



TAX3703

May/June 2014

TAXATION OF ESTATES

Duration 2 Hours

100 Marks

EXAMINATION PANEL AS APPOINTED BY THE DEPARTMENT

Use of a non-programmable pocket calculator is permissible

Closed book examination

This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue

THIS PAPER CONSISTS OF FIVE (5) PAGES plus an appendix (pages i-viii)

IMPORTANT INSTRUCTIONS

- 1 This paper consists of four (4) questions
- 2 All of the questions must be answered
- 3 **Show all workings, where applicable. If an amount is subject to a limitation, clearly indicate how the limitation is applied. Where any item is exempt from tax or not allowable as a deduction, this must be indicated. All amounts must be rounded to the nearest rand.**
- 4 You must start each question on a new (separate) page
- 5 Please complete the cover page of the answer book in full
- 6 You are reminded that answers may **NOT** be written in pencil
- 7 Principle errors will be marked negatively
- 8 Proposed timetable (**try as far as possible not to deviate from this timetable**):

| QUESTION | TOPIC | MARKS | TIME IN MINUTES |
|----------|--------------------|------------|-----------------|
| 1 | Estate duty | 28 | 34 |
| 2 | Executor's account | 35 | 42 |
| 3 | Capital gains tax | 15 | 18 |
| 4 | Estate planning | 22 | 26 |
| | TOTAL | 100 | 120 |

[TURN OVER]

QUESTION 1 (28 marks, 34 minutes)

Rose Samuels died on 15 May 2013 at the age of 65 years and three months. Rose is survived by her husband, Neil, to whom she was married out of community of property, her daughter, Lindie and her grandson, Arnie.

Rose left a valid will stipulating the following

- Her husband, Neil, was to inherit her flat in Cape Town
- Her grandson, Arnie, was to inherit the residue of her estate

The executor (not a registered VAT vendor) of Rose's estate established that she had the following assets and liabilities at the time of her death

Assets

- 1 A flat in Cape Town, valued at R1 700 000
- 2 A motor vehicle, valued at R250 000
- 3 A fixed deposit of R340 000 at a Cape Town Bank
- 4 An accrual claim of R375 000 against her husband, Neil
- 5 A usufruct over a house in Franshoek which she inherited on 1 June 2002 from an uncle. Rose's daughter, Lindie, inherited the bare dominium of the house at 1 June 2002. The market value of the house in 2002 was R1 200 000 and R2 600 000 at the time of Rose's death. Rose did not incur any costs in respect of the house and did not pay any portion of the estate duty in her uncle's estate. Lindie was born on 15 March 1973.
- 6 Shares, valued at R600 000, in an unlisted company but sold by the executor for R550 000
- 7 A life insurance policy on which Rose paid all the premiums herself. The proceeds of R800 000 were payable to the estate.

Liabilities

| | R |
|---|----------|
| 1 Income tax payable (you can assume that it is correctly calculated) | 366 290 |
| 2 Funeral expenses | 16 500 |
| 3 Executor's remuneration (accept as correct) | 95 000 |
| 4 Master's fees (maximum amount) | |

| REQUIRED: | Marks |
|---|--------------|
| Calculate the estate duty in Rose's estate and indicate for how much of the duty, if any, the following persons will be responsible (a) Rose's husband, Neil (b) Rose's daughter, Lindie (c) Rose's grandson, Arnie (d) Rose's estate | 28 |

[TURN OVER]

QUESTION 2 (35 marks, 42 minutes)

Christo Rouvla (ID no 2909295037082), a friend of yours, died on 15 March 2013 after a car crash. He is survived by his wife, Cara (ID no 3403260112088), to whom he was married in community of property, and his two major daughters, Shante and Elena. The Master assigned the following reference number to the estate 1523/2013.

