

So how does leasing compare to cash purchase?

Lease vs Buy Example

Assumptions

Equipment Cost: £10,000.00

Lease Period: 3 Years

Frequency: Quarterly

Company's Tax Rate: 21%



Cash Purchase

Year	Capital Allowance	Tax Relief
1	18% of £10,000 = £1,800.00	Less 21% = £378.00
2	18% of £8,200 = £1,476.00	Less 21% = £309.96
3	18% of £6,724 = £1,210.00	Less 21% = £254.17

Total tax relief: £942.13

Lease Rental

Year	Capital Allowance	Tax Relief
1	4 rentals of £ 995.40	Less 21% = £ 836.14
2	4 rentals of £ 995.40	Less 21% = £ 836.14
3	4 rentals of £ 995.40	Less 21% = £ 836.14

Total tax relief: £2,508.41

Company A has chosen to lease its equipment and has **gained £1,566.28** in tax relief.