Lecturer contact details

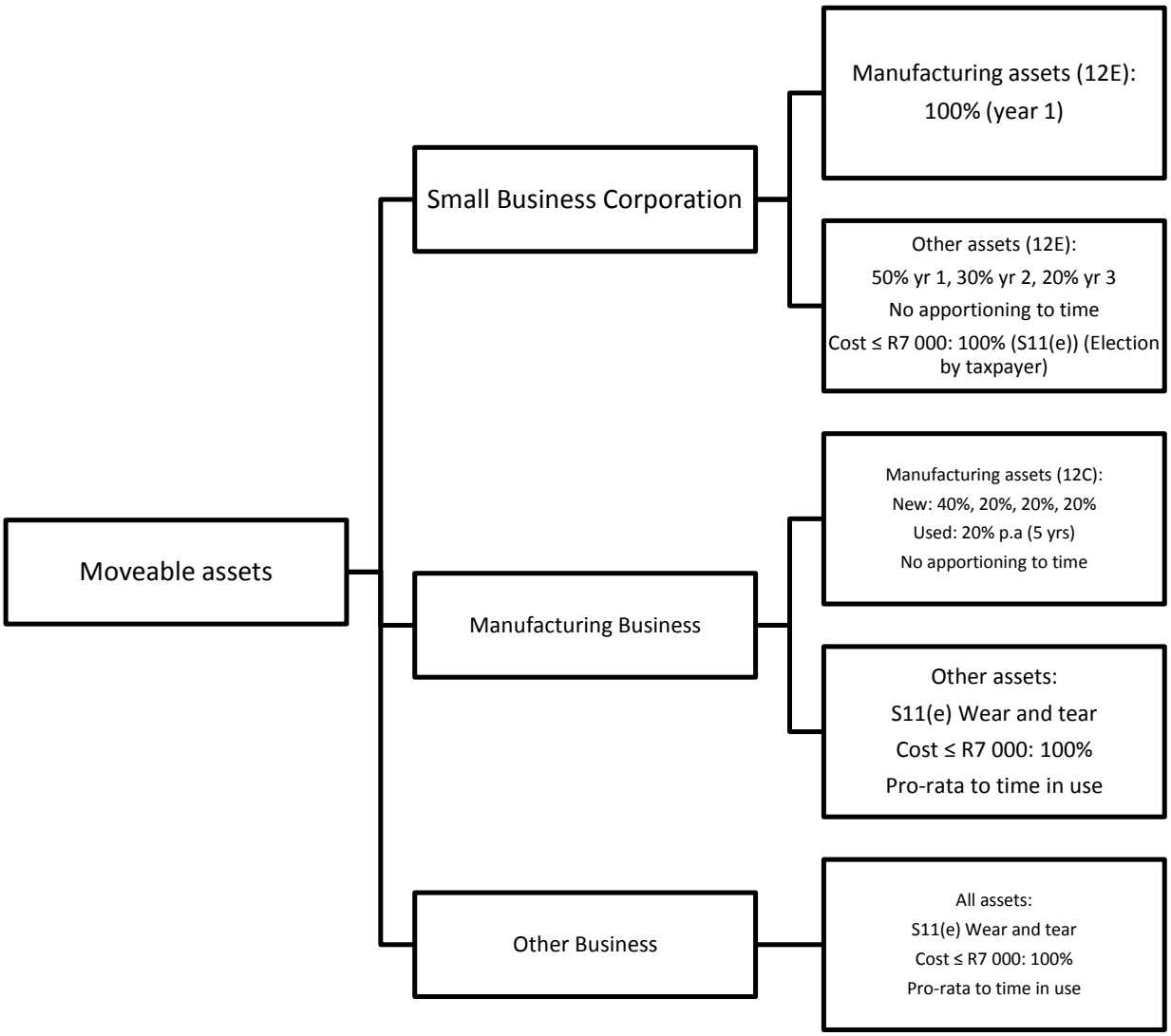
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CAPITAL ALLOWANCES

