



Administrative considerations on death

YOUR KEY TO THE TAX COMMUNITY

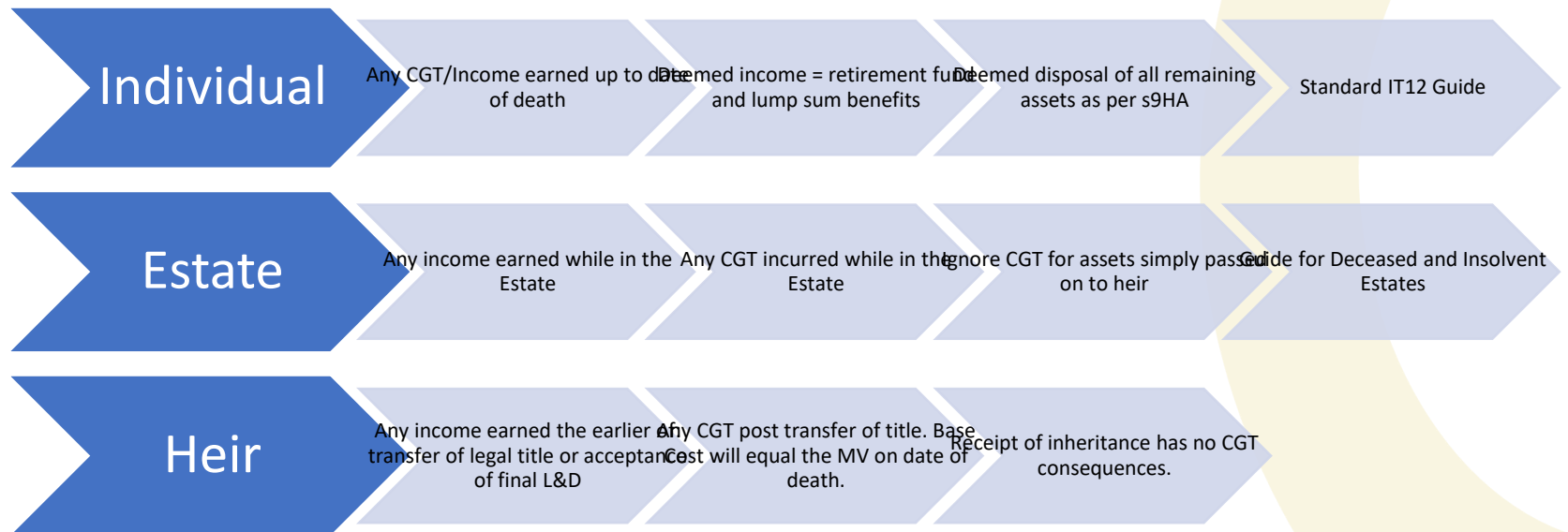
Where to look

- <https://www.sars.gov.za/faq/faq-what-supporting-documents-must-i-submit-to-report-a-new-estate-case/>
- <https://www.sars.gov.za/types-of-tax/estate-duty/>
- <https://www.sars.gov.za/wp-content/uploads/Ops/Guides/GEN-ED-01-G01-Estate-Duty-Implications-on-Buy-and-Sell-Agreements-External-Guide.pdf>

Some guiding thoughts

- Income Tax and Estate Duty are separate taxes.
- VAT must always be considered.

