

BLEND TELECOM

MOBILE, FIXED, BROADBAND, SECURITY

**Guide to
equipment
leasing**



What's inside?

Over the coming pages we will explain why leasing is the best option for upgrading your telecoms and IT equipment.

We will walk you through the benefits, the process and answer a number of frequently asked questions to help you make a more informed decision about your next upgrade.

There is a lot of information on the internet about leasing, so we hope this concise guide helps you to properly weigh up the options and dispel any myths that may have popped up during your research.

Of course, we are on hand to address any additional questions you may have, be them about leasing, the requirements or how we work with third-party lenders.

So, what is leasing?

Leasing is quite simply the process of acquiring equipment via third-party finance and paying for it in manageable monthly amounts over a pre-agreed term.

It's like a loan, only the loan is secured by the assets you have acquired, which allows for a lower rate of interest.

We work with a number of Suppliers and third-party lenders, enabling you to get financing for the equipment you need today, without laying large sums of money upfront.

By paying for the equipment monthly you will be preserving your hard-earned working capital and not tying money up in ever-depreciating assets.

Most importantly, Leasing allows you to invest your money in more profitable activities – which enable your business to grow.

Did you know?

80% of the FTSE 500 lease their IT and Telecoms equipment because of the benefits it brings to their business.

What are the benefits?

Putting your hard-earned money to better use is the #1 reason businesses lease office equipment.

Here are some others:

- It is cheaper than buying outright (once tax relief is accounted for)
- Afford the best quality - no compromises
- Flexible tenures from 12 – 84 Months
- VAT is charged on the smaller payments and not the large fee at the start
- Tax allowable — rentals are an operating expense and so are 100% tax deductible
- Payments are fixed for the term
- One rental can include all equipment and ancillary costs i.e. consultancy, installation, training and maintenance
- Keep your credit lines intact — Leasing does not affect any of your existing credit lines
- You are free to upgrade, make additions, or settle the finance agreement at any point
- Flexible options at the end of the Lease – including indefinite ownership

What can be leased?

Leasing is applicable to a great number of equipment types, including software.

Here's an example of the things that can be offered via Leasing:

- Desktop Phones
- Telephone Systems
- VoIP licenses
- Mobile Phones
- Tablet Computers
- Servers & Networking
- Laptops
- Desktop Computers
- Copiers & Printers
- Peripherals (headsets, keyboards etc.)
- Telecoms & IT Software

Many business customers are delighted to find that professional services can also be included in the Lease. So if your upgrade requires installation, setup, training or maintenance fees, these can be broken down into monthly payments too!

Did you know?

30 – 40% of a lease sale can be made up of professional service charges

Why lease smartphones?

Due to the increased cost of smartphones, network bills are higher than ever and no longer provide contractual flexibility or value for money.

By separating your hardware and network costs you can save £100s per user, as well as:

- By separating hardware and airtime you get greater visibility of your company's mobile expenditure allowing you to pay only for what you need
- Substantial savings to be made versus traditional contracts
- Upgrade your smartphones every 12, 24 or 36 months, it's up to you
- Shop for the best airtime contract with minimal commitment, SIM Only plans can be as low as £10 per month or billed on 30 day rolling contracts
- Save money by being more specific on the smartphones your company uses, don't settle for a 'one-size fits all contract'
- With leasing there is no upfront contribution for hardware, simply start paying from month one
- Achieve one technology bill by wrapping your smartphones in with other company hardware and software requirements

Did you know?

Smartphone leases can contain a residual value of up to 25%, meaning even greater savings on your mobile bill!

How does tax relief work?

As highlighted on the benefits page, Leasing qualifies as an operating expense to your business and so is 100% tax deductible.

This means, at the end of each financial year you can deduct Leased expenditure from your tax bill, giving you greater profits!

Example

Company A is looking to purchase new telecoms equipment for its Sales force. The supplier has offered them two options, either to buy the equipment outright or to utilise a lease option.

Assumptions

- Equipment Price: £7,374
- Lease Period: 3 Years
- Frequency: Monthly
- Company's Tax Rate: 30%

Cash purchase

Tax relief is only available on the capital allowances on the equipment.

Year 1 – 25% of £7,374 = £1,843 – Less 30% = £553.00	Total tax relief: £1,279.00
Year 2 – 25% of £5,531 = £1,383 – Less 30% = £415.00	
Year 3 – 25% of £4,148 = £1,037 – Less 30% = £311.00	

Lease rental

Tax relief is available on all rentals, in this case at a rate of 30%.