You are appointed as the executor of the estate in terms of the joint will. You obtained the following information:

| | Heir/Beneficiary | Value R |
|--|---|--------------------|
| 1 House on stand 1467 at St Louis, South Africa, at valuation | Surviving spouse | 1 150 000 |
| 2 Holiday home at Heronsbay, South Africa, at valuation | Elena | 695 000 |
| 3 Motor vehicle, registration number BN 245 CN GP, at valuation | Shante | 195 000 |
| 4 Art collection, at valuation | Shante | 500 000 |
| 5 Fixed Deposit at Capgro Bank – reduced to cash | Surviving spouse | 825 000 |
| 6 Cash in current account – balance at 15 March 2013 | Surviving spouse (residual heir) | 55 200 |
| Interest from 15/3/2013 till 30/4/2013 when the account was closed | | 2 650 |
| 7 Utility vehicle, registration number BC 253 BG GP, at valuation | Greenway (registered public benefit organisation) | 120 000 |

In the course of carrying out your duties as executor of the estate, the following liabilities and expenses must be paid:

| | R |
|---|----------|
| Advertisements | 555 |
| Hospital costs due to the accident | 25 000 |
| Funeral costs | 16 234 |
| Credit card account | 2 950 |
| Other liabilities | 10 580 |
| Executor's remuneration and Master's fees at prescribed tariffs | |

Additional notes:

- Cara, who adiated the will, decided that she would like to live in their holiday home in Heronsbay permanently and requested that she take over this asset in terms of section 38 of the Administration of Estates Act. Elena agreed thereto and the request was allowed on condition that Elena receives a cash amount equal to the value of her bequest.

| REQUIRED: | Marks |
|---|--------------|
| Compile a complete executor's account in the estate of Christo Rouvla | 35 |

[TURN OVER]

QUESTION 3 (15 marks, 18 minutes)

Esra Reddy, who was married in community of property to Nadia Reddy, died in Pretoria on 12 November 2013, leaving the following assets

| Asset | Market value at death R | Cost R | Additional information |
|------------------------|----------------------------|-----------|---|
| Primary residence | 1 978 000 | 1 200 000 | Sold out of hand by the executor for R1 950 000 on 19 February 2014 |
| Flat in Cape Town | 1 150 000 | 978 250 | Sold at public auction for R1 350 000 |
| Motor vehicle | 270 000 | 320 000 | Sold at public auction for R250 000 |
| Cash in bank | 65 000 | | |
| Listed shares | 350 000 | 125 000 | Sold by the executor for R335 000 on 21 January 2014 |
| Gold coins | 560 000 | 396 000 | Bequeathed to spouse |
| Open residential stand | 300 000 | 120 000 | Bequeathed to son |

Note: The executor had to pay 10% auctioneer's fees on the proceeds of the assets sold at the public auction – this commission is not included in the proceeds as given above

| REQUIRED: | Marks |
|--|-------|
| Calculate the taxable capital gain/loss of Esra Reddy's estate | 15 |

[TURN OVER]

QUESTION 4 (22 marks, 26 minutes)

Mrs Penny Papageorge-Strydom, through hard work and dedication, had built up a large estate, consisting mostly of income producing fixed properties, by the time she met and married the handsome Mr Rick Strydom, who is 15 years younger than herself and who owns no assets. They were married out of community of property excluding the accrual system. They have three children, aged three, five and seven respectively. Rick is a stay at home father, which he is very good at.

Penny has been diagnosed with an incurable disease and approached you for estate planning advice. Although she loves Rick dearly, she does not have a lot of confidence in his business sense, and she cannot bear the thought that a young woman may snap him up to get hold of her (Penny's) money, and her children will be left with nothing. She also can't bear the thought of having to pay a lot of tax over to the SARS. Penny does not currently have a last will and testament and has taken out quite a few life insurance policies to meet the liquidity demands in the estate upon her death.

| REQUIRED: | Marks |
|---|--------------|
| 4.1 State and discuss four estate-planning objectives that Penny wants to achieve | 8 |
| 4.2 Determine the most important estate-planning tool that Penny should utilise and briefly explain why it is important to implement? | 6 |
| 4.3 Penny heard about a trust, and insists that she wants to use a trust to attain her objectives | |
| 4.3.1 How would you advise Penny to structure the trust with regard to the trustees and the beneficiaries? | 2 |
| 4.3.2 Advise Penny on the advantages and disadvantages of creating an <i>inter vivos</i> trust and transferring the fixed property to the trust at this stage, bearing in mind the various taxes which might be payable | 6 |

