conditioning systems. As a rule of thumb though we work on 65% qualifying expenditure.

In March 2010, further changes were made to the tax relief available for capital expenditure. The changes add to earlier announcements and make it increasingly difficult to remember which rules apply to which period. Below is summary of the main allowances that are effective at this moment in time. **Remember to talk to your accountant for full details of the allowances available, and your eligibility for them, before acting on any of the information provided here.**

Annual Investment Allowance – The 'AIA' was introduced in April 2008 and is available to all business. From April 2010 the allowance provides 100% relief on the first £100,000* of expenditure on qualifying plant and machinery. This doesn't include cars, but does include integral features.

* subject to restriction for groups/businesses under common control

Standard writing down allowances – from April 2010 we return to 20% per annum (reducing balance basis) allowance on expenditure incurred on general qualifying plant and machinery above the £100,000 AIA threshold.

Integral Features – Since April 2008, tax relief for expenditure on 'integral features' (e.g. lifts, hot & cold water systems, air conditioning and electrical and lighting systems) is available at a rate of just 10% per annum. Integral features are, however, eligible for the 100% AIA. To maximise the benefit of the AIA, expenditure on integral features should be offset against the AIA in priority to expenditure incurred on other plant and machinery, for which a 20% writing down allowance is available.



Energy-efficient assets – your business can claim 100% tax relief for expenditure incurred on new energy-efficient assets or environmentally beneficial technologies. A full list of qualifying assets can be found at www.eca.gov.uk

Plus Finance uses lease finance to get around the relative inefficiency of Capital Allowances. Basically lease repayments are fully tax deductible thereby avoiding the whole Capital Allowance process. Your Accountant will simply deduct the lease repayments from taxable profits.

Plus Finance leases are typically written for period of 5 years and can be used to finance the entire cost of a fit-out and/or furniture requirement. The leases are very similar to the lease rental agreements you would use for photocopiers etc. The process involved in arranging a lease is quite straightforward. However, the leases are unsecured and therefore covenant strength of the lessee is a fundamental issue. The funders are interested in the usual financial information - statutory and management accounts to help them reach their underwriting decision. The underwriting process usually takes up to a week depending on the financial status of the applicant and the size of the project.