Year 1 – 12 rentals of £252.00 – Less 30% = £908.00	Total tax relief: £2,724.00
Year 2 – 12 rentals of £252.00 – Less 30% = £908.00	
Year 3 – 12 rentals of £252.00 – Less 30% = £908.00	

By choosing to Lease, Company A would gain over £1,400 more in tax relief when compared with a cash purchase.

How is tax relief accounted for?

When a business leases their equipment they are able to gain relief on 100% of the lease rentals against its corporation tax.

This means, for each and every lease payment made the business can claim 21%+ in tax relief against its corporation tax, keeping the cash in the company as opposed to handing it over to the HRMC!

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Company A

Profit:	£100,000
Corporation Tax to be paid:	21%
Profit after tax:	$£100,000 - 21\% =$ £79,000
Total Tax paid:	£21,000

Company B

Profit:	£100,000
Corporation Tax to be paid:	21%
Lease Rentals to be paid:	£10,000
Profit after Lease Rentals:	£90,000
Total Tax paid:	£18,900

Company A pays £21,000 while Company B pays £18,900 in corporation tax.

What are the requirements of leasing?

As long as your equipment totals £1,000 (ex VAT) or more then you qualify for the Lease option.

Prior to paperwork being sent we will perform a quick credit check on your business to ensure we can secure funding for the amount required.

As will be itemized in our Lender Ts & Cs, your equipment will need to be insured; otherwise the Lender will add insurance for you. This gives the Lender added security in case any of the equipment gets damaged during the term.

Do not worry though, the equipment is usually already covered in your building and contents insurance, 99% of the time this is the case.

Due to the Consumer Credit Act, it can be easier and quicker to arrange finance if your company is registered as one of the following:

- Limited Company
- LLP
- PLC
- LEA School
- Any organisation in the public sector
- Partnerships of 4 or more partners

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What's the process?

It's really quite simple.

First of all, tell Blend Telecom what it is that you require and inform us that you wish to be quoted a lease option.

- Blend Telecom will offer you a range of payment options, including monthly, quarterly, and tenures from 1 – 7 years.
- Confirm the tenure that best suits your budget and soon after, your finance agreement will arrive via email.
- Upon completion of the paperwork, Blend Telecom will deliver the equipment and then your instalments will begin (paid by Direct Debit).
- At the end of the lease you will be given the option to keep, upgrade or return the equipment, it's that simple!

Did you know?

Lease contracts are clear and concise. They can also be issued for digital signature, saving on printing and posting costs.

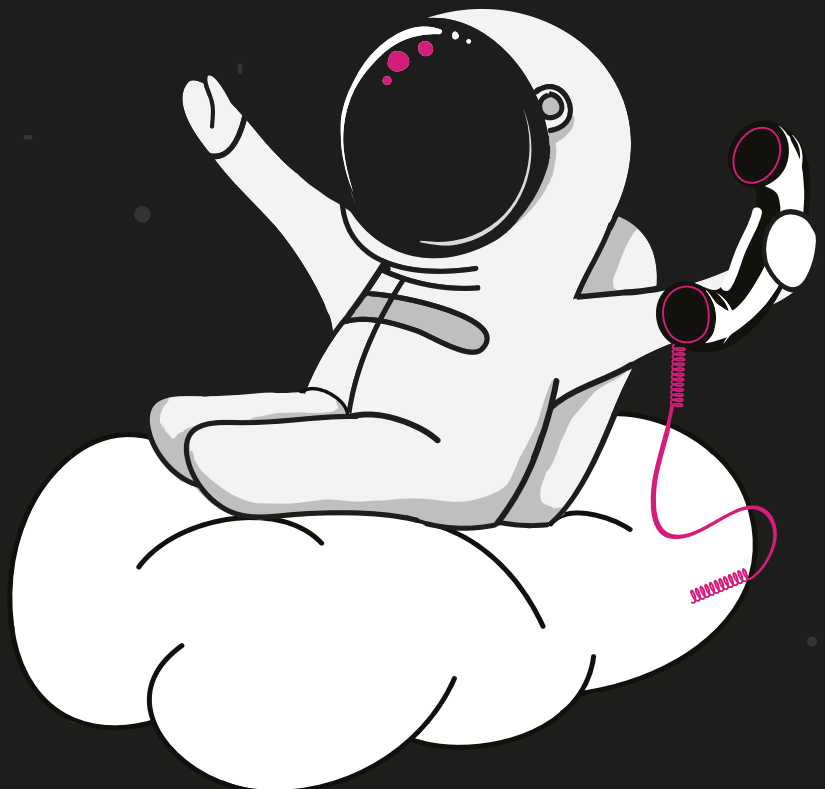
Make contact

When a business leases their equipment they are able to gain relief on 100% of the lease rentals against its corporation tax.

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