**Leased assets**

> The lessor owns the asset and rents it out to the lessee

> Lessee pays a monthly rental payment for the use of the asset

> Lessor can claim the allowances in

  - S11(e)
  - S12C
  - S13(1)
  - S13quin

**Lessee Claims:**

* S11(f) - lease premium

* S11(g) - leasehold improvements

**Leased Premiums S11(f)**

> A premium/consideration is paid by the taxpayer (lessee) to the owner (lessor) for the **right of use** of land or buildings, or plant or machinery of trademark/design.

> Used for the production of income or from which income is derived

- If the above is met, a capital allowance can be claimed

** If the payment does not constitute income of the person to whom it’s paid OR if the payment is for cancellation of the lease … It is not paid for the right of use

  >> Then it is NOT a lease premium

**Allowance**

* Total lease premium / number of years the taxpayer is entitled to use the property << MAX IS 25 YEARS

* If there is an option to renew then it will be added to the original period but it cannot exceed 25 years

- APPORTIONED
Leasehold Improvements S11(g)

Allowance in respect of:

- Expenses actually incurred
- If taxpayer (lessee) obliged by leasehold agreement to construct improvements on land or building
- Used or occupied for the production of income or the income must be derived from them

>> The lessor must include the value of the improvements (which the lessee can deduct) in his gross income > par (h) - special inclusions

Allowance that the lessee can claim:

> The stipulated value or fair value if NOT stipulated / number of years entitled to use (from the date on which improvements are \textbf{completed})

- Max = 25 years

* Total of the annual allowance cannot exceed the stipulated value

Lessee spends > specified value

* Excess amount written off in terms of S13(1)

Lessor includes stipulated value per contract in gross income at the date of completion (full amount)

Lessee spends < specified value

* Lessee = Allowance per S11(g) claimed on the \textbf{actual} amount

* Lessor = Includes actual amount in gross income per par (h) - special inclusions