

It's Cheaper to Lease!



If you pay for the refurbishment of your building from your cashflow, only a limited percentage is allowable for tax purposes. Because of the 'intangible' elements, we estimate that the Revenue may only allow you to claim capital allowances against approximately 60% of the project. However, if you lease the works, because the assets technically don't belong to you, the repayments are 100% allowable unlike any other form of finance such as a bank loan. This 100% allowance on payments makes leasing the most tax efficient method of refurbishing a building and can WORK OUT CHEAPER THAN PAYING CASH!

Please see below an example comparing the costs of paying cash to leasing a fitout project costing **£100,000 + VAT**, over 5 years. Please note that we are assuming the client is a large company paying 30% corporation tax and an average project where only 60% of the contract would achieve capital allowances:

1. CAPITAL BUDGET OPTION

Amount eligible for capital allowances at 60% of the project:	£60,000.00
Total capital allowances over 5 year period*	£55,904.00
Tax relief at 28% of above figure	£15,653.12
Net cost of project when using cash (ie cost of project minus tax relief)	£84,346.88

*assuming £50,000 in first year followed by 20% per annum thereafter

2. LEASE OPTION

60 monthly payments of £2160.00 + VAT per month	£129,600.00
Tax relief on full amount at 28%	£36,288.00
Net cost of leasing project (ie cost of total lease payments minus tax relief)	£93,312.00
If the cash is left in the business there is a return on that at approx 7% per annum ie £16,500 which needs to be taken off the net cost:	£76,812.00
LEASE SAVES:	£7,534.88 7.5%

Important Note: This is a generic calculation provided in good faith. However, we suggest you verify with your financial advisors.