ING Lease Belgium: Sale & Lease Back / Sale & Rent Back

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The sale of assets to ING Lease which are then rented back through leasing can have many advantages:

- Creating capital and liquidities for companies.
- Financial and tax optimisation of means and resources.
- Repayment of investment loans and rescheduling of debts.

Depending on the amount of the purchase option, the leasing contract will be either booked on your company's balance sheet or income statement:

- In the case of Sale & Lease Back the leasing contract will be booked on your company's balance sheet which means that the asset will be depreciated. This is known as on-balance sheet leasing.
- In the case of Sale & Rent Back the leasing contract will be indicated in your company's income statement. This is known as off-balance sheet leasing.

On-Balance Sheet Lease (Sale & Lease Back)

- Purchase option ≤ 15% of the investment value for ING Lease.
- Leasing must be entered on your company's balance sheet.

Off-Balance Sheet Lease (Sale & Rent Back)

- Purchase option > 15% of the investment value.
- Rents invoiced are booked in your company's income statement. On the tax front, such rents are fully deductible expenses.

Advantages of Sale & Lease Back or Sale & Rent Back:

- Balance sheet structure

  In the case of Sale & Lease Back or Sale & Rent Back, the balance sheet is consolidated by:
  - Own funds created by the capital gain possibly created through the sale to ING Lease.
  - In addition, in the case of Sale & Rent Back, debts are not indicated on the simplified balance sheet as in the case of "Off-balance Renting" the transaction is structured according to Belgian accounting laws which do not require this type of transaction to be indicated on the balance sheet.

  In both cases, the financial structure is improved on both the solvency and liquidity fronts. In the case of Sale & Lease Back, the debt leasing will be visible in the balance sheet.

- Liquidities
  Naturally Sale & Lease Back or Sale & Rent Back firstly generates immediate liquidities. In this way:
  - Your credit lines with the bank remain available.
  - You can use the liquidities to fund more profitable projects.
  - The fewer liquidities, the more the Sale & Lease Back or Sale & Rent Back will be used for the purpose of a corporate transfer or "acquisition financing".

- Taxation
  The transaction is more attractive thanks to tax incentives with regard to:
  - The notional interest deduction: in the case of a Sale & Lease/Sale & Rent Back a company's taxable base can be reduced by the notional interest which is calculated as follows: the capital gain realised x (1 – 33.99%) x 2.72% (notional interest deduction rate – 2014 tax year).
  - The savings of withholding tax on equipment if applicable: where the ownership of the building or (tangible) immovable asset is different from the ownership of the machinery, equipment and appliances which become fixtures, it is not necessary to apply Cadastral Income to the equipment and tools, consequently no withholding tax will be owed. This can be achieved through leasing in two ways, in particular by means of a property leasing contract or machinery leasing, in such a way the ownership of the building or machinery does not come under your company.
  - Spreading the capital gains tax in the case of a Sale & Lease or Sale & Rent Back: the principle is based on Article 47 of the Income Tax Code: "the payment of the capital gains tax can be spread over the depreciation period of a reinvestment. "

Advantages of leasing:

- In the case of off-balance sheet leasing, the balance sheet ratios and rents are booked in full as "overheads", which means that they can be quickly included under charges, depending on how the leasing contract evolves and length of the contract, without taking account of the tax depreciation duration.
- Leasing covers 100% of the asset's investment value. Transport and installation costs can also be included in the leasing contract, as well as staff training expenses.
- A company's own funds and lines of credit available from the bank remain available for other purposes.
- Leasing does not impact on a company's repayment capacity, as the aim is to pay the rent with the future income generated by the asset leased. As a partner, ING can offer leasing schedules suited to your company (for instance, in the case of seasonal activities, etc.).
- ING Lease pays the supplier's invoice in full, including the VAT. The lessor only pays the VAT (21%) on the rents. In this manner, the VAT is staggered over the lifetime of the leasing contract.
- The first treasury expense for your company will only occur at the time of delivery which is when the first rent is owed.

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