MOVEABLE ASSETS



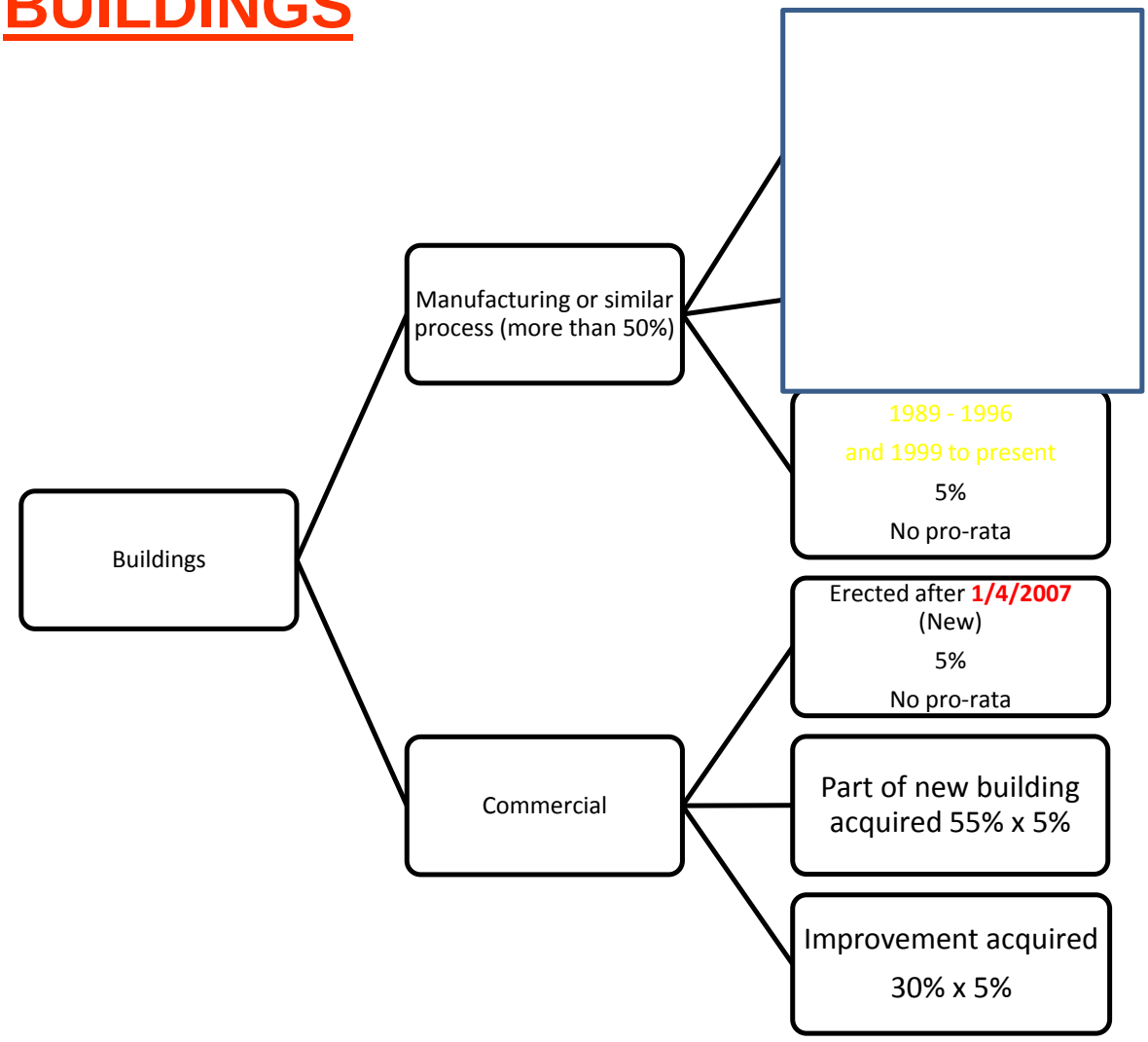
Cost of moving an asset from one location to another

The costs of relocating the asset and new installation cost is written off over the remaining life of the underlying asset.

- *If a machine is moved at a cost of R9 000, and there are three years write-off left at that date, the moving cost is written off over 3 years at R3 000 per year, no apportionment.*

If the asset is fully written off by the time it is moved, claim the full moving cost in the year incurred

BUILDINGS


Buildings
Manufacturing or similar process (more than 50%)
1989 - 1996
and 1999 to present
5%
No pro-rata
Commercial
Erected after 1/4/2007
(New)
5%
No pro-rata
Part of new building acquired 55% x 5%
Improvement acquired
30% x 5%

LOW COST HOUSING

Residential buildings can be classified into:

- Low cost residential units that are written off at 10% and
- Other residential units that are written off at 5%

The definition of low cost housing includes

- an apartment costs R350,000 or less or
- a building costs less than R300,000 or less, and
- the rental charged for such apartment/building is less than 1% of cost
- the dwelling is a residential unit and
- rental escalation is 10% or lower,

This allowance can only be claimed if there are 5 units acquired or erected and such units are new or unused.

