Capital Gains Tax

DISPOSAL OF ASSETS

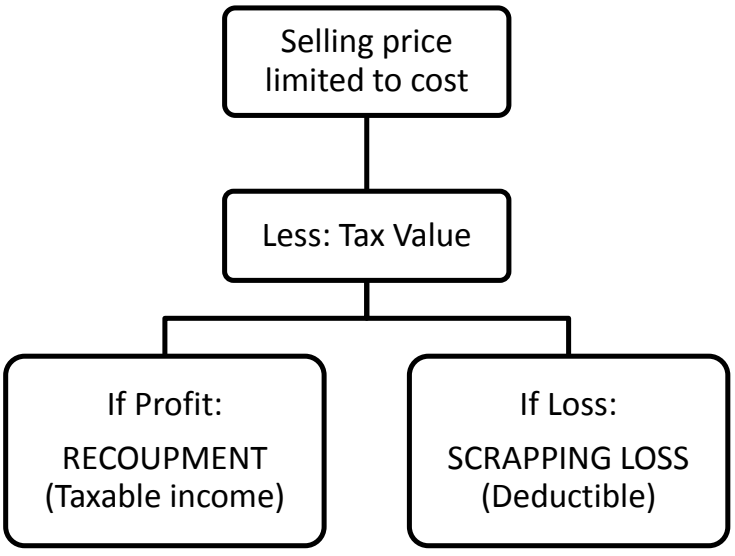
REMEMBER:

CLAIM CURRENT YEAR ALLOWANCE

Determine the tax value of the asset

Original cost	Less allowances claimed to date of disposal	= Tax Value

Now determine the recoupment/scrapping allowance



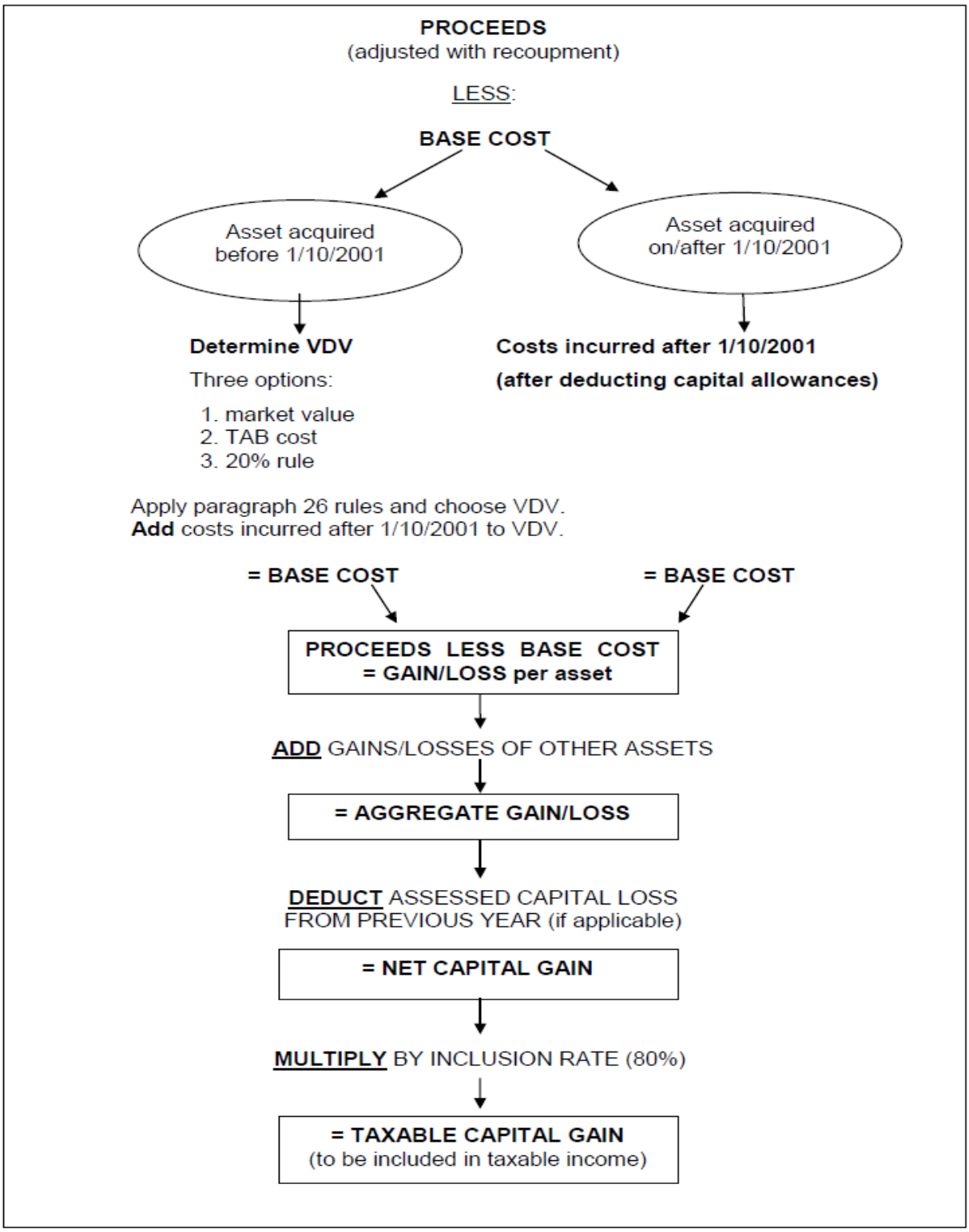
NO s11(o) scrapping loss on

- BUILDINGS,
- ASSETS WITHOUT COST,
- ASSETS ACQUIRED FROM CONNECTED PERSON

Taxpayer has to elect s11(o) scrapping loss deduction

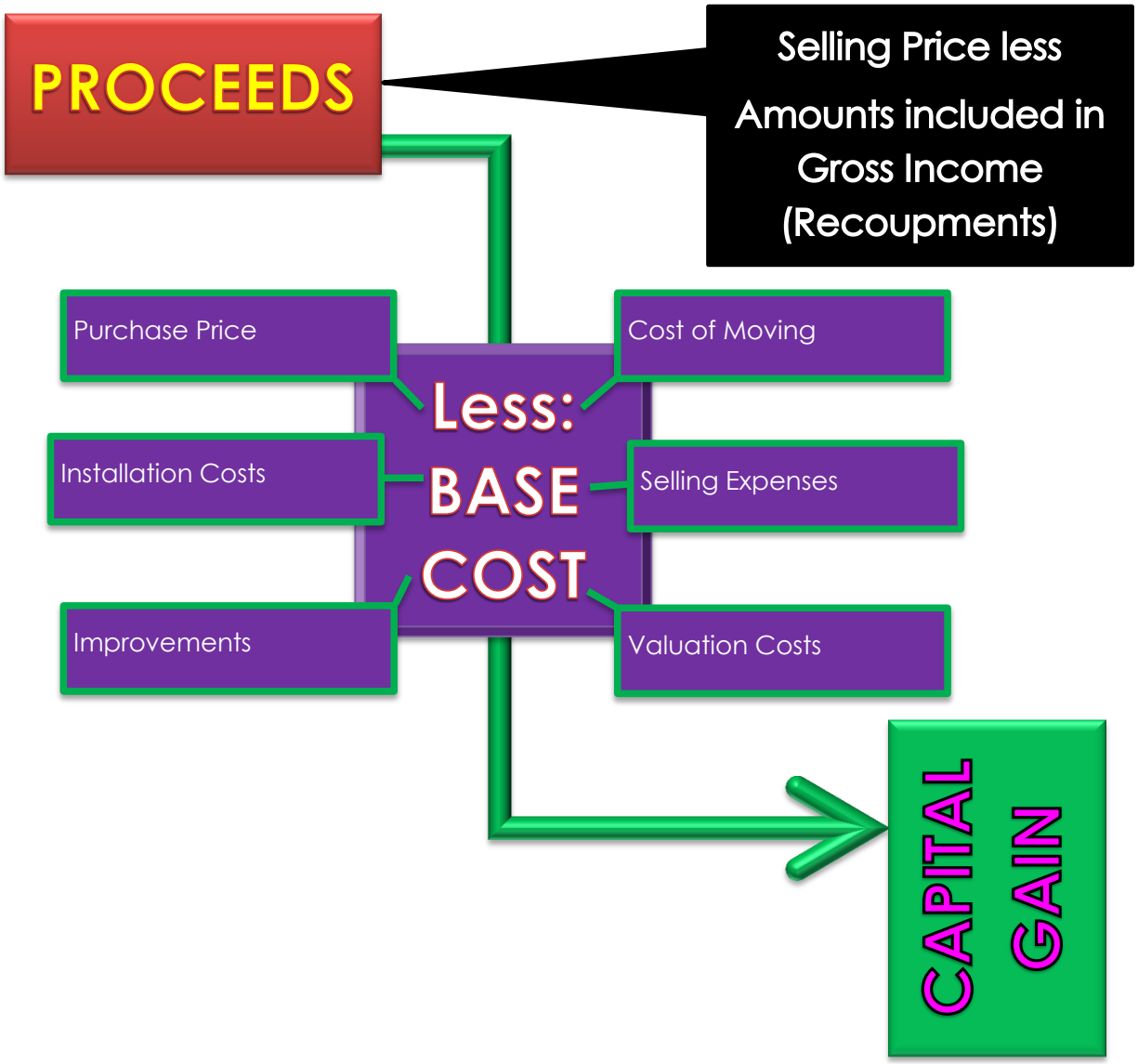
If not elected – CGT (loss)

