

## DEEMED DISPOSALS

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2. If a person comes to SA CGT is triggered to value the base cost at MV on that date. No CGT is paid.

## THE 4 ELEMENTS

1. The definition of an Asset.
  2. A disposal Event.
  3. Base Cost.
  4. Proceeds
- NB - Revaluation Date 1/10/2001

## DISPOSALS (PAR 11)

1. Any transfer of asset.
2. Voluntary / Involuntary loss of an asset.
3. Distribution of assets to shareholders

# CGT

## ASSET DEFINITION

1. Moveable / Immovable / Corporeal / incorporeal property
  2. A right / interest to / in any such property
  3. Cash deposit in bank
- EXL - Currency

## CALCULATION STEPS

1. Determine all capital gains and losses for the period.
2. Then deduct previously assessed capital losses.
3. Then deduct exclusion
4. Then apply inclusion rate.

## GENERAL

- Natural person exclusion - R40,000
- Natural person inclusion - 40%
- Company and trust inclusion - 80%

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## COMPANIES EXIT CHARGE

1. Companies ceasing to be a resident has a dividend in specie charge on the difference between:
  - MV of all shares in company on day before emigration
  - Sum of CTC on same date

## DEEMED DISPOSAL

### RESIDENT COMPANY MOVES ABROAD

1. 10% interest held by SA resident as well as voting rights.
2. Disposal at MV and reacquisition of shares at MV.
3. CGT is paid.

### NON PERSONAL USE ASSET TO PERSONAL USE

1. Trading assets are now being used for private purposes.
2. CGT at market value on the day before change. CGT is paid.
3. In the inverse situation no CGT is paid but the Base Cost = MV on the day before change.

### TRADING STOCK TO CAPITAL ASSET

1. Disposal at MV on day before the change.
  2. Recoupment = MV
- In the inverse situation:
1. CGT at MV
  2. Cost of stock = MV on day before change.

### RULES DO NOT APPLY TO

1. Immovable property in SA (excl interest/ rights)
2. Assets attributable to SA permanent Establishment.
3. 8B equity shares granted <5 years before emigrate.
4. 8C equity shares unvested.

## GENERAL

1. Always check par 20 for all costs mentioned.
2. If you see a loss consider if you BC is correct.
3. Your Tax Value reduces your BC.

## QUALIFYING EXPENSES

1. Paragraph 20:
  - Acquisition/creation cost.
  - Direct cost of acq/dsp.
  - Cost of establishing/defending legal title.
  - Cost of improvements (must enhance value).
  - 1/3 of s24j interest in financing listed shares

## DONATION TAX

1. Formula in para 22:
  - $Y = (M-A)/M \times D$  (Donor)
  - M - MV of donated Asset
  - A - Other BC amounts
  - D - Donation tax
  - Y - Amount to be included.
  - $Y = CG \text{ of donor} / M \times D$  (donee paid tax)

## BASE COST

### HISTORIC GAIN

1. Taxpayer chooses:
  - $MV / 20\% (P - A) / TAB$
2. If MV adopted:  $P < MV$ 
  - Yes -  $VDV = P - A$
  - No = Apply value as elected by the taxpayer.

Key note - values will be provided as only application is tested.

### IDENTICAL ASSETS

1. Apply either method:
  - Specific identification
  - FIFO
  - Weighted average cost.

### HISTORICAL LOSS

1. Taxpayer Determined MV:
    - No -  $VDV = TAB$
    - Yes:  $B > P$  and  $B > MV$  :
    - Yes: higher of:
      - $MV / P-A$
    - No: Lower of:
      - $MV / TAB$
- NB - Show the whole process and consideration of all of the above.

**P = Proceeds; A = Exp after valuation date; VDV = Valuation Date value; MV = Market Value; B = Base Cost**

## GENERAL TIPS

- A sale a Rmill consideration / less than MV usually results in the Proceeds being MV on date of sale.
- Use your tax legislation during calculations.
- Always show:
  1. Calculation of proceeds
  2. Calculation of base cost
  3. Reason for exemption
  4. Exclusion
  5. Inclusion rate.

## PRIMARY EXCLUSIONS (PR)

1. Natural person sells private residence in SA = R2 million.
2. Proceeds < R2 million then disregard the CGT unless:
  - Not held as PR for entire time.
  - Used for business.
3. NB the gain is apportioned for business use and is taxed separately.
4. Land Limited to 2 hectares.

## Other key Exclusions

1. Personal use Assets <par 53>
2. Lump sum retirement benefits <par 54>
3. Long term assurance policies < par 55>
4. Small business assets <par 57>
5. Options <par 58>
6. Compensation for injury, illness or defamation < par 59>
7. Gambling < par 60>
8. Donation to PBO <par 62>

# CGT

## REPLACEMENT ASSETS / REINVESTMENT

1. Apply par 66 definitions.
2. A gain is deferred over the allowance period of replacement asset.

## INVOLUNTARY DISPOSALS

1. 1. Apply par 65 definitions.
2. A gain is deferred over the allowance period of the replacement asset.

## RECOUPMENT

1. When an allowance asset is sold a recoupment is calculated:
  - Proceeds limited to cost **less** tax value.

**No CGT arises with transfers between spouses along with no change in the base cost.**