If a taxpayer acquires any new or unused part of a building (or acquired an improvement to a building), the deduction will be 55% for the building and 30% for the improvement to the building.

Sale of low-cost residential units on loan account

Employers are allowed a deduction under section 13*sept* if the employer sold low-cost residential units to employees via interest-free loan accounts. In order for an employer to qualify for the deduction certain requirements must be satisfied.

They are as follows :

- Disposal has to be an employee
- Disposal must be effected via an interest-free loan
- Disposal amount must not exceed the employer's actual cost of that low-cost unit and
- Disposal must not be subject to conditions

10% deduction of any amount owed by the employee – maximum 10 years

Deemed recoupment

When an amount owing to the employer is paid back by an employee, there is a deemed recoupment.

The lesser of :

Amount repaid on the loan by the employee
Amount claimed as a deduction in terms of this provision

NB! A low-cost residential unit disposed of to an employee via an interest-free loan can qualify for both the sec 13*sex* and sec13*sept* allowances, where the taxpayer owns at least 5 residential units.

Full allowance deductible – don't prorate

Urban development zones allowances – section 13*quat*

No allowance can be claimed on the cost of the land.

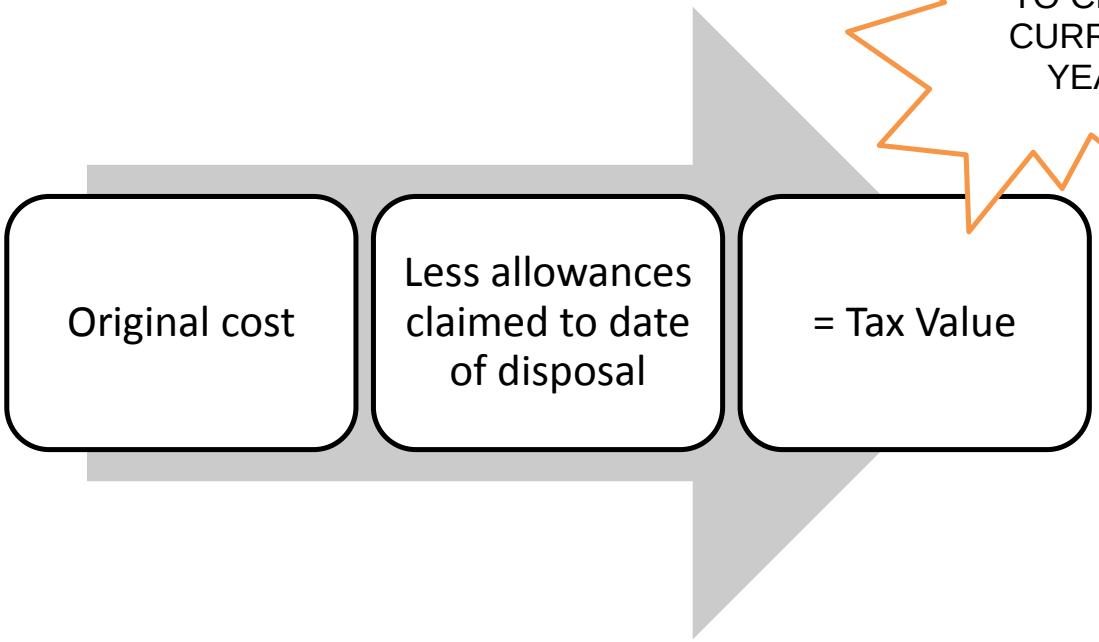
New building	Improvements to existing building	Erection, extension, addition to low-cost residential units	Improvements to low-cost residential units
20% year 1, 8% next 10years	20% for 5 years	25% year 1, 13% next 5 years and then 10% last year	25% for 4 years

If a taxpayer acquires any new or unused part of a building (or acquired an improvement to a building), the deduction will be 55% for the building and 30% for the improvement to the building