CAPITAL GAINS TAX



DEPRECIABLE ASSETS

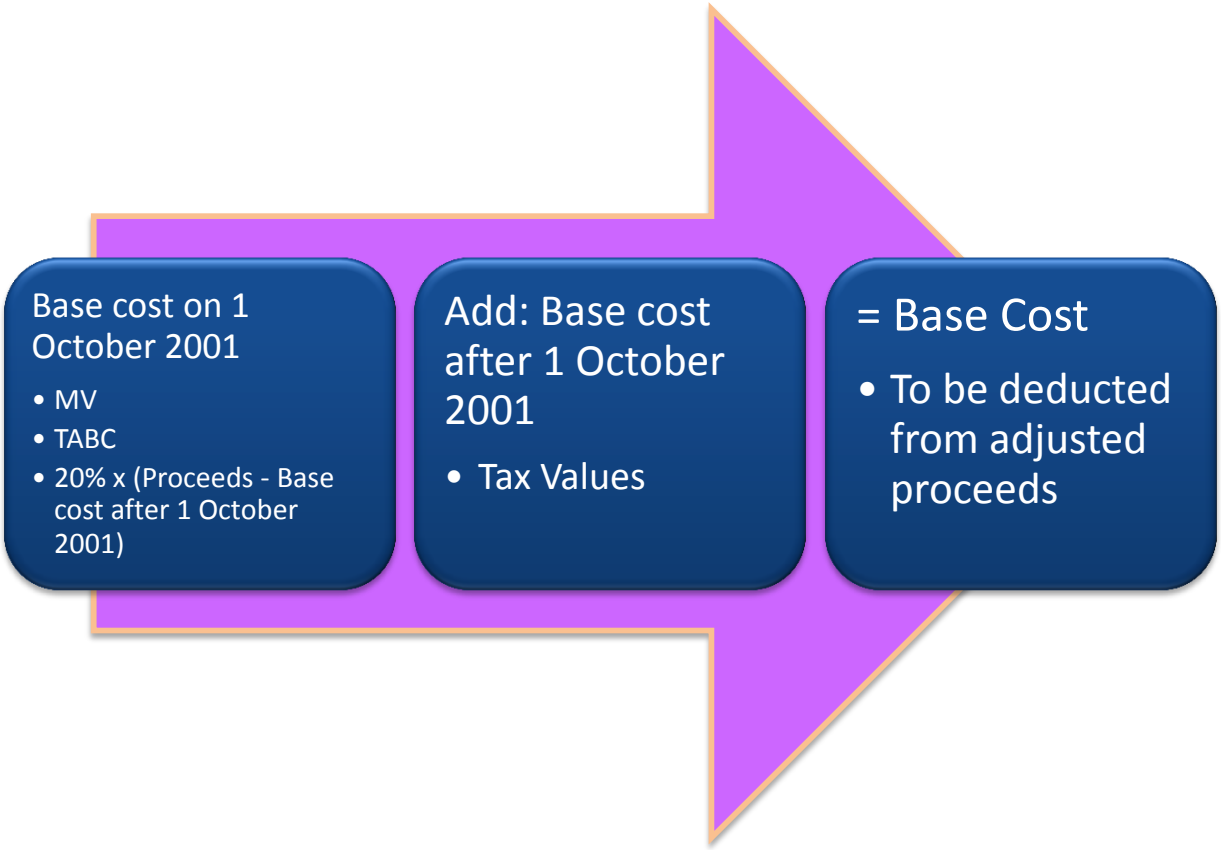
1. Determine the tax value
2. Determine the recoupment
    a. If loss:
        i. can we claim s11(o) deduction?
        ii. else capital loss
        iii. cannot claim a scrapping loss on:
            1. If sale to connected person
            2. If asset had no cost
            3. If no proceeds (donate)
            4. ON LAND AND BUILDINGS
3. Determine whether asset is a pre-valuation date asset or Post valuation date asset
4. For Pre-Valuation Date:
    a. Determine base cost on 1/10/2001
    b. Greater of
        i. Market value
        ii. TABC
        iii. 20% x (Adjusted proceeds less base cost after 1/10/2001)

