J C SMIT

Prokureurs, Notarisse, Aktevervaardigers & Boedelberedderaars
Attorneys, Notaries, Conveyancers & Administrators of Estates

POSBUS / P O BOX 2776
ALBERTON 1450
REPUBLIC OF SOUTH AFRICA
TEL 0786793442 / 0787417024 / 0630766076 / 0604523943 / 0635045987 / 0732453822 / 0638156183
LODGEMENT NUMBER 48 (JOHANNESBURG)
DOCEX 9 ALBERTON

ONS VERW: OUR REF:	Amanda / AH0155
U VERW: YOUR REF:	

5 HENNIE ALBERTS STREET
BRACKENHURST
ALBERTON
1448
DOCEX 9 ALBERTON
Email: cornay@jcsmit.co.za
VAT NUMBER: 4740142734

7 June 2024

ERL ALBERTON

Email: veronica@erl.co.za

Attention : Veronica Bushney

Dear Madam

RE: A BRIEF PRACTICAL APPROACH TO CALCULATION OF CAPITAL GAINS TAX

Attached hereto a brief practical approach to calculation of capital gains tax, which you can forward to agents to assist then to make capital gains tax calculations.

Yours sincerely

JC SMIT

BRIEF PRACTICAL APPROACH TO CALCULATION OF CAPITAL GAINS TAX

Capital gains is enacted in the eighth schedule of the Income Tax Act 58 of 1962. It came into operation on the 1st of October 2001. It applies to a residents worldwide assets and to non-residents immoveable property or assets of a permanent establishment situated in South Africa.

<u>Assets exempt from capital gains tax.</u>

Cars; motorbikes, boats, yachts, racehorses, greyhounds, clocks, shotguns, retirement benefits, personal use assets, and payments in respect of long-term insurance policies.

<u>Capital gain or loss</u>

The difference between the proceeds and the base cost.

<u>Activation</u>

Capital gains tax is triggered on the disposal, abandonment, scrappings, loss, donation, sale, expropriation and vesting of a trust asset in a beneficiary. The proceeds of a disposal is the amount received or accrued from the disposal. (selling price of property).

<u>Base cost</u>

Expenditure which is included in the base cost is as follows:

Acquisition cost (purchase price);

Disposal cost (estate agents commission on sale of property);

Transfer cost (attorneys transfer cost when property was purchased);

Transfer duty and similar costs (transfer duty paid when the property was transferred into the name of the tax payer);

Remuneration or advises, (consultant or agents, town planning agents, engineering costs) and

Cost of moving an asset and improvements (adding a room or upgrading an asset example, installing a fireplace or air conditioner and transportation of asset).

Interest, rates, taxes, municipal service fees and maintenance are excluded from the base cost.

<u>Apportionment methods for an asset acquired before 1 October 2001</u>

- Valuation as at 1 October 2001
- 20% of the proceeds
- Time apportionment base cost

  Example: If an asset cost R220 000 on 1 October 1998 and was sold on 30 September 2022 for R450 000, as CGT was implemented on 1 October 2001, the base cost is:

Selling price	R450 000
Purchase price	R220 000
Capital gain for the period of 24 years	R230 000

  Capital gain per year R230 000 divided by 24 years = R9 583-33 per year

  Base cost at 1 October 1998

Purchase price	R220 000
3 years x R9583-22	R 28 750
Base cost at 30 September 2022	R248 750

  When determining the number of years to be included in the time apportionment calculation, a part of the year is treated as a full year.

Exclusions

Exclusions are as follow:

Natural persons R40 000-00 per year;

Natural persons in the year of death R300 000-00;

Primary residence owned by natural person used for domestic residential purposes where the proceeds do not exceed R2 000 000-00 the exclusion is the amount of the proceeds; Primary residence where the proceeds exceed R2 000 000-00 the exclusion is R2 000 000-00 and

2nd property R40 000-00.

Inclusion rate

Inclusion rates is the percentage of the capital gain that is included (added to the taxpayer's taxable income).

The rates are as follows:

Individual 40% of the capital gain;

Companies 80% of the capital gain and

trusts 80% of the capital gain.

It has the effect that the taxpayer is only partially taxed on the amount of the capital gain.

Income Tax Rates

Trust 45% (flat rate)

Companies 27% (flat rate)

Individuals scaled up to 45% thereafter flat rate.

Taxable income	Rates of tax
R 0 – R 237 100	18% of each R1
R 237 101 – R 370 500	R42 678 + 26% of the amount over R237 100

R 370 501 – R 512 800	R77 362 + 31% of the amount over R370 500
R 512 801 – R 673 000	R121 475 + 36% of the amount over R512 800
R 673 001 – R 857 900	R179 147 + 39% of the amount over R673 000
R 857 901 – R1 817 000	R251 258 + 41% of the amount over R857 900
R1 817 001 +	R 644 489 + 45% of the amount over R1 817 000

The net capital gain is multiplied with 45% in the case of trusts and companies and in the case of an individual with his personal tax rate which if his income is between 0 – R1 817 001-00 between 18% and 45% and his income is above R1 817 000-00 then 45%. It is the tax rate that is paid on the capital gain.

Calculation

Particulars	Calculation
Proceeds of sale (selling price)	R
Less base cost (purchase price)	-R
Disposal cost (estate agents commission)	-R
Transfer duty (cost of transfer duty paid to state)	-R
Attorneys transfer fees	-R
Consultants or agents (town planners, engineers etc.)	-R
Cost of improvements (building costs)	-R
Transportation cost (transport of assets or materials)	-R
TOTAL CAPITAL GAIN	

Less exclusions R40 000 per year natural persons	-R
Particulars	Calculation
R300 000 natural person in the year of death (estate of deceased)	-R
Exclusion primary residence full selling price where the proceeds not exceed R2 000 000	-R
Exclusion where proceeds exceed R2 000 000 exclusion is R2 000 000	-R
Capital gain before inclusion rate	R
Inclusion rate 40% of gain in case of company 80% of the gain in case of a trust 40% of gain in case of an individual (percentage x the amount of the gain)	-R
TOTAL Capital gain after inclusion rate	R
Income tax rate applicable to capital gain after inclusion rate. Trust 45%, company 45%, individual 18% - 45% (tax rate x the capital gain after the inclusion rate)	R
TOTAL CAPITAL GAINS TAX PAYABLE TO RECEIVER OF REVENUE	R

JC Smit Attorney, Notary and Conveyancer
5 Hennie Alberts Street
Brackenhurst
Alberton
Tel: 063 504 3987, 073 245 3822