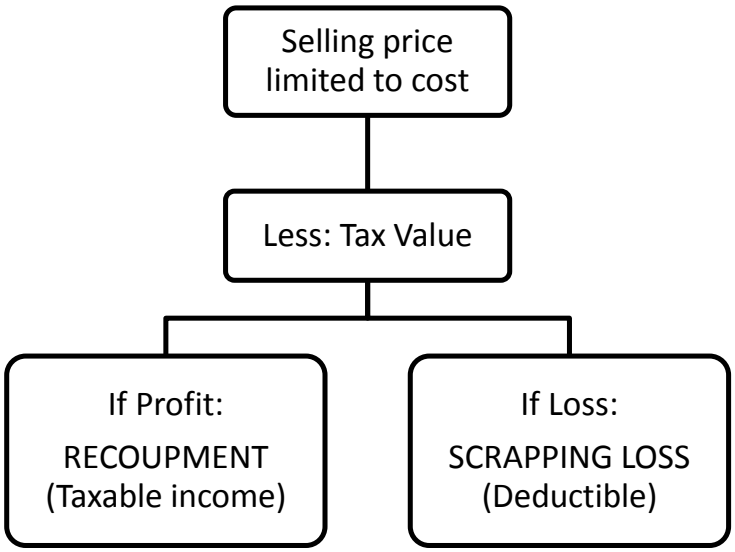
DISPOSAL OF ASSETS

DO NOT FORGET TO CLAIM CURRENT YEAR

1: ***Determine the tax value of the asset***



2: ***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)

COMPANIES LEASES

Lease premium

The lessor will be taxed on the full lease premium received

Leasehold improvements

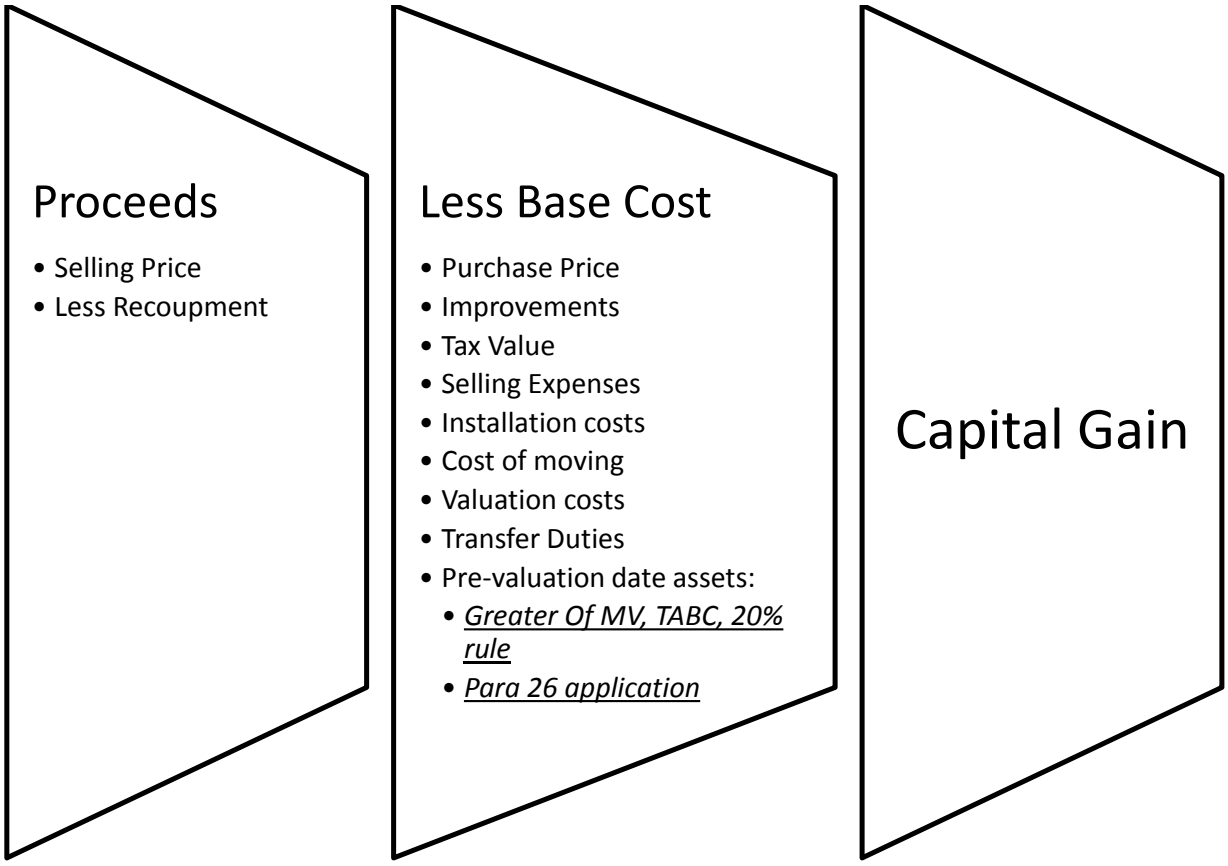
The lessor will be taxed on

- The contract amount (at the date of completion of improvements)

