



TAX EFFICIENT IT FINANCE A BRIEF GUIDE

A brief guide to the tax benefits associated
with the acquisition of IT equipment via leasing

Good for your cashflow, bad for the taxman

Paying for IT over time, with a flexible finance solution from Vcentral in partnership with Syscap, has obvious benefits for an organisation's cashflow. But there are also considerable tax advantages, making flexible finance the most cost-effective solution, as well as the most convenient.

TAX Benefits AT-A-Glance

- A lease is 100% deductible against tax
- Tax savings can often cover charges incurred – making a lease self-financing
- Real cost of the technology acquired is reduced

Summary

Because leased technology is tax-deductible, IT acquired using flexible finance is cheaper in real terms than IT acquired with cash or credit. Flexible finance also allows organisations to stay up-to-date more easily and gives them the capital and freedom to invest in other areas of their business.

100% tax-deductible

Technology acquired using a lease is 100% deductible against tax, meaning you can claim back the tax on every penny you pay. The savings can be substantial, even after you calculate the interest payable on the lease.

Example:

Company X decides to invest in £20,000 in IT

Cost of goods: £20,000

3 year lease at £1,926.40 per quarter

Total payable = £1,926.40 x 12 = £23,116.80

Interest payable = £3,116.80 over three years

Lease is 100% tax deductible.

Assuming tax rate is 25%, tax rebate is £5,779 (23,116.8 x 0.25)

Customer saves £2,662.20 on the cost of their equipment.

The savings in this typical example are substantial – over 13% – and that's before calculating the interest on the £20,000 capital that would be lost if Company X had paid cash.

A missed opportunity

The argument for flexible finance from a tax point of view is compelling. And yet it's an argument that most businesses are failing to act on. According to a recent survey by the Finance and Leasing Association and the Forum of Private Business, nearly two-thirds of small and medium-sized businesses simply fail to make use of their capital allowances.

Every year, companies are paying more tax than they need to – and paying premium rates for technology. Make sure you're not one of them.

Other Benefits

There are other reasons why acquiring your technology using flexible finance makes sound economic and practical sense.

Pay over time

Instead of paying for equipment with one capital-sapping hit, we enable businesses to pay over time. This allows them to use vital resources to grow market share, rather than having much-needed cash tied up in their IT budget. It also allows you to demonstrate ROI from day one to stakeholders and management.

Fully flexible

Whether you require software, hardware, or intangibles such as training and maintenance, we're able to help find finance that works for you. Effective IT is about so much more than hardware, and we reflect that in our solutions. And because we're fully independent, you're not tied to any one supplier.

Upgrade regularly

Technology changes rapidly, and staying up-to-date is key to staying ahead. That's why a key feature of our solutions is our Systems Change Option. This enables businesses to upgrade their IT regularly, often without increasing the monthly amount payable.

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About Vcentral

Vcentral specialise in the design and delivery of innovative business solutions which help organisations streamline processes, optimise existing assets and save money. By providing vendor independent advice and expertise in all areas of virtualisation, from desktops and their applications, to servers and storage, Vcentral tailor solutions to meet the individual requirements and budgets of today's enterprise.

Working with Vcentral our customers are finding new ways of empowering technology for high profile projects such as business continuity and desktop management, to improve business agility and reduce cost of ownership.