



**COMPARISON: RENTAL v HIRE PURCHASE v CASH PURCHASE**

<b>RENTAL</b>	<b>HIRE PURCHASE</b>	<b>CASH PURCHASE</b>
<b>Payments are 100% allowable against taxable profits making this the most efficient form of financing available.</b>	<b>Only the interest element of the finance is fully allowable against taxable profits. Users claim capital allowances on the equipment on a reducing balance basis. (1<sup>st</sup> year 40%, 2<sup>nd</sup> year onwards 25%).</b>	<b>Users claim capital allowances (depreciation) on the equipment on a reducing balance basis.</b>
<b>The total VAT is spread across the term of the agreement without penalty.</b>	<b>The total VAT has to be met in full by the customer at the outset of the agreement.</b>	<b>The total VAT has to be met in full by the customer at the time of purchase.</b>
<b>Upgrade Path – At any time throughout the agreement additional equipment can be added without penalty.</b>	<b>No upgrade path. If additional equipment is required then the old agreement will have to be settled Early termination fee will be charged.</b>	<b>Upgrade Path – Not applicable.</b>
<b>Reality can arrange for ownership of the equipment to be passed to the customer at the end of the agreement. Typically this is subject to a “one off” fee equivalent to 1.5% of the original capital cost of the equipment.</b>	<b>Upon receipt of an option fee the finance company will pass title of the equipment to the customer at the end of the agreement. Typically this amounts to £100.</b>	<b>User owns the equipment.</b>
<b>Off balance sheet funding.</b>	<b>Depreciating asset on balance sheet.</b>	<b>Depreciating asset on balance sheet and corresponding reduction in cash reserves.</b>