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)

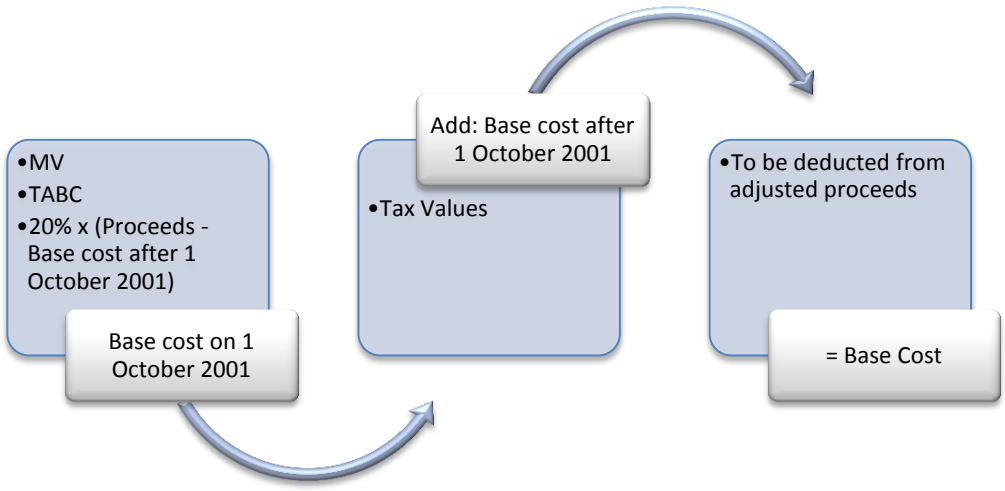

Proceeds
• Selling Price
• Less Recoupment
Less Base Cost
• Purchase Price
• Improvements
• Tax Value
• Selling Expenses
• Installation costs
• Cost of moving
• Valuation costs
• Transfer Duties
• Pre-valuation date assets:
• Greater Of MV, TABC, 20% rule
• Para 26 application
Capital Gain

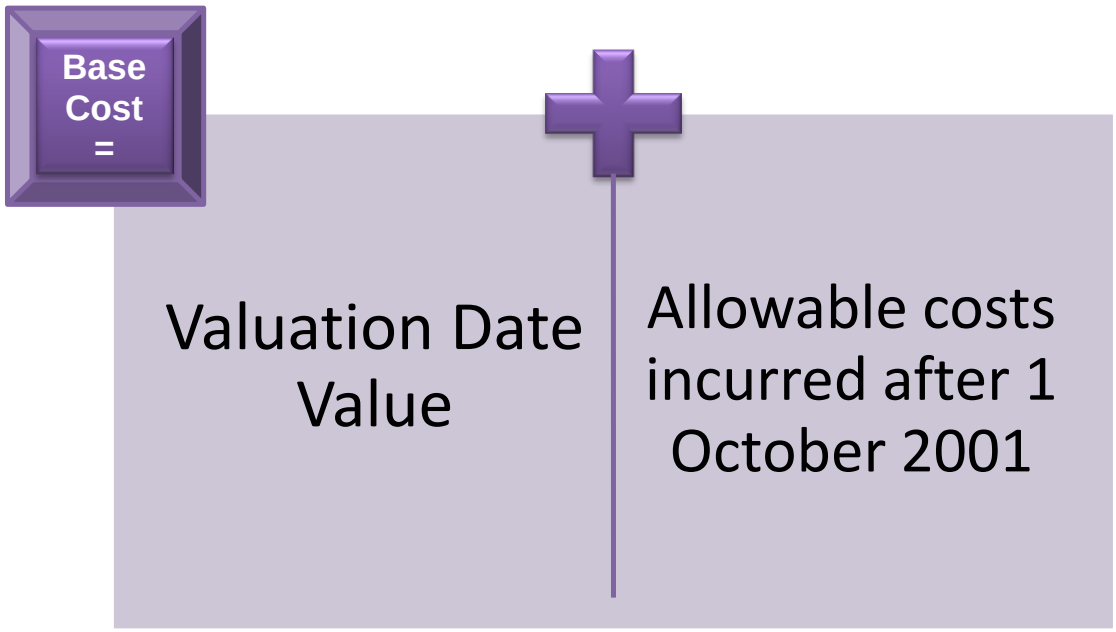
Adjusted proceeds (for CGT purposes)
= selling price minus recoupment

