

## Finance Lease

### Tax efficient vehicle acquisition

A Finance Lease from MAN Financial Services (MFS) is the ideal choice for companies currently generating insufficient profits to take full advantage of Writing Down Allowances in respect of any new assets acquired.

By entering into a Finance Lease through MFS, operators gain the ability to enjoy these allowances in full, with the benefits being reflected in our economical rental rates.



These rentals are fully tax deductible and, by opting for a Finance Lease, this will enable you to reduce your tax bills in future years as your profits increase.

**An MFS Finance Lease: the simple and often tax-efficient way to acquire the assets you need without having to draw on your company's capital reserves.**

For example, a company with an immediate requirement for additional vehicles in order to fulfil a new contract; as a result of this new business, the company anticipates being more profitable in the following year.

The question is:

### **Should your additional vehicles be financed using a Finance Lease or Lease Purchase?**

Should the company finance the vehicles by Lease Purchase, it would be unable to make full use of its entitlement to Writing Down Allowances because there are, at present, limited profits against which to set them.

By financing the vehicles using a Finance Lease, the company would gain from MFS' ability to benefit from full Writing Down Allowances on the equipment, these then would be reflected in reduced rentals.

With these rentals being fully tax deductible, a Finance Lease with MAN Financial Services would also help the company reduce its tax bills in future years when profits are likely to improve. Both forms of finance would enable the company to have immediate use of the vehicles it needs. However, because of the company's tax position, the choice in favour of an MFS Finance Lease is clear to see.



# Benefits of a Finance Lease

## Features

Payment is spread over the term of the finance lease, which must be less than the equipments projected economic life

Operators can calculate the cost for the use of the asset over the period of the lease (provided corporation tax and capital allowances legislation does not change)

Secondary lease period is available for a nominal annual rental, payment in advance, which is subject to negotiation

Total of asset cost can be financed

Rentals are generally 100% tax deductible

A finance lease is simple and quick to arrange with standard documentation

Payments are usually equal for term of lease

## Key points

- You get economic use of the asset as if you owned it,
- Rentals for equipment are generally 100% tax deductible
- At the end of the primary lease period, you have two attractive options:  
*either*
  - retain the asset in return for payment of nominal annual 'secondary rentals'or,
  - sell the asset as our agent and retain the bulk of the sale proceeds.This can be a particularly valuable option if the asset has been well maintained
- A tax-efficient alternative to bank loan funding
- Not repayable on demand (providing conditions of the lease are being met)

## Benefits

Equipment can be self-financing and, therefore, eases cash flow. Leasing frees resources for other business development purposes. It also enables businesses to remain competitive as they don't have to retain outdated equipment

Budgeting and management control are simplified

You can retain equipment, at a low cost, if you can still make economic use of it

No initial outlay (apart from first rental in the form of a deposit), unlike many bank loans

Tax-efficient

You save valuable time

A hedge against inflation as the value of the payments is eroded throughout the term of the lease, making budgeting easier



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