Flow Chart summary



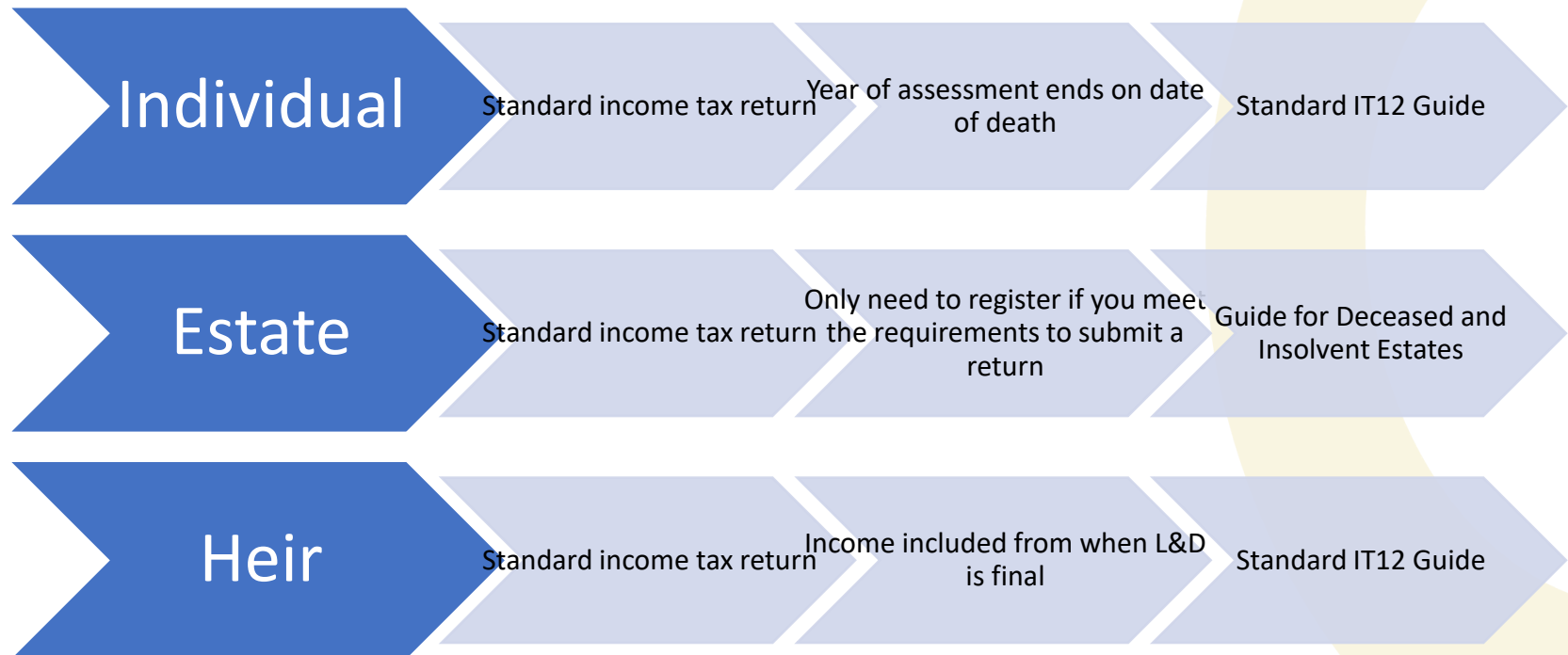
How do I register a Deceased Estate?

- Submit a change request on the RAV01
- Email a death certificate to SARS
- Pull a tax return early to get SARS to ask questions...
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- Currently page 20.

Process

- Deceased person must first be registered and coded by SARS as a Deceased Estate before they can be registered for income tax.
- The DE registration may be done at a [SARS branch](#).
- SARS will issue a new number to the DE which will be linked to the existing income tax reference number of the deceased person.
- The Executor must request for registration of the DE as soon as there is income (exclusions and exceptions exempted) after date of death.
- It is not necessary that the deceased person's tax reference number be deactivated at SARS before a DE may be registered.
- The deceased person's tax reference number must simply be coded as a Deceased Estate on the SARS system before a DE can be registered.
- Where an [executor](#) has not registered a DE, a SARS auditor may register the DE while auditing the deceased person where it has been determined that there is relevant or qualifying income after date of death per the Income and Expenditure Account which requires a DE to be registered.

Income Tax



Some considerations

- No prov tax required for last return or for deceased estate
- Don't forget the other registered taxes!
 - PAYE/UIF/SDL
 - Withholding taxes

When should you submit?



