



# AMC HUNTER INC

Attorneys, Notaries & Conveyancers

## CAPITAL GAINS TAX - HOW DOES THIS AFFECT YOU ON THE SALE OF YOUR PROPERTY

One of the most frequent questions asked on the sale of a property relates to the payment of capital gains tax.

Please note the following:

NO Capital Gains tax is payable on the sale of your primary residence, provided you have not made a capital gain in excess of one million, five hundred thousand (1 500 000) rand on the sale thereof.

Capital Gains Tax is NOT paid on registration of transfer of your property the capital gain made on the sale of your property is merely reflected on your income tax return for that particular tax year, and becomes payable together with your income tax for that particular year.

The actual amount of capital gains tax payable, depends on your tax rate.

As a private individual, your capital gains tax is calculated on 25% of the net capital gain made and will not exceed 10% of the actual net capital gain made on the sale of the property.

If you purchase a property to renovate and sell within a short period of time, you must be careful you may end up paying income tax on the actual profit made as SARS may regard this as an income generating activity an income tax rate of as much as 40% currently apply to private individuals.

If you purchase property as a buy to let and renovate, expenditure incurred in improving the property (e.g. a new pool) will be deductible as a capital expense, and taken into consideration when capital gains tax is calculated. However, expenditure incurred in maintaining the property (e.g. repairs to an old pool) will be deductible against the rental income as a maintenance expense. In other words, when the property is eventually sold, and provided your intention was to generate a rental income, and not to speculate, you will only pay capital gains tax on the capital gain made on the sale of the property, after taking into account expenditure incurred which was not claimed against rental income of the property from 1 October 2001 or date of acquisition if you acquired it after that date.

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