

# Guide to the Clean Air Zone Financial Assistance Scheme



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Bath & North East  
Somerset Council

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Improving People's Lives



# Bath Clean Air Zone (CAZ) Financial Assistance

Vehicle finance helps to spread the cost of a new or used vehicle over a period of time, rather than paying the full amount upfront.

This guide provides you with a comparison of the key features of the finance options Shire Leasing can offer under the CAZ Financial Assistance Scheme.

Please note, finance is subject to status, credit and eligibility requirements and is only available to UK residents aged 18 and over.

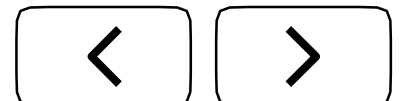


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# About The CAZ Financial Assistance Scheme

Shire Leasing has teamed up with participating Council's to offer vehicle finance under the CAZ Financial Assistance Scheme, enabling eligible businesses to replace non-compliant vehicles. The support comes in the form of grants and/or interest free finance and, for some businesses, it could be a cost-effective alternative to paying the charge, while contributing to better air quality in the city. Successful applicants stand to receive a grant of up to 35% of the net price of the replacement vehicle. These grants can be used alongside the scheme's interest free finance.

Our products are suited to businesses that would like to spread the cost of acquiring a vehicle. Although finance options can improve cash flow, other options, such as a cash purchase, should be considered prior to signing an agreement. Subject to status, credit and eligibility checks, you may be able to secure a grant only which you can use towards a cash purchase.

The finance solution you select will depend on your circumstances. We advise you use this guide to consider the finance solution that will best suit your needs and seek advice where necessary.

For the products outlined in this guidance, Shire Leasing act as the lender.



# Hire Purchase

Hire Purchase (HP) Agreements are available for Business Customers.

HP is a finance agreement designed to help your business eventually own the vehicle by spreading the cost over a fixed period.

The finance company hires the vehicle to your business for an agreed period of time at an agreed monthly or quarterly repayment.

Your business can gain ownership (title to the vehicle) by paying an additional sum called the 'Option to Purchase Fee'. Your business must, however, have paid all rental repayments due under the agreement to secure title to the vehicle.

Where VAT is charged on the Replacement Vehicle, you will be required to pay this as a deposit. This reduces the amount borrowed and the rental payments paid by your business over the Term.



# Hire Purchase Explained

The finance provider buys the vehicle on your behalf less:

- i. any deposit that you may have paid,
- ii. the part exchange of your existing vehicle (which may include settling any remaining finance on the existing vehicle)

The finance provider administers any grant obtained through the CAZ Financial Assistance Scheme, with the participating Council paying the interest that would otherwise be payable over the life of the agreement.

The remaining balance financed is then paid through interest free repayments over an agreed period. The Term must be for a minimum of 2 years up to a maximum of 5 years (this can be extended to 6 or 7 years for specialist vehicles).

At the end of this period, and once the Option to Purchase Fee has been paid (assuming everything else has been paid under the agreement), title to the vehicle is transferred to your business and you become the legal owner.

If your business is VAT registered you can reclaim between 50% and 100% of the VAT – 100% for commercial vehicles and cars that are used entirely for business purposes and 50% where a car is also used for private use.



## Benefits

- You will own the vehicle once all payments and the Option to Purchase Fee have been paid.
- The vehicle is retained as a company asset and appears on your balance sheet and can be written down against taxable profits.
- Fixed regular payments – frees up cash and gives you peace of mind.
- No mileage restrictions.



## Risks

- You do not own the vehicle until all the payments and Option to Purchase Fee have been paid.
- You must have fully comprehensive insurance.
- You have no protection against depreciation as a result of any unexpected fall in the value of the vehicle.
- Certain restrictions on the use of the vehicle or the location apply.





# What You Will Pay

## Case Study

Mr Joe Bloggs is a director of a Limited Company. He takes out a Hire Purchase Agreement for a new replacement van.

As the Limited Company is VAT registered and the vehicle is used exclusively for business purposes, any VAT paid on the vehicle can be claimed back.

Once all the payments together with the option to purchase fee are paid, ownership of the vehicle transfers to the business.



VAT on the balance financed is payable as the deposit (this may be claimed back in the normal course of business).

Balance paid over a chosen period of 2 - 5 years in equal monthly/quarterly payments.