VAT

- If needed
- VAT 413: <https://www.sars.gov.za/lapd-vat-g06-vat-413-guide-for-estates/>

Estate Duty

- REV267 form to be completed
- Can only be submitted when the L&D is approved.

And then? The DEC

- The DEC letter is the last step in the administration process of a deceased at SARS. The DEC letter serves as a confirmation from SARS to the Master that all the tax obligations of the deceased person and his or her deceased estate are complied with. Thereafter the deceased person and his or her estate are deregistered for tax purposes.
- *When can the DEC letter be requested?*
 - The DEC letter may be requested only once all outstanding returns are submitted, assessments are issued, tax liabilities/refunds are paid. If the DEC letter is requested prior to the tax obligations being fulfilled, it will not be issued and will have to be requested again once all the obligations have been fulfilled.
- *How to request the DEC letter?*
 - An executor can request the DEC letter through one of the following email addresses:
 - For Tax Practitioners: **pcc@sars.gov.za**
 - For Taxpayers: **contactus@sars.gov.za**; or
 - **estateduty@sars.gov.za**.
- **Please note:** the DEC letter will be issued only if **ALL** taxes are paid in full (including estate duty).



The detail

YOUR KEY TO THE TAX COMMUNITY



Tax consequences on death

Estate Duty and Income Tax

YOUR KEY TO THE TAX COMMUNITY

Where to look

- <https://www.sars.gov.za/faq/faq-what-supporting-documents-must-i-submit-to-report-a-new-estate-case/>
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Some guiding thoughts

- Income Tax and Estate Duty are separate taxes.
- VAT must always be considered.

Tax return of individual

- Will be completed by the executor of the estate.
- Total income = Income earned to date of death + deemed earnings:
 - Deemed Earnings are:
 - Employment lump sums
 - Lump sum payments from retirement funds
 - Capital gains (deemed disposal of all assets at MV on date of death)
- NB: Remember to apportion the rebate for parts of year!

Practically what does this mean?

- IRP5's will be needed early.
- IT3's (of all shapes and colours) will need to be pro rata'd for the current period.
- Rebates, interest exemption are apportioned – exemptions and exclusions are not.
- Please check ALL statements carefully for actual date of incurral.

Other practical issues?

- Power of attorney
- Insurance policies? Are you comfortable with para 55.
- Timing of payouts from insurances and retirement funds.
- Provisional Tax

Deemed disposal on date of death

- s9HA
 - Is a deemed disposal for both income tax and CGT purposes.
 - At market value
 - Unless:
 - Assets is transferred to surviving RESIDENT spouse
 - Long Term Insurance policies, if excluded under para 55
 - Interest in retirement fund (local or foreign) if it meets the T&C's of para 54

Practical issues?

- Can we do this calc without the L&D?
- Market value on date of death vs value in L&D.
- CGT in unit trust type investments?

Tax return of the Estate (Deaths post 01/03/16)

- Done on the same terms as a natural person
- Total income = Income earned after date of death and BEFORE the assets have been distributed to heirs
- Examples:
 - Trading stock sold after death
 - Interest earned on assets held by the estate
 - Proceeds from any royalties earned subsequent to the death of the individual

Tax return of the Estate- cont

- CGT has the same treatment.
 - If sold by estate, then BC is deemed to be MV and proceeds = amount received by or accrued to
 - If transferred to heir, then BC and Proceeds = MV

- NB: This means that post 1 March 2016 you may have different tax comps dependant on when the person died.

Key differences for DE tax returns

- The following will not be allowed on this new entity:
 - No period assessment or provisional tax
 - No IRP 5
 - No rebates
 - No medical
 - No travelling
 - No Lump Sums
- The income tax assessments should be submitted for every tax year it takes to finalise the estate up and till distribution takes place.
- SARS will issue this assessment / assessments manually after manual intervention.