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APPENDIX

DECEASED ESTATES

(i) EXECUTOR'S REMUNERATION

The remuneration of executors referred to in Section 51(1) (b) of the Act shall be assessed according to the following tariff

- (a) On the gross value of the assets 3,5 per cent,
- (b) On income accrued and collected after the death of the deceased 6,0 per cent

(ii) MASTER'S FEES (Deceased estates)

On all estates of deceased persons or estates under curatorship (except estates under the custody of an interim curator pending the appointment of an executor) the gross value of which –

| | |
|---|----------------|
| | R |
| (a) is R15 000 or more, but less than R17 000 | 42,00 |
| (b) is R17 000 or more, for each complete further R2 000 with which the gross value exceeds R17 0000, a further subject to a maximum fee of | 6,00 600,00 |

Where the deceased was one of two spouses married in community of property the said fees shall be assessed upon the gross assets of the joint estate

(iii) RATE OF ESTATE DUTY

The rate of estate duty shall be 20 per cent of the dutiable amount of the estate

Provided that where duty becomes payable upon the value of any movable or immovable property or on a value determined by reference to the value of any movable or immovable property, and duty has, upon the death of any person (hereinafter referred to as the first-dying person), who died within ten years prior to the death of the deceased, become payable upon the value of that movable or immovable property or upon a value determined by reference to the value of that movable or immovable property (or any movable or immovable property for which the Commissioner is satisfied that that movable or immovable property has been substituted), the duty attributable to the value of that movable or immovable property or, as the case may be, the value determined by reference to the value of that movable or immovable property, but not exceeding (in either case) an amount equal to the value on which duty has become payable on the death of the first-dying person, shall be reduced by a percentage according to the following scale

| | |
|---|--------------|
| if the deceased dies within two years of the death of the first-dying person | 100 per cent |
| if the deceased dies more than two years but not more than four years after the death of the first-dying person | 80 per cent |
| if the deceased dies more than four years but not more than six years after the death of the first-dying person | 60 per cent |

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if the deceased dies more than six years but not more than eight years after
the death of the first-dying person 40 per cent

if the deceased dies more than eight years but not more than ten years after
the death of the first-dying person 20 per cent

subject to a maximum reduction equal to so much of the duty previously payable upon the death
of the first-dying person as is attributable to the value of that movable or immovable property or,
as the case may be, to an amount equal to the value determined by reference to the value of
that movable or immovable property, and as is proved to the satisfaction of the Commissioner to
have been borne by the deceased

TABLE A

(iv) THE EXPECTATION OF LIFE AND THE PRESENT VALUE OF R1 PER ANNUM FOR LIFE CAPITALISED AT 12 PER CENT OVER THE EXPECTATION OF LIFE OF MALES AND FEMALES OF VARIOUS AGES

