

# The Recent Trends in Leasing Transactions Management

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## **Լիզինգային գործառնությունների կառավարման ժամանակակից միտումները**

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**Ամփոփում.** Այս հոդվածը նկարագրում է վարձակալության պայմանագրերի ընդհանուր բնութագրերը և թվարկում էական օգուտները և՛ լիզինգատուի, և՛ լիզինգառուի համար: Այն նաև բացատրում է բոլոր կողմերի՝ և՛ լիզինգատուի, և՛ լիզինգառուի համար նշանակալի առավելությունները: Հաճախորդի համար լիզինգը և՛ վարձակալություն է, և՛ վարկի այլընտրանք: Ձեռնարկատերը ստանում է այն գույքը, որն իրեն անհրաժեշտ է քիզնեսի համար, և դրա համար վճարում է աստիճանաբար, ինչպես վարկը: Միևնույն ժամանակ, լիզինգի պայմանները սովորաբար ավելի ճկուն են, քան վարկի պայմանները

**Հանգուցաբառեր՝** լիզինգ, լիզինգատու, լիզինգառու, վարձակալության վճարներ, վարձակալության լիզինգ, արտադրության ընդլայնում, լիզինգային սխեմաներ, լիզինգային վարկ:

## **Современные тенденции управления лизинговыми операциями**

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**Аннотация.** В этой статье описываются общие характеристики договоров аренды и перечисляются существенные преимущества как для лизингодателя, так и для лизингополучателя. Также разъясняются важные преимущества для всех сторон, как для стороны арендатора, так и для стороны арендодателя. Для клиента лизинг — это одновременно и аренда, и аналог целевого кредита. Предприниматель получает имущество, которое ему нужно для бизнеса, и расплачивается за него постепенно, как по кредиту. При этом лизинговые платежи обычно более гибкие, чем кредитные (loan payments).

**Ключевые слова:** лизинг, лизингодатель, лизингополучатель, лизинговые платежи, аренда лизинга, расширение производства, схемы лизинга, лизинговый кредит.

The article reviews the general characteristics of leasing, identifies its important advantages for both the lessee and the lessor, it also explains the important benefits for all parties, for both the lessee and the lessor.

Today, leasing can be considered as a peculiar type of investment activity, due to which the level of production in the enterprise can be increased. This allows to lease equipment, transportation means and other similar assets. The word leasing itself is derived from the English verb "to lease", which is translated as a lease. It can be noted that leasing is a type of rent. However, from the economic point of view, leasing is a purchase and sale of property, due to the fact that the lessee operates it throughout its use [1; 2].

In general, leasing is a financial lease where the relations of the lessor are purchased from the manufacturer: any specific property for the purpose of transferring it to a lessee for paid use. This interaction takes place by entering into several contracts, which are a separate package between the parties: the manufacturer of the leased property, the Lessor and the Lessee [2; 3].

Any unused property, such as equipment, vehicles, buildings, etc., may be an object of leasing. After the expiration of the lease contract, the lessee may purchase the property for the residual value, extend the term of the property lease contract or return the property to the lessor. There are different types of payments and leasing. Payments can be made both in cash format and in the form of

settlements, if there is a commercial relationship between the lessor and the lessee [4; 5].

**If we talk about the leasing in the organization, the following advantages for the lessee can be highlighted [5; 6; 7]**

1. The organization exempts itself from any investment burden, therefore it also gives an opportunity to increase circulating capital.
2. The equipment, vehicle or other rental item is under warranty, lifetime maintenance instead of the common warranty period.
3. By leasing, the enterprise obtains an opportunity to resolve the problem of purchasing equipment in the absence of funds.
4. The attribution of the leasing payments to the cost of production allows to reduce the tax base of income tax.
5. The participants of the leasing transaction may apply the index of accelerated depreciation with a factor of not more than 3.
6. Leasing allows the lessee to update the production and technical base faster.
7. The lessors have good marketing information about the state, market and products and their quality.
8. Unlike the loan, in case of leasing, the return of the production means can also be carried out with manufactured goods.
9. Flexibility to make lease payments, taking into account the nature of use, the subject of leasing, the expiration date.
10. Lower probability by the lessee to deny the obligations assumed by the contract.
11. A possibility is created to receive customs privileges in case of applying the international financial leasing scheme.

**It is also necessary to consider the advantages of leasing for the lessor separately [7; 8; 9]**

1. Security of transaction – the ownership of the asset remains to the lessor.
2. Supervision of expenses: the expenses and the return on investments proceed parallelly.
3. Precise certainty of rental payments and exact date of their payment.
4. Reduction of negative consequences of market conditions' change generated as a result of establishing long-term relationship with the user and of relatively stable rental payments.
5. Opportunity to make use of tax benefits.

Leasing is compared with different types of purchases, such as deferred payment, installment loan, etc.

On the one hand, it is a purchase as a part of the property is acquired by the lessor, and on the other hand, it is a loan by transferring the property on behalf of the lessor for the lessee's use. From this point of view, it is reasonable to compare and understand the better option for the enterprise: financial lease or loan.

*Tax advantages and disadvantages of leasing and credit schemes [10]*

- The lease payment is basically a leasing charge, therefore it is accounted for as running costs as part of the production cost price. Therefore, the profit with which the tax is paid decreases.
- The loan shall be paid from the company's net income, so the tax benefit applies only to the interests on the loan. The acquisition of a property implies paying property tax to the budget, which increases the cost price, but it further reduces the tax base.

Leasing is interesting both for the subjects of the financial lease and for the state. Calculations demonstrate that the economic efficiency of leasing is higher if compares to buying with credit funds. In addition, leasing programs often exclude the down payment as well as shipping and handling costs. The lessee gets the opportunity to use more production capacity than when buying the same asset, because the lessee can use the temporarily released financial resources for other purposes. Compared with other methods of its acquisition, leasing has a number of significant advantages, which consist of equal distribution of costs for the entire duration of the contract, i.e. from the funds received from the sale of the product developed on it to the implementation of its reparation and technological maintenance, periodic update of outdated equipment, etc. [11; 12].

Since the lease payments are made according to a fixed schedule, the lessee has a great opportunity to coordinate the costs of financing the capital investments and the proceeds from the sale. The entrepreneurs develop long-term development plans, but their financial capabilities may be limited, leasing allows to overcome these restrictions and increase mobility in investments and financial planning [13].

If at the time of purchase there is only the alternative "not to buy", the lessee with leasing has a wider choice, because by entering into contracts with different terms than the developed lease, the lessee may choose the one that best suits his needs and capabilities. The funds paid by the lessee are taken into account in the cost of the product manufactured by him, i.e. the funds for their payment are formed before the taxable profit is formed. Besides, the leasing does not add the debt to the lessee's balance sheet, i.e. the lessee's

opportunity to obtain additional loans does not decrease.

### Conclusion

However, leasing has also disadvantages, and the main disadvantage is the relatively high cost of the leased asset for the lessee compared to buying it. When entering into a leasing contract, the cost of borrowed capital will be higher than when using a loan, because the leasing company receives a charge for carrying out a leasing transaction. In addition, the lessor bears the risk to receive payments of property obsolescence and rental charges. Nevertheless, at present, the spread of leasing in the Republic of Armenia is significantly hindered by the taxation with the added value tax. Leasing operations in Armenia are developed poorly. One of its main reasons is the lack of a developed and organized market for the production means.

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