What must be included

- Include any income deemed to be accrued to the estate after date of death.
 - Investment income
 - Farming income
 - Trading income
 - CGT on assets sold by the executor
 - Rental income
- Important to remember that no assessed loss for eg. Farming loss to be carried over from the estate to the new estate entity.
- What deductions will this new entity qualify to have:
 - Interest exemption
 - CGT Primary Residence (R2 Mil exclusion)
 - CGT exclusion as for normal income individuals apply eg. 2024 – R40 000 @ 40%

Biggest point of contention

- Current SARS view:

- Any income earned until the final L&D is approved is Estate Income. Any income earned after that date is for the beneficiaries and taxed in the hands of the beneficiaries.

Practical issues

- Just a reminder that SARS works on a 12 month grace period for estate duty and deceased estate returns.
- Rebates, interest exemption and CGT exclusion now apportioned for year of death.

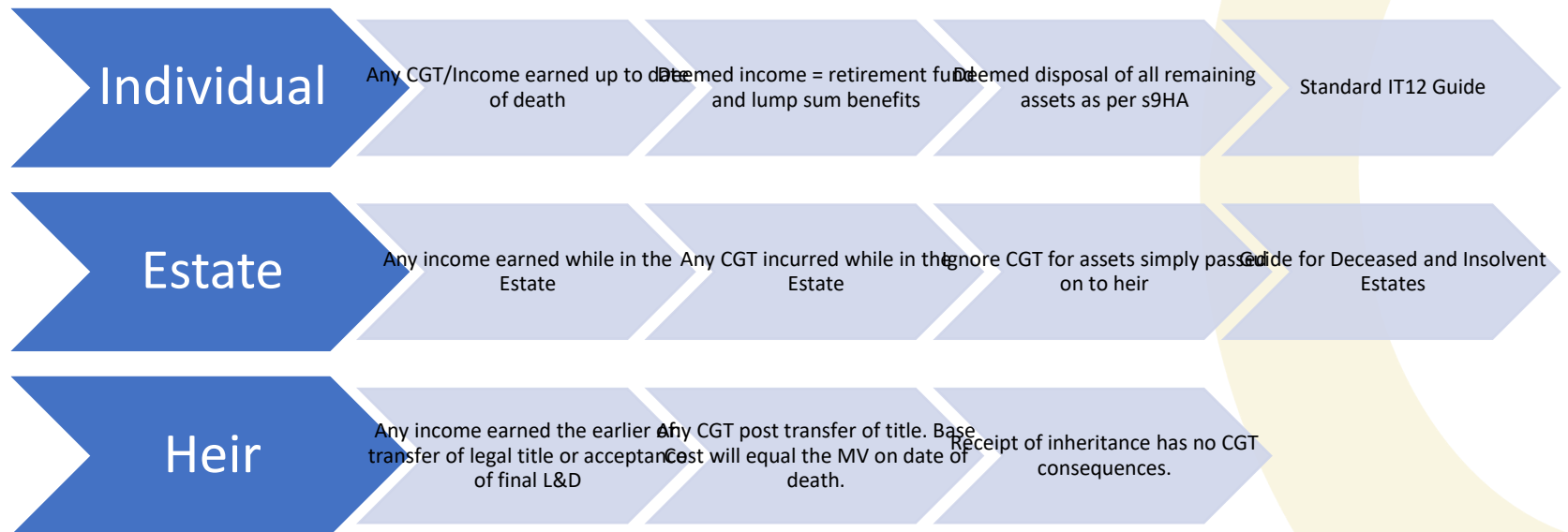
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Flow Chart summary



Potential hiccups

- Was the asset sold by the Executor on behalf of the Estate or sold by the Executor on behalf of the beneficiary?
- Statements don't always distinguish when an asset is sold in year of death.
- Remember that spousal rollover only applies where the ASSET is passed to the surviving spouse,

Trusts

- Special trusts: For tax purposes the following types of special trusts are recognised:
 - Special Trust Type A – a trust created solely for the benefit of a person(s) with a mental or physical “disability” as defined in section 6B(1).
 - Special Trust Type B – a trust created solely for the benefit of a person(s) who is a relative of the person who died and who are alive on the date of death of that deceased person (including those conceived but not yet born), and the youngest of the beneficiaries is younger than 18 years on the last day of the year of assessment.