| Age | Expectation of life | | Present value of R1 per annum for life | | Age |
|-----|---------------------|--------|--|----------|-----|
| | Male | Female | Male | Female | |
| 0 | 64,75 | 72,36 | 8,237 91 | 8,331 05 | 0 |
| 1 | 65,37 | 72,74 | 8,328 28 | 8,331 14 | 1 |
| 2 | 64,50 | 71,87 | 8,327 76 | 8,330 91 | 2 |
| 3 | 63,57 | 70,93 | 8,327 14 | 8,330 64 | 3 |
| 4 | 62,63 | 69,98 | 8,326 44 | 8,330 33 | 4 |
| 5 | 61,69 | 69,02 | 8,325 67 | 8,329 99 | 5 |
| 6 | 60,74 | 68,06 | 8,324 80 | 8,329 61 | 6 |
| 7 | 59,78 | 67,09 | 8,323 81 | 8,329 81 | 7 |
| 8 | 58,81 | 66,11 | 8,322 71 | 8,328 69 | 8 |
| 9 | 57,83 | 65,14 | 8,321 46 | 8,328 15 | 9 |
| 10 | 56,85 | 64,15 | 8,320 07 | 8,327 53 | 10 |
| 11 | 55,86 | 63,16 | 8,318 49 | 8,326 84 | 11 |
| 12 | 54,87 | 62,18 | 8,316 73 | 8,326 08 | 12 |
| 13 | 53,90 | 61,19 | 8,314 80 | 8,325 22 | 13 |
| 14 | 52,93 | 60,21 | 8,312 65 | 8,324 27 | 14 |
| 15 | 51,98 | 59,23 | 8,310 29 | 8,323 20 | 15 |
| 16 | 51,04 | 58,26 | 8,307 70 | 8,322 03 | 16 |
| 17 | 50,12 | 57,29 | 8,304 89 | 8,320 71 | 17 |
| 18 | 49,21 | 56,33 | 8,301 80 | 8,319 26 | 18 |
| 19 | 48,31 | 55,37 | 8,298 41 | 8,317 64 | 19 |
| 20 | 47,42 | 54,41 | 8,294 71 | 8,315 84 | 20 |
| 21 | 46,53 | 53,45 | 8,290 61 | 8,313 83 | 21 |
| 22 | 45,65 | 52,50 | 8,286 13 | 8,311 61 | 22 |
| 23 | 44,77 | 51,54 | 8,281 17 | 8,309 12 | 23 |
| 24 | 43,88 | 50,58 | 8,275 64 | 8,306 33 | 24 |
| 25 | 43,00 | 49,63 | 8,269 59 | 8,303 26 | 25 |
| 26 | 42,10 | 48,67 | 8,262 74 | 8,299 81 | 26 |
| 27 | 41,20 | 47,71 | 8,255 16 | 8,295 95 | 27 |
| 28 | 40,30 | 46,76 | 8,246 77 | 8,291 71 | 28 |
| 29 | 39,39 | 45,81 | 8,237 37 | 8,286 97 | 29 |
| 30 | 38,48 | 44,86 | 8,226 94 | 8,281 70 | 30 |
| 31 | 37,57 | 43,91 | 8,215 38 | 8,275 83 | 31 |
| 32 | 36,66 | 42,96 | 8,202 57 | 8,269 30 | 32 |
| 33 | 35,75 | 42,02 | 8,188 36 | 8,262 10 | 33 |
| 34 | 34,84 | 41,07 | 8,172 62 | 8,254 00 | 34 |
| 35 | 33,94 | 40,13 | 8,155 36 | 8,245 09 | 35 |
| 36 | 33,05 | 39,19 | 8,136 47 | 8,235 17 | 36 |
| 37 | 32,16 | 38,26 | 8,115 58 | 8,224 26 | 37 |
| 38 | 31,28 | 37,32 | 8,092 74 | 8,211 99 | 38 |
| 39 | 30,41 | 36,40 | 8,067 81 | 8,198 66 | 39 |
| 40 | 29,54 | 35,48 | 8,040 30 | 8,183 86 | 40 |
| 41 | 28,69 | 34,57 | 8,010 67 | 8,167 62 | 41 |
| 42 | 27,85 | 33,67 | 7,978 44 | 8,149 83 | 42 |
| 43 | 27,02 | 32,77 | 7,943 44 | 8,130 12 | 43 |
| 44 | 26,20 | 31,89 | 7,905 47 | 8,108 81 | 44 |
| 45 | 25,38 | 31,01 | 7,863 80 | 8,085 27 | 45 |

[TURN OVER]

TABLE A (continued)