After all repayments have been made and the Option to Purchase Fee has been paid, **THE BUSINESS OWNS THE VEHICLE.**

Cash price of new vehicle:	19,570.00	This is the basic vehicle price with no optional extras
Trade in of old vehicle:	4,000.00	
Net upgrade cost:	15,570.00	The grant is based on this sum
Grant from Council:	4,500.00	35% of the net vehicle upgrade cost capped at £4,500
Deposit payable:	3,914.00	This is the VAT on the cash price of the new vehicle
Balance financed:	11,070.00	
Rental repayments per month:	307.50	£11,070 divided by 36 with the interest paid by the Council



# Finance Lease

A Finance Lease Agreement is popular for businesses because it offers flexibility and tax advantages to eligible companies that require one or more vehicles, but don't have the accessible funds to pay for them up front.

Your business 'hires' the vehicle for an agreed term and at the end of the Agreement sells it on behalf of the finance provider and receives a percentage of the sale proceeds.





# Finance Lease Explained

The finance provider buys the vehicle on your behalf less:

- i. any deposit that you may have paid,
- ii. the part exchange of your existing vehicle (which may include settling any remaining finance on the existing vehicle)

The finance provider applies any grant(net) obtained through the CAZ Financial Assistance Scheme, with the participating Council paying the interest(net) that would otherwise be payable over the life of the agreement.

The remaining balance is then paid through interest free repayments over an agreed period of time, where you will make fixed monthly or quarterly payments to lease the vehicle from the finance provider. The VAT paid by you on both the grant and the interest (paid by the Council) will be payable together with your first regular rental repayment.

The Term must be for a minimum of 2 years to a maximum of 5 years (this can be extended to 6 or 7 years for specialist vehicles).

If your business is VAT registered you can reclaim between 50% and 100% of the VAT – 100% for commercial vehicles and cars that are used entirely for business purposes and 50% where a car is also used for private use.

## EARLY SETTLEMENT

A Finance Lease Agreement can be settled at any time provided the remaining repayments are paid and the vehicle is returned immediately. Note that depending on the timing and circumstances of the settlement, there may be a requirement to repay all or part of the grant and the interest paid by the Council.



# Benefits

- Although you will not own the vehicle, you will receive a percentage of the sale proceeds if the vehicle is sold to a third party.
- Fixed regular payments – frees up company money and gives you peace of mind.
- Your monthly payments can normally be offset against taxable profits.
- Your business will be able to have use of a commercial vehicle without facing the high upfront costs of purchasing a new vehicle outright.
- No mileage restrictions.



# Risks

- Ownership - you cannot buy the vehicle at the end of the contract.
- You must have fully comprehensive insurance.
- You have no protection against depreciation as a result of any unexpected fall in the value of the vehicle.
- Certain restrictions on the use of the vehicle or the location apply.