Example

- A farmer trades in his own name.
- The livestock has a market value of R2 000 000 and a standard value of R10 000.
- The farmland has a base cost of R1 500 000 and a market value of R5 000 000.
- Rental income for lease of grazing land was earned as well. R50 000 while held in the hands of the farmer, R100 000 while in the Estate and R30 000 while in the hands of the child.
 - Scenario One: Livestock and land bequeathed to his child.
 - Scenario Two: Livestock sold in Estate for R2 500 000, land transferred to child.

Scenario One

Individual Tax return

Normal Tax:

Livestock (opening stock)	-R	10 000,00
Livestock (closing stock)		
Rental	R	50 000,00
Deemed sale	R	2 000 000,00
CGT inclusion	R	<u>1 280 000,00</u>
Taxable Income	R	<u>3 320 000,00</u>
Tax payable @ 45%	R	<u><u>1 494 000,00</u></u>

Scenario One

CGT:			
Livestock	Proceeds	R	-
	Base Cost	R	-
		R	-
Land			
	Proceeds	R	5 000 000,00
	Base Cost	R	1 500 000,00
		R	3 500 000,00
	Total capital gains	R	3 500 000,00
	Less exclusions	R	300 000,00
	Net capital gain	R	3 200 000,00
			40%

Scenario One

Tax return of the Estate

Normal Tax:

	Livestock (opening stock)	-R	2 000 000,00
	Livestock (closing stock)	R	2 000 000,00
	Deemed sale		
	Rental	R	100 000,00
	CGT inclusion	R	-
	Taxable Income	R	<u>100 000,00</u>
	Tax payable @ 45%	R	<u>45 000,00</u>
CGT:			
Livestock	Proceeds	R	-
	Base Cost	R	-
		R	-
Land			
	Proceeds	R	5 000 000,00
	Base Cost	R	<u>5 000 000,00</u>
		R	-
	Total capital gains	R	-
	Less exclusions	R	-
	Net capital gain	R	<u>-</u>
			40%

Scenario One

Normal Tax:

Livestock (opening stock)	-R	2 000 000,00
Livestock (closing stock)	R	10 000,00
Rental income	R	30 000,00
Deemed sale		
CGT inclusion	R	-
Taxable Income	-R	1 960 000,00
Tax payable @ 45%	-R	

CGT:

Livestock

Proceeds	R	-
Base Cost	R	-
	R	-

Land

Proceeds	R	-
Base Cost	R	5 000 000,00

Total capital gains	R	-
Less exclusions	R	-
Net capital gain	R	-

40%

Scenario Two

Individual Tax return

Normal Tax:

Livestock (opening stock)	-R	10 000,00
Livestock (closing stock)		
Rental	R	50 000,00
Deemed sale	R	2 000 000,00
CGT inclusion	R	<u>1 280 000,00</u>
Taxable Income	R	<u>3 320 000,00</u>
Tax payable @ 45%	R	<u><u>1 494 000,00</u></u>

Scenario Two

CGT:			
Livestock	Proceeds	R	-
	Base Cost	R	-
		R	-
Land			
	Proceeds	R	5 000 000,00
	Base Cost	R	1 500 000,00
		R	3 500 000,00
	Total capital gains	R	3 500 000,00
	Less exclusions	R	300 000,00
	Net capital gain	R	3 200 000,00
			40%

Scenario Two

Tax return of the Estate

Normal Tax:

Livestock (opening stock)	-R	2 000 000,00	
Livestock (closing stock)			
Actual sale	R	2 500 000,00	
Rental	R	100 000,00	
CGT inclusion	R	-	
			<hr/>
Taxable Income	R	600 000,00	
			<hr/>
Tax payable @ 45%	R	270 000,00	
			<hr/> <hr/>
CGT:			
Livestock			
Proceeds	R	-	
Base Cost	R	-	
	R	-	<hr/>
Land			
Proceeds	R	5 000 000,00	
Base Cost	R	5 000 000,00	
	R	-	<hr/>
Total capital gains	R	-	
Less exclusions	R	-	
Net capital gain	R	-	
			<hr/> <hr/>