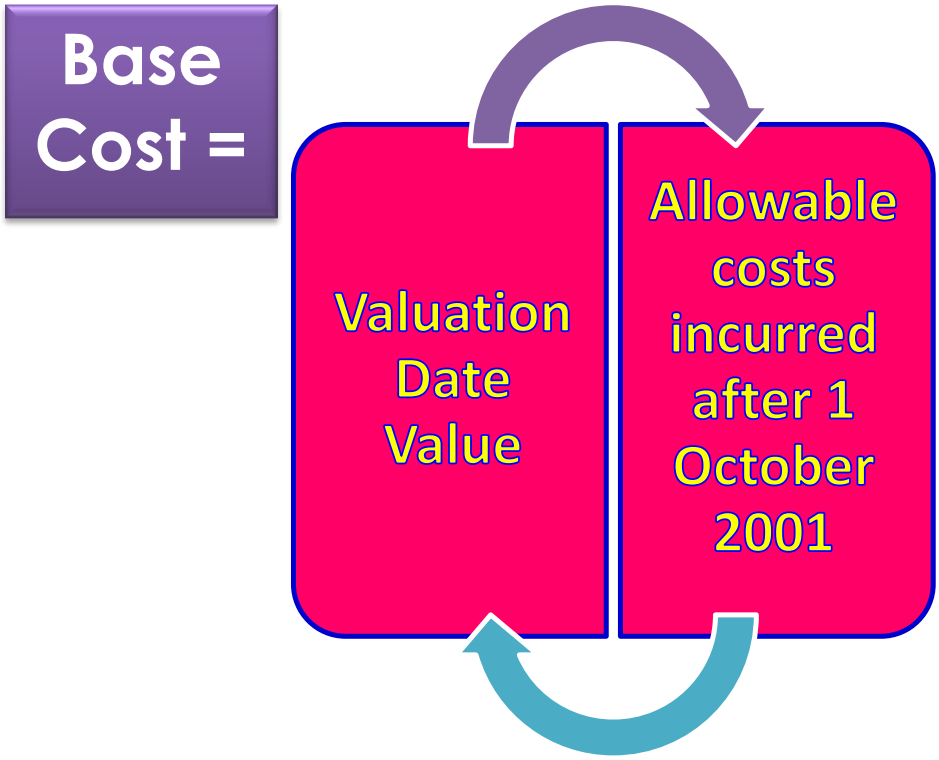


Adjusted proceeds (for CGT purposes) = selling price minus recoupment

BASE COST	
Included:	**Excluded:**
• Purchase price • Improvements/additions • Selling and advertising costs • Moving costs • Valuation costs • Transfer duty and legal fees	• Capital allowances claimed for income tax purposes • Expenditure relating to the asset (e.g. re-pairs) claimed for income tax purposes

Valuation Date = **1 October 2001**





PARA 26:

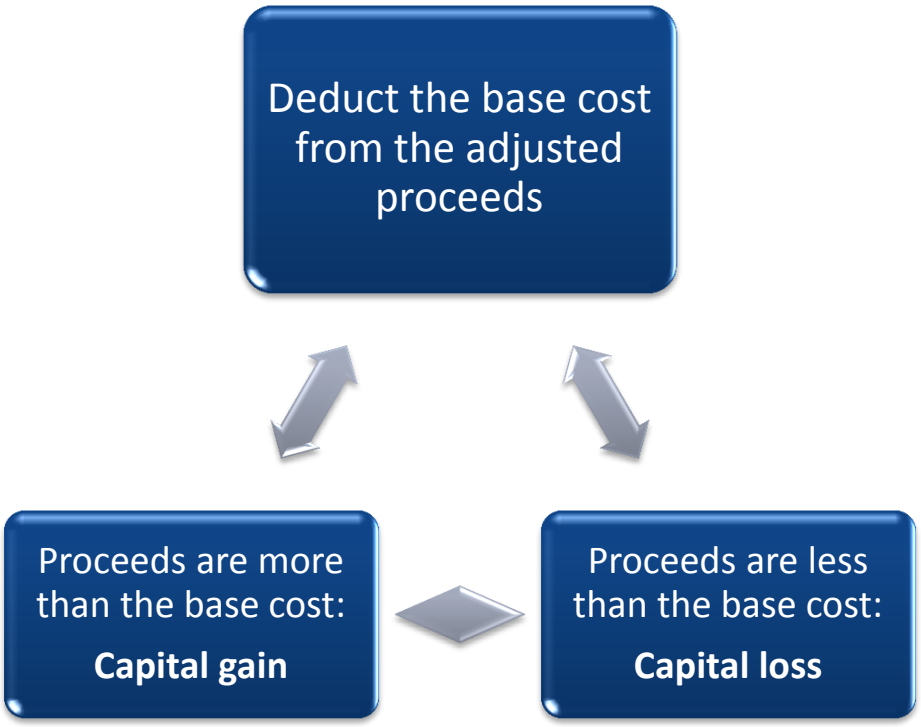
Where the proceeds from the disposal of a pre-valuation date asset exceed the expenditure allowable in terms of paragraph 20 incurred before, on and after the valuation date	**THUS WHEN THE ASSET IS DISPOSED OF AT A PROFIT**