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**





Paragraph 26

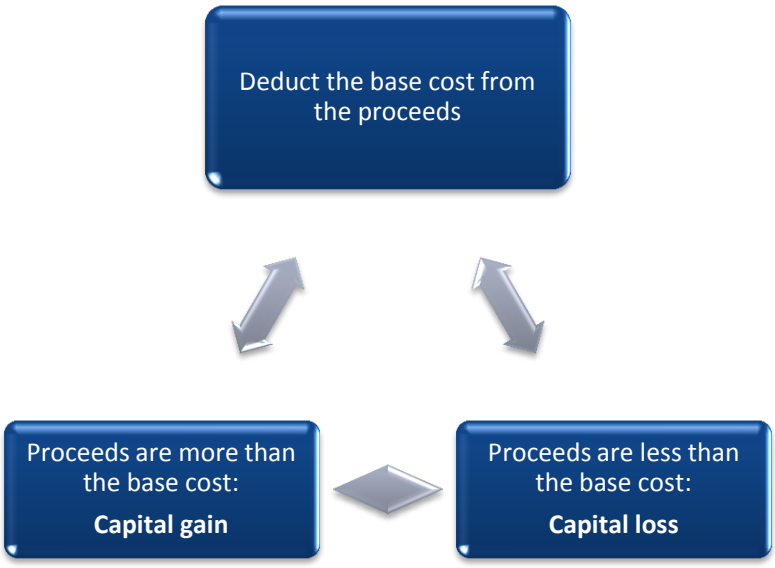
- Applicable when the adjusted proceeds are **more** than the adjusted cost of an asset (in other words a profit)
- You need to know how to apply Para 26!

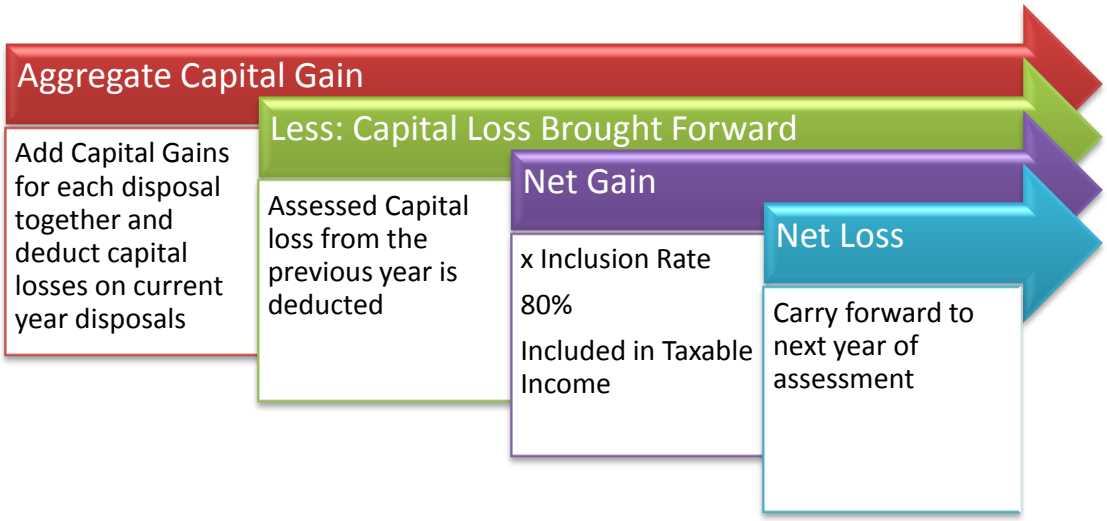
- Apply the rules of paragraph 26 and select the valuation date value (to be used in the base cost calculation)

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 the market value is adopted as the valuation date value and (1) proceeds (adjusted) < market 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**	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.







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.*