



July 2015

CAPITAL GAINS TAX (CGT) UPDATE ON ARTICLE – APRIL 2012

The window period to transfer your property from an entity into your personal name to avoid Capital Gains Tax (CGT) is long gone.

This article provides further information on CGT and records the rates as opposed to the averages provided in the previous article.

VERY SIMPLY:

As of 1 October 2001 CGT is paid on profits realised from the sale of a property. The CGT is due in the year of assessment in which the property is sold. The profit is calculated by deducting the Base Cost from the sale price of the property. The rate is then multiplied with the profit as set out hereunder:

Individuals and Special Trusts:

33.3% of the profit is multiplied with the Income Tax rate @ 41% (presently the highest rate) for individuals which equals an inclusive rate of **13.65%** being the maximum for an individual.

Companies and Closed Corporations:

66.6% of the profit is multiplied with the Income Tax rate @ 28% for companies which equals an inclusive rate of **18.65%**

Trusts:

66.6% of the profit is multiplied with the Income Tax rate @ 41% for trusts which equals an inclusive rate of **27.31%**

Base Cost:

Base Cost is determined by 3 methods:

1. Fair Market value of the property as at 1 October 2001. The fair market value must be determined by a valuation carried out within 3 years from effective date.
2. Time Apportionment Base Cost i.e. profit made after 1 October 2001. The price for which the property was purchased is subtracted from the price for which it is now sold, equals the Base



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Cost plus any costs of alterations, improvement and costs of acquiring and disposing of the property. Accurate records needed to be kept in this method.

3. Where no valuation exists and no accurate records are kept, then the value as at 1 October 2001 is deemed to be 20% of the proceeds on disposal.

A Capital Loss made on the disposal of property can be set off against any profit made in that year of assessment. If no profit has been made, then the loss can be carried forward to subsequent years of assessment.

REBATE:

There is still a rebate of R2 000 000.00 on any profit made by individuals provided the property being sold:

- Is registered in the name of an individual or special trust.
- Is sold as a primary residence
- The land or part thereof does not exceed 2 hectares.

Companies, Close Corporations, Trusts and persons who do not ordinarily reside in South Africa who are non-residents, do not qualify for the rebate. Where the property is registered in more than one person's name, the rebate will be proportioned according to the interest each person holds in the property.



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