| Age | Expectation of life | | Present value of R1 per annum for life | | Age |
|-----|---------------------|--------|--|----------|-----|
| | Male | Female | Male | Female | |
| 46 | 24,58 | 30,14 | 7,819 24 | 8,059 56 | 46 |
| 47 | 23,79 | 29,27 | 7,771 09 | 8,031 19 | 47 |
| 48 | 23,00 | 28,41 | 7,718 43 | 8,000 26 | 48 |
| 49 | 22,23 | 27,55 | 7,662 36 | 7,966 17 | 49 |
| 50 | 21,47 | 26,71 | 7,602 01 | 7,929 50 | 50 |
| 51 | 20,72 | 25,88 | 7,537 13 | 7,889 67 | 51 |
| 52 | 19,98 | 25,06 | 7,467 48 | 7,846 46 | 52 |
| 53 | 19,26 | 24,25 | 7,393 87 | 7,799 65 | 53 |
| 54 | 18,56 | 23,44 | 7,316 31 | 7,748 34 | 54 |
| 55 | 17,86 | 22,65 | 7,232 34 | 7,693 55 | 55 |
| 56 | 17,18 | 21,86 | 7,144 14 | 7,633 63 | 56 |
| 57 | 16,52 | 21,08 | 7,051 78 | 7,568 96 | 57 |
| 58 | 15,86 | 20,31 | 6,952 25 | 7,499 27 | 58 |
| 59 | 15,23 | 19,54 | 6,850 04 | 7,423 21 | 59 |
| 60 | 14,61 | 18,78 | 6,742 06 | 7,341 35 | 60 |
| 61 | 14,01 | 18,04 | 6,630 10 | 7,254 57 | 61 |
| 62 | 13,42 | 17,30 | 6,512 32 | 7,160 20 | 62 |
| 63 | 12,86 | 16,58 | 6,393 01 | 7,060 46 | 63 |
| 64 | 12,31 | 15,88 | 6,268 22 | 6,955 37 | 64 |
| 65 | 11,77 | 15,18 | 6,137 89 | 6,841 61 | 65 |
| 66 | 11,26 | 14,51 | 6,007 26 | 6,723 93 | 66 |
| 67 | 10,76 | 13,85 | 5,871 65 | 6,598 93 | 67 |
| 68 | 10,28 | 13,20 | 5,734 03 | 6,466 35 | 68 |
| 69 | 9,81 | 12,57 | 5,591 82 | 6,328 18 | 69 |
| 70 | 9,37 | 11,96 | 5,451 65 | 6,184 66 | 70 |
| 71 | 8,94 | 11,37 | 5,307 75 | 6,036 07 | 71 |
| 72 | 8,54 | 10,80 | 6,167 44 | 5,882 78 | 72 |
| 73 | 8,15 | 10,24 | 5,024 37 | 5,722 22 | 73 |
| 74 | 7,77 | 9,70 | 4,878 76 | 5,557 43 | 74 |
| 75 | 7,41 | 9,18 | 4,734 90 | 5,388 93 | 75 |
| 76 | 7,07 | 8,68 | 4,593 54 | 5,217 27 | 76 |
| 77 | 6,73 | 8,21 | 4,446 63 | 5,046 79 | 77 |
| 78 | 6,41 | 7,75 | 4,303 09 | 4,870 92 | 78 |
| 79 | 6,10 | 7,31 | 4,158 98 | 4,693 89 | 79 |
| 80 | 5,82 | 6,89 | 4,024 40 | 4,516 47 | 80 |
| 81 | 5,55 | 6,50 | 3,890 51 | 4,343 99 | 81 |
| 82 | 5,31 | 6,13 | 3,768 02 | 4,173 15 | 82 |
| 83 | 5,09 | 5,78 | 3,652 76 | 4,004 82 | 83 |
| 84 | 4,89 | 5,45 | 3,545 46 | 3,839 88 | 84 |
| 85 | 4,72 | 5,14 | 3,452 32 | 3,679 21 | 85 |
| 86 | 4,57 | 4,85 | 3,368 64 | 3,523 71 | 86 |
| 87 | 4,45 | 4,58 | 3,300 66 | 3,374 26 | 87 |
| 88 | 4,36 | 4,33 | 3,249 07 | 3,231 75 | 88 |
| 89 | 4,32 | 4,11 | 3,225 97 | 3,102 96 | 89 |
| 90 | 4,30 | 3,92 | 3,214 38 | 2,989 12 | 90 |

[TURN OVER]

