

5 Year Lease vs 5 Year Purchase

Price of equipment	\$100,000.00		
5 Year Lease		5 Year Purchase	
Equipment Cost	\$ 100,000.00	Equipment Cost	\$ 100,000.00
Monthly Payment	\$ 2,164.00	Taxes (12%)	\$ 12,000.00
PST on Payment (7%)	\$ 151.48	Total Cost	\$ 112,000.00
Gst on Payment (5%)	\$ 108.20	Interest Rate	7.00%
Total Monthly Payment	\$ 2,423.68	Total Monthly Payment	\$ 2,217.00
5 Year Lease		5 Year Purchase	
Total Payments	\$ 145,420.80	Total Payments	\$ 133,020.00
*Tax Savings (35%)	\$ 50,897.28	Interest	\$ 21,020.00
Net Cost	\$ 94,523.52	Depreciation (42.4%)	\$ 47,488.00
Buyout at 60 Months	\$ 10.00	Total Deductible Expenses	\$ 68,508.00
Taxes of Buyout (12%)	\$ 1.20	*Tax Savings (45%)	\$ 30,828.60
Total after tax cost	\$ 94,534.72	Total After Tax Cost	\$ 102,191.40
After Tax Benefit of Leasing			
After Tax Cost of Bank Loan		\$102,191.40	
After Tax Cost of Leasing		\$94,534.72	
Cash Savings by Leasing		\$7,656.68	

Actual cost of leasing is less than borrowing due to the following reasons:

1. No need to finance GST and applicable provincial sales taxes as it is added to monthly payment.
2. Lease payment is 100% tax deductible.
3. Only the interest portion of the loan is tax deductible.
4. It takes approximately 10 years to fully write-off equipment through depreciation.

Quotes are subject to change and credit approval.