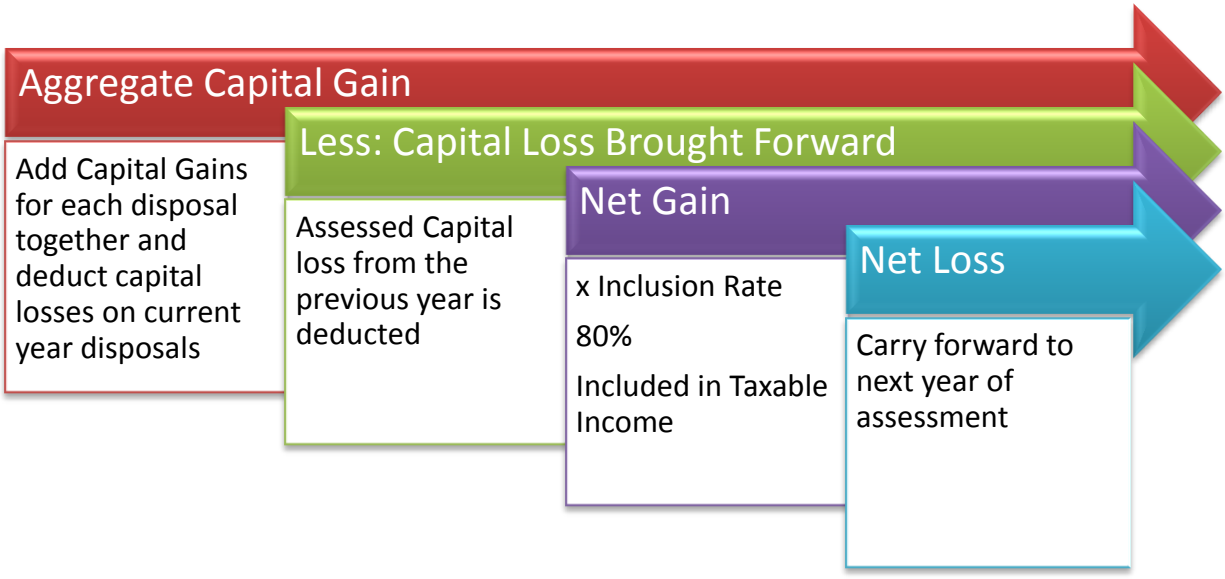
Apply the rules of paragraph 26 and select the valuation date value (to be used in the base cost calculation)

Apply the rules of paragraph 26 and select the valuation date value (to be used in the base cost calculation)

If proceeds (as adjusted) > total base cost (as calculated):	If the pre-1/10/2001 portion of base cost cannot be determined, the valuation date value is the higher of:	If market value is adopted as valuation date value
Valuation date value is the higher of **(a) market value, or** **(b) 20% -rule, or** **(c) TAB-cost**	**(a) market value, or** **(b) 20% rule**	**and** **(1) proceeds (adjusted) ≤ market value** Valuation date value = proceeds (adjusted) less allowable costs incurred on or after 1 October 2001. **(2) proceeds (adjusted) > market value** Valuation date value remains the market value.




Deduct the base cost from the adjusted proceeds
Proceeds are more than the base cost:
Capital gain
Proceeds are less than the base cost:
Capital loss


Aggregate Capital Gain
Add Capital Gains for each disposal together and deduct capital losses on current year disposals
Less: Capital Loss Brought Forward
Assessed Capital loss from the previous year is deducted
Net Gain
x Inclusion Rate
80%
Included in Taxable Income
Net Loss
Carry forward to next year of assessment

EXCLUSIONS PER ASSET

The Act provides that, in certain situations, the gain that is made on the disposal of, or a part of the gain that is made on specific assets will not be taxable. These rules are referred to as exclusions.

For the purpose of this module, we expect you to know the following exclusions:

- **donations and bequests to the government or any provincial administration**
- **donations and bequests to public benefit organisations**
- donations and bequests to a recreational club.