Cash v Lease Illustration

Bluestone Leasing

Leasing is often more cost effective than paying cash.

If your organisation is considering making an investment, leasing rather than paying cash should always be considered because leasing can be more cost effective for you in the long run. Fundamentally, leasing allows you to spread the cost of depreciating assets over time and match more evenly the costs to the return on that investment.

You may also be able to enhance your benefits by offsetting your lease payments against tax which, subject to your tax position, could be a significant saving compared to paying cash.

The example below illustrates the total cost of a cash purchase against the costs of leasing based on a 36-month term. It assumes rentals are paid monthly in advance, by direct debit and all costs are based on net present value.

Capital Expenditure

Total cost of project	£150,000.00
Cost after tax benefit	£126,153.40

Rental Option

Total cost of project	£150,000.00
Rental per month	£4,800.00
Total payable	£172,800.00
Net present cost of rental stream *(after tax benefit)*	£108,077.97
Less opportunity cost of investing cash saved elsewhere	£20,938.33
Net cost of leasing	£87,139.64
Leasing is cheaper than cash by	£39,013.76

Customer Assumptions

Corporation tax rate	28 %
Discount rate	12 %
Return on capital employed	10 %

Annual Investment Allowance (AIA) tax allowances used elsewhere.

All figures exclude VAT and are subject to credit approval. Comparison shown is made on the basis of a finance lease

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