



Finance Lease in more detail

There are two distinctive types of finance agreements. Which one you choose depends on whether you wish to own the vehicle(s) at the end of the agreement or not:

A Purchase agreement is where you, the customer, have the right to obtain legal title to the vehicle. (Supply of Goods)

A Hire agreement is where you, the customer, have no option to gain legal title to the goods. (Supply of Services)

Finance Lease is a **hire agreement** offering a flexible rental agreement. The ownership however stays with the finance company but the residual value or reward is passed to the customer at the end of the agreement term.

There are two types of Finance Lease:

1. Residual Value Lease

Providing fixed monthly payments over the period of the contract which is concluded with a pre-determined balloon payment.

2. Fully Amortised Lease

Providing monthly payments, that account for the entire value of the vehicle over the contract period.

The benefits of Finance Lease?

- Improved cash flow
- Consistent and accurate budgeting
- Fixed interest rates
- Low initial outlay
- Minimum capital expenditure
- VAT Recoverable on monthly rentals (1 - As above)
- Reduced administration costs
- Rentals allowable against taxable income (2 - As above)
- Vehicles shown on the balance sheet
- Opportunity for a third party to buy the vehicle at the end of contract

More about Balloon Payment

A balloon payment is a calculation of the residual value of the vehicle. This calculation is based on the mileage the car is expected to complete and the length of time of the finance agreement. This payment does not only give you the flexibility to own the vehicles at the end of the contract but to keep the monthly payments to a minimum. If you decide not to keep the car at the end of the contract term then you can hand it back to finance company and have no further cost as long as it is within the mileage and condition terms.

Who should consider Finance Lease?

This finance option is best suited VAT registered companies who prefer a flexible rental agreement without ownership (as with Contract Hire). The agreement is shown on the Balance Sheet as a leased asset with a corresponding liability.

Still not sure which finance option is best for you?

Why not take a quick glance at our Financial Comparison Chart to make sure that you have considered the advantages and disadvantages of each finance option. Our Comparison Chart provides a checklist of finance & tax, and running cost issues.

If you require any further information or would just like to talk to one of our Customer Service Team about your individual requirements then simply call us on **0161 406 3936**.