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CAPITAL

Gains Tax & Your Immovable Property

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This tax applies to South African residents and non residents who Sell their property in South Africa for more than the original price they paid when they bought it.

The capital gain or loss is calculated by deducting the base cost of the property from the selling price. The base cost is calculated as follows:

Property bought before 1 October 2001

The valuation date value of the property as on the 1st October 2001 plus allowable capital expenditure.

The valuation date is calculated as follow:

1. The market value on 1st October 2001 as determined by a valuation, or;
2. 20% of the proceeds after deducting the additional expenditure incurred after valuation, or;
3. The time apportioned base cost, as determined by the formula as set out in the 8th Schedule Income Tax Act.

Property bought after 1 October 2001

Purchase price plus allowable capital expenditure.

Allowable capital expenditure:

Includes the following:

Cost of acquisition, cost of valuation of the property for CGT purposes, remuneration payable to surveyor, valuer, agent, auctioneer or other professional adviser in connection with the acquisition or disposal of the property, transfer cost including transfer duty, advertising cost in finding a buyer, cost of improving or enhancing the value of the property.

Exemption

If you are a South African resident and the property is your primary residence, then up to the first R2 million of the gain is exempt from CGT.

Any gain over and above the R2 million, would be taxed as follows:

1. 40% of the profit made on disposal of the property must be included in the taxable income of the seller for the year of assessment in which the property is disposed of, and then taxing on that income will be at the individual's marginal rate of income tax. (Discuss this with your tax practitioner)
2. Only one residence at a time may be the primary residence of a person to qualify for the exemption.
3. When a residence is used partially as a business and partially for residential purposes an apportionment must be done. (Discuss this with your accountant)