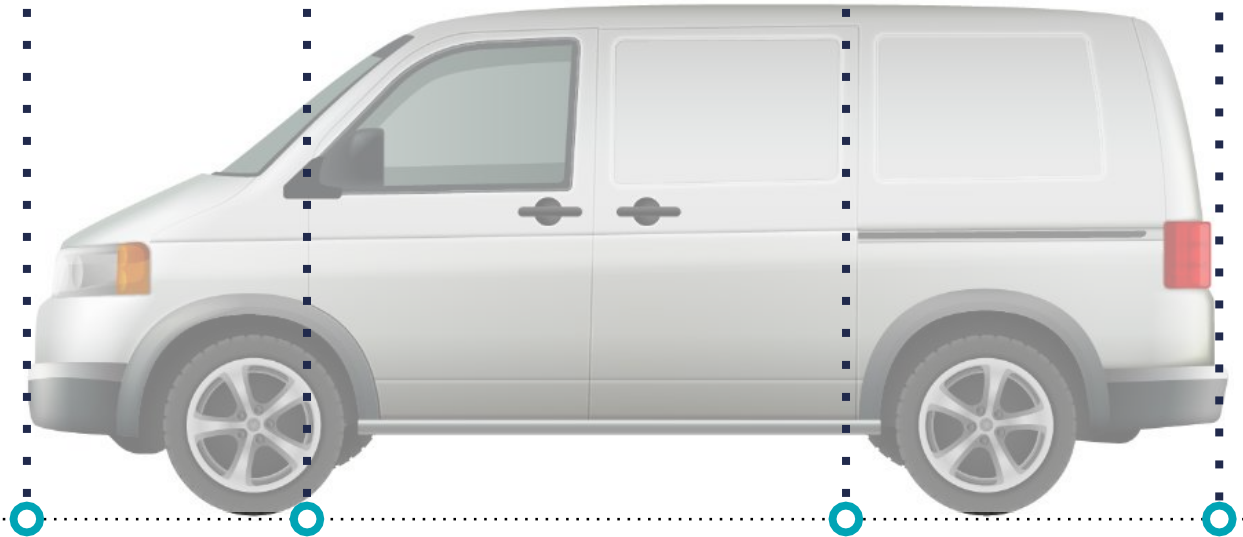


# What You Will Pay

## Case Study

Mrs Kelly Walker is a Partner in a Partnership and takes out a Finance Lease Agreement.

Once the Agreement has ended Mrs Walker contacts a third party and sells the vehicle and receives 95% of the sale proceeds.



The VAT on both the grant and the interest paid by the Council will be payable together with the first regular rental repayment.

Fixed, regular rentals are paid over an agreed period.

At the end of the Agreement the vehicle is sold to a third party and the business will receive a percentage of the sale proceeds.

<b>Cash price of new vehicle:</b>	19,570.00	This is the basic vehicle price with no optional extras
<b>Trade In of old vehicle:</b>	4,000.00	
<b>Net Upgrade Cost:</b>	15,570.00	The grant is based on this sum
<b>Grant from Council:</b>	4,500.00	35% of the net vehicle upgrade cost capped at £4,500
<b>Deposit payable:</b>	1,191.10	VAT on the grant and interest
<b>Balance financed:</b>	11,070.00	
<b>Rental repayments per month:</b>	307.50+VAT	£11,070 divided by 36 months with interest paid by the Council. VAT on the Interest and the grant is payable with the first regular rental repayment and can be claimed back in the normal course of business



# Glossary

## Agreement

An agreement is a legally-binding agreement between you and the finance company. It includes details of the finance amount, the term, your rights and responsibilities for the duration of the agreement.

## CAZ Financial Assistance Scheme

The Financial Assistance Scheme that provides grants and interest-free finance to help eligible businesses who may regularly have to pay charges for journeys into the new Clean Air Zone.

Subject to status, eligibility and credit checks, we are able to offer you the following options;

1. Grant only and acquiring your new vehicle with cash/your own financing;
2. Grant and an interest-free finance agreement or;
3. Interest-free finance agreement

## Deposit

A deposit is often required to secure and finance your vehicle. The larger the deposit the less you will need to borrow and this could mean lower repayments. Deposits for commercial Hire Purchase agreements will often be made up of the VAT paid upfront.

## Depreciation

A vehicle is an asset, but inevitably with age and wear and tear it will reduce in value, this is depreciation.

## Early Settlement

This is when you pay off a finance agreement before the agreed term is completed.

## Non-Regulated Agreement

An agreement not regulated by the Consumer Credit Act 1974 and/or Financial Services and Markets Act 2000.

## Option to Purchase Fee

A voluntary payment at the end of hire purchase agreements which, if paid, transfers ownership of the vehicle from the finance company to you.

## Term

The length of time over which you agree to repay the finance – also referred to as the Length of Agreement.

## Voluntary Termination

You have the right to end the agreement by giving the finance provider written notice. If you do so you must immediately return the goods to the finance provider which includes making the remaining repayments detailed in the agreement. Note that depending on the timing and circumstances of the settlement, there may be a requirement to repay all or part of the grant and the interest paid by the Council.



# Useful Information

- To check if your vehicle will be charged in Bath's CAZ and other clean air zones in England, go to [gov.uk/cleanairzone](https://gov.uk/cleanairzone). You will need your vehicle's registration number.
- For questions about the vehicle checker's result, your vehicle's euro standard or compliance, contact the Central CAZ Support Service using the web form at [gov.uk/cleanairzone](https://gov.uk/cleanairzone) or call 0300 029 8888.
- To find out more and register for local exemptions and discounts in Bath's CAZ go to [bathnes.gov.uk/BathCAZ](https://bathnes.gov.uk/BathCAZ).
- To find out more the financial support for local businesses and individuals to upgrade non-compliant vehicles, go to [bathnes.gov.uk/BathCAZ](https://bathnes.gov.uk/BathCAZ).
- To speak to a B&NES travel advisor about the support available and/or exemptions, email [CAZ\\_info@bathnes.gov.uk](mailto:CAZ_info@bathnes.gov.uk) or call 01225 396189.





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