

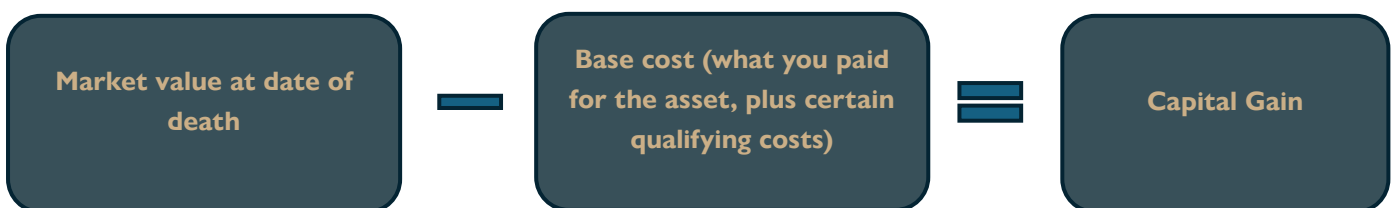
What is Capital Gains Tax (CGT)?

Capital Gains Tax (CGT) is not a separate tax. It forms part of income tax and is payable when an asset is sold, disposed of, or is deemed to be disposed of, including when a person dies.

When someone dies in South Africa, SARS treats most of their assets as if they were sold at their market value on the date of death. This is known as a deemed disposal, and it may result in a capital gain or loss.

How CGT works:

A capital gain is generally calculated as:



Only a portion of the capital gain is included in the deceased's taxable income and taxed at the applicable income tax rate.

What about assets left to a spouse?

- There is an important relief:
 - Assets inherited by a surviving spouse generally do not trigger CGT at the first spouse's death.
 - Instead, the CGT is deferred until the surviving spouse later disposes of the asset or passes away.

Common assets that may be subject to CGT:

- Investment Properties
- Shares and Unit Trusts
- Businesses and Business Assets
- Farms
- Collectables (in certain cases)

Assets generally not subject to CGT:

- Cash
- Most personal-use items (such as furniture and clothing)
- Retirement funds and pension benefits (these have their own tax rules)