TABLE B

PRESENT VALUE OF R1 PER ANNUM CAPITALISED AT 12 PER CENT OVER FIXED PERIODS

| Years | Amount | Years | Amount | Years | Amount | Years | Amount |
|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | R | | R | | R | | R |
| 1 | 0,892 9 | 26 | 7,895 7 | 51 | 8,307 6 | 76 | 8,331 8 |
| 2 | 1,690 0 | 27 | 7,942 6 | 52 | 8,310 4 | 77 | 8,332 0 |
| 3 | 2,401 8 | 28 | 7,984 4 | 53 | 8,312 8 | 78 | 8,332 1 |
| 4 | 3,037 4 | 29 | 8,021 8 | 54 | 8,315 0 | 79 | 8,332 3 |
| 5 | 3,604 8 | 30 | 8,055 2 | 55 | 8,317 0 | 80 | 8,332 4 |
| 6 | 4,111 4 | 31 | 8,085 0 | 56 | 8,318 7 | 81 | 8,332 5 |
| 7 | 4,563 8 | 32 | 8,111 6 | 57 | 8,320 3 | 82 | 8,332 6 |
| 8 | 4,967 6 | 33 | 8,135 4 | 58 | 8,321 7 | 83 | 8,332 6 |
| 9 | 5,328 2 | 34 | 8,156 6 | 59 | 8,322 9 | 84 | 8,332 7 |
| 10 | 5,650 2 | 35 | 8,175 5 | 60 | 8,324 0 | 85 | 8,332 8 |
| 11 | 5,937 7 | 36 | 8,192 4 | 61 | 8,325 0 | 86 | 8,332 8 |
| 12 | 6,194 4 | 37 | 8,207 5 | 62 | 8,325 9 | 87 | 8,332 9 |
| 13 | 6,423 6 | 38 | 8,221 0 | 63 | 8,326 7 | 88 | 8,333 0 |
| 14 | 6,628 2 | 39 | 8,233 0 | 64 | 8,327 4 | 89 | 8,333 0 |
| 15 | 6,810 9 | 40 | 8,243 8 | 65 | 8,328 1 | 90 | 8,333 0 |
| 16 | 6,974 0 | 41 | 8,253 4 | 66 | 8,328 6 | 91 | 8,333 1 |
| 17 | 7,119 6 | 42 | 8,261 9 | 67 | 8,329 1 | 92 | 8,333 1 |
| 18 | 7,249 7 | 43 | 8,269 6 | 68 | 8,329 6 | 93 | 8,333 1 |
| 19 | 7,365 8 | 44 | 8,276 4 | 69 | 8,330 0 | 94 | 8,333 1 |
| 20 | 7,469 4 | 45 | 8,282 5 | 70 | 8,330 3 | 95 | 8,333 2 |
| 21 | 7,562 0 | 46 | 8,288 0 | 71 | 8,330 7 | 96 | 8,333 2 |
| 22 | 7,644 6 | 47 | 8,292 8 | 72 | 8,331 0 | 97 | 8,333 2 |
| 23 | 7,718 4 | 48 | 8,297 2 | 73 | 8,331 2 | 98 | 8,333 2 |
| 24 | 7,784 3 | 49 | 8,301 0 | 74 | 8,331 4 | 99 | 8,333 2 |
| 25 | 7,843 1 | 50 | 8,304 5 | 75 | 8,331 6 | 100 | 8,333 2 |

[TURN OVER]

CAPITAL GAINS TAX**FORMULAE**Eighth Schedule

$$P = R \times \frac{B}{(A + B)}$$

R = the total proceeds of the sale of the asset

A = the costs incurred on or after the valuation date

B = the costs incurred before the valuation date, and

P = the proceeds that relate to the cost incurred before 1 October 2001

$$Y = B + [(P - B) \times (N/(T + N))]$$

B = the expenditure incurred before the valuation date in terms of par 20

P = the proceeds of the sale of an asset

N = the number of years (part of years are deemed to be full years) from the date on which the asset was acquired to the day before the valuation date. Where the allowable expenditure was incurred in more than one year of assessment prior to the valuation date, the number of years may not exceed 20

T = the number of years during which the asset was held from the valuation date until the date the asset was disposed of. A part of a year is treated as a full year

Y = the time-apportionment base cost

[TURN OVER]