40%

Scenario Two

Beneficiaries Tax return

Normal Tax:

Livestock (opening stock)	R	-
Livestock (closing stock)	R	-
Rental income	R	30 000,00
Deemed sale		
CGT inclusion	R	-
Taxable Income	R	<u>30 000,00</u>
Tax payable @ 45%	R	<u><u>13 500,00</u></u>

CGT:

Livestock	Proceeds	R	-
	Base Cost	R	-
		R	-
Land	Proceeds	R	-
	Base Cost	R	<u>5 000 000,00</u>
	Total capital gains	R	-
	Less exclusions	R	-
	Net capital gain	R	-

40%

Poll

- Does VAT apply to Deceased Estates?
 - Yes
 - No
 - Only if the deceased was a VAT vendor

Estate duty

Estate Duty is levied on:

Estate Duty calculation		
Gross Property		100
	Actual	
	Deemed	
Less: Deductions		20
NET VALUE		80
Less: Abatement		3,5
DUTIABLE AMOUNT		76,5

2018 onwards: $30 \times 20\% + 46,5 \times 25\% = 17,625$

Abatement is subject to periodic review, like the rebate for general tax

Poll

- Assets to be included in the Estate are determined with reference to:
 - Legal title
 - Right of use
 - Payment of contributions
 - Control over the asset
 - Any items that were triggered as a result of your death, eg: retirement funds, insurance policies

Property

- Any asset owned at time of death. Includes:
 - Usufructs (valued as per s5(1)(b))
 - Bare Dominiums (valued as per s5(1)(f))
 - Annuity charged on property (valued as per s5(1)(c))
 - Annuity not charged on property (valued as per s5(1)(d))
 - Right to an annuity.
- For non residents:
 - Only SA only South African source property would be included in the estate. Eg: land, copyrights, etc.

Property cont -

- Deemed Property:
 - Domestic life insurance policies
 - Assets exempt from Donations Tax
 - Accruals under the Matrimonial Property Act
 - Any property the deceased had a right to dispose of (eg: you're the sole trustee of a trust and may do with the trusts assets as you please)
 - From 1 Jan 2016: Disallowed contributions to RAF funds to form part of property for all contributions post 1 March 2015

Poll

- Insurance policies are part of the Estate for the purposes of calculating Executors Fees.
 - True
 - False
 - Only if paid into the Estate for liquidity

Insurance Policies

- Specific Rules and exemptions apply to these:
- Valuation =
 - Amount received – Premiums paid by BENEFICIARY + 6% interest
- Excluded from deemed property
 - Policy registered in terms of a pre nup
 - Partnership policies
 - The deceased did not take out the policy nor pay any premiums AND the payout will not be given as a benefit to any relative, someone dependant on maintenance or a family company

Deductions

- Deathbed + funeral expenses
- Debts due in SA
- Administration charges
- Expenditure necessary to comply with the Act
- Certain foreign assets
 - Acquired before became resident, OR
 - Acquired via donation/inheritance from non res OR
 - Acquired via any assets/income earned from assets above
- Debts due outside the Republic to the extent that they relate to property
- Bequest to PBO or government

Deductions

- Improvements to property made by beneficiary
- Improvements made to property subject to use
 - As for above, but relates to improvements made by the BD holder on death of the usufruct holder
- Usufructs/fiduciary interests/annuities
 - IF! Acquired by donation and reverts to donor on death
- Accrual claims from spouses
- Art/books etc lent to State
- Value of deemed property taken into account already to value shareholding/member's interest
- Property left to surviving spouse

Definitions – per Intestate succession

- Spouse:
 - Marriage Act
 - Recognition of Customary Marriage Act
 - Women married under customary law purely for the purposes of providing children for another spouse
 - Women married to women for the purpose of providing children
 - Marriages under Hindu or Muslim law
 - Civil Union Act

Some thoughts on spouse

- Unmarried does not equal spouse! Where you can legally be married, there is no obligation for maintenance if you choose not to take that option. (Volks NO v Robinson and Others)
- The court considered the anomaly that arose in South African law after the decision of the Constitutional Court in [Gory v Kolver NO and Others](#) [2006] ZACC 20 in that life partners in a permanent same-sex relationship are regarded as spouses for purposes of section 1 of the ISA, but not life partners in a permanent opposite-sex relationship.

