OAKFIELD LEASING CASH PURCHASE v LEASE AGREEMENT

Please find below an example of the most cost effective and tax efficient method of payment for a business looking to purchase a new piece of equipment:

Cash Purchase

Equipment price £3000.00

Interest lost from withdrawing money from bank deposit account @ 5% PA over 3 years

Year one £150.00 Year two £157.50 Year three £165.38

Total Interest Lost £472.88

Write Down allowance year1 @ $25\% = \pounds750.00$ x rate of tax @ $40\% = \pounds300.00$ Write Down allowance year 2 @ $25\% = \text{\pounds}562.50$ x rate of tax @ $40\% = \text{\pounds}225.00$ Write Down allowance year 3 @ 25% = £421.88 x rate of tax @ 40% = £168.75

Total tax allowance	£ 693.75
Total cost	£3000.00
Minus tax allowances	£ 693.75
Plus lost interest	£ 472.88

True cost of paying cash

£2779.13

£2779.13 £1938.11 **£** 841.02 = WINNER

Finance Lease **SAVES** you

3 year Lease (3 years 3 + 33 @ £111.62)

£3000.00

Interest gained from money in bank deposit account @ 5%

£150.00
£157.50
£165.38

Total Interest Gained £472.88

Finance Agreement = 100% Tax deductable

Total payments = $\pounds4018.32$ (100% tax deduct able) Minus tax allowances @ 40% of \pounds 4018.32 = \pounds 1607.33.

Total tax allowance	£1607.33
Total repayments	£4018.32
Minus tax allowances	£1607.33
Minus interest gained	£ 472.88

Total cost of finance £1938.11