EXTRACT FROM THE INCOME TAX ACT (ACT 58 OF 1962, AS AMENDED) – EIGHTH SCHEDULE

25. Determination of base cost of pre-valuation date assets. - The base cost of a pre-valuation date asset (other than an identical asset in respect of which paragraph 32 (3A) has been applied) is the sum of the valuation date value of that asset, as determined in terms of paragraph 26, 27 or 28 and the expenditure allowable in terms of paragraph 20 incurred on or after the valuation date in respect of that asset

26. Valuation date value where proceeds exceed expenditure or where expenditure in respect of an asset cannot be determined. - (1) Where the proceeds from the disposal of a pre-valuation date asset (other than an asset contemplated in paragraph 28 or in respect of which paragraph 32 (3A) has been applied) exceed the expenditure allowable in terms of paragraph 20 incurred before, on and after the valuation date in respect of that asset, the person who disposed of that asset must, subject to subparagraph (3), adopt any of the following as the valuation date value of that asset-

- (a) the market value of the asset on the valuation date as contemplated in paragraph 29,
- (b) 20 per cent of the proceeds from disposal of the asset, after deducting from those proceeds an amount equal to the expenditure allowable in terms of paragraph 20 incurred on or after the valuation date, or

(c) the time-apportionment base cost of the asset as contemplated in paragraph 30

(2) Where the expenditure incurred before valuation date in respect of a pre-valuation date asset cannot be determined by the person who disposed of that asset or the Commissioner, that person must adopt any of the following as the valuation date value of that asset-

- (a) the market value of the asset on the valuation date as contemplated in paragraph 29, or
- (b) 20 per cent of the proceeds from disposal of the asset, after deducting from those proceeds an amount equal to the expenditure allowable in terms of paragraph 20 incurred on or after the valuation date

(3) Where a person has adopted the market value as the valuation date value of an asset, as contemplated in subparagraph (1) (a), and the proceeds from the disposal of that asset do not exceed that market value, that person must substitute as the valuation date value of that asset, those proceeds less the expenditure allowable in terms of paragraph 20 incurred on or after the valuation date in respect of that asset

27. Valuation date value where proceeds do not exceed expenditure. - (1) Subject to subparagraph (2), where the proceeds from the disposal of a pre-valuation date asset do not exceed the expenditure allowable in terms of paragraph 20 incurred both before and after the valuation date in respect of that asset, the valuation date value of that asset must be determined in terms of this paragraph

(2) This paragraph does not apply in respect of any asset contemplated in paragraph 28 or in respect of which paragraph 32 (3A) has been applied

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- (3) Where a person has determined the market value of an asset on the valuation date, as contemplated in paragraph 29, or the market value of an asset has been published in terms of that paragraph, and-
- (a) the expenditure allowable in terms of paragraph 20 incurred before the valuation date in respect of that asset-
- (i) is equal to or exceeds the proceeds from the disposal of that asset, and
- (ii) exceeds the market value of that asset on valuation date,
- the valuation date value of that asset must be the higher of-
- (aa) that market value, or
- (bb) those proceeds less the expenditure allowable in terms of paragraph 20 incurred on or after the valuation date in respect of that asset, or
- (b) the provisions of item (a) do not apply, the valuation date value of that asset must be the lower of-
- (i) that market value, or
- (ii) the time-apportionment base cost of that asset as contemplated in paragraph 30
- (4) Where the provisions of subparagraph (3) do not apply, the valuation date value of that asset is the time-apportionment base cost of that asset, as contemplated in paragraph 30

Income tax monetary thresholds subject to periodic legislative change

| Description | Reference to Income Tax Act, 1962 | Monetary amount |
|---|--|-----------------|
| Capital gains exclusions: | | |
| Annual exclusion for individuals and special trusts | Paragraph 5(1) of Eighth Schedule | R30 000 |
| Exclusion for the disposal of a primary residence | Paragraph 45(1) of Eighth Schedule | R2 million |
| Maximum market value of all assets allowed within the small business definition on disposal when person over 55 | Definition of "small business" in paragraph 57(1) of Eighth Schedule | R10 million |
| Exclusion amount on disposal of small business when person over 55 | Paragraph 57(3) of Eighth Schedule | R1,800 000 |
| Exclusion on death | Paragraph 5(2) of Eighth Schedule | R300 000 |