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CAPITAL GAINS TAX

You may be liable for Capital Gains Tax when you sell a property.
The capital gain on such a sale is the amount by which the proceeds of the sale exceed the base cost of the property.

TO DETERMINE THE BASE COST OF A PROPERTY

(A) For properties purchased **after** 1 October 2001:
- Purchase Price
- PLUS Transfer Costs
- PLUS The costs of all improvements made to the property.

NB: Repairs and Maintenance to the property is specifically excluded from the definition of "improvements"

(B) For properties purchased **before** 1 October 2001:
- Base Cost = 20% of the Sale Price, **OR**
- Use a valuation of the property as at 1 Oct 2001, **OR**
- Use the Time Apportionment Method

TO DETERMINE THE PROCEEDS FROM THE SALE OF THE PROPERTY

- Selling Price
- LESS Estate Agent Commission

TO DETERMINE THE CAPITAL GAIN ON THE SALE OF THE PROPERTY

- Proceeds
- LESS Base Costs

TO DETERMINE THE PORTION OF THE CAPITAL GAIN THAT WILL BE INCLUDED IN YOUR TAXABLE INCOME FOR THE YEAR

- Capital Gain
- LESS R2 million (if you are selling your Primary Residence – only for Natural Persons and not available for Companies & Trusts)
- LESS Annual Exclusion (R40 000 for Natural Persons and not available for Companies & Trusts)
- MULTIPLIED by the Inclusion Rate (40% for Natural Persons, 80% for Companies & Trusts)

TO DETERMINE THE AMOUNT OF CAPITAL GAINS TAX PAYABLE

- Included Capital Gain
- MULTIPLIED by the applicable tax rate (18% - 45% for Natural Persons, 28% for Companies and 45% for Trusts)

ACTUAL EFFECTIVE RATES OF CAPITAL GAINS TAX

Individuals: 18% (max)
Companies: 22,4%
Trusts: 36%

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