Which means...

- There may still be a claim against the Estate under the Maintenance Act, but not under the Maintenance of Surviving Spouse Act.
- Customary law is no longer applied by default. If you want it to apply – write a will! (Bhe and Others v Khayelitsha Magistrate and Others)

Quick ConCourt note

- Case law at a Constitutional level has been quite heavy handed at stamping out discrimination.
- Redistribution agreements can be entered into, even for intestate estates. In those cases though the executor is under special instructions to prevent exploitation of the weak(both in terms of age and historic discrimination)

However....

- Feb 2021 – Case before the Constitutional Court looking at the validity of the pre existing case law.
 - High Court has already agreed that Bwanya had protections under law. (Bwanya v Master of the High Court, Cape Town and Others [2020] ZAWCHC 111)
 - Constitutional Court to review
 - If upheld, will override the *Volks* precedent

So where are we now?

- Dec 2021 – decision time (Jane Bwanya V The Master Of The High Court, Cape Town CCT241/20)
 - The majority judgment penned by Madlanga J stressed that permanent life partnerships are a legitimate family structure and are deserving of respect and, given recent developments of the common law, entitled to legal protection. The judgment held that the definition of “survivor” in section 1 of the Maintenance of Surviving Spouses Act is unconstitutional and invalid insofar as it omits the words “and includes the surviving partner of a permanent life partnership terminated by the death of one partner in which the partners undertook reciprocal duties of support and in circumstances where the surviving partner has not received an equitable share in the deceased partner’s estate”. The judgment ordered that these words be read into the definition. “Spouse” and “marriage” are also declared to include a person in a permanent life partnership. The declaration of invalidity was suspended for 18 months to afford Parliament an opportunity to cure the constitutional defect.
 - Additionally, the majority judgment confirmed the declaration of invalidity of section 1(1) of the Intestate Succession Act made by the High Court. Likewise, this declaration of invalidity was suspended for 18 months for the same reason as above.
 - <https://www.concourt.org.za/index.php/judgement/451-jane-bwanya-v-the-master-of-the-high-court-cape-town-cct241-20>

In English?

- Permanent partnerships should be treated as spouses, but need the legal definition to change.

Poll

- The income tax payable in the hands of the deceased's personal tax return has what impact on Estate Duty?
 - None
 - A reduction because it's a liability for the Estate
 - It gets added to the Estate Duty payable

Valuation methods

- If sold = Selling Price
- If transferred = Market Value
- Donations = MV
- Usufruct = $MV * 12\% * PV \text{ of R1}$ (based on life expectancy of heir or period of use, whichever is less)
 - NB: For donations is based on life expectancy of DONOR
 - Proviso 1: If the usufruct heir originally bought the bare dominium, a deduction of the cost plus 6% interest (from purchase to date of death) is allowed.
 - Proviso 2: If the BD holder gets full ownership on death, value of usufruct may not be greater than: $MV - \text{value of BD on acquisition}$.
 - Proviso 3: If uncertain about who the heir is, use 50 years for life expectancy
 - Farming land is $MV * 70\%$

Valuation methods

- Annuities against property – depends on whether the obligation to pay the annuity continues (eg rental from flats)
 - If continue to pay – then on life expectancy of person receiving
 - If no obligation – then based on the life expectancy of the OWNER
- Annuities not against property (eg: purchased annuity)
 - If annuity ceases – then nil value
 - If annuity accrues to someone else, then valued on their life expectancy
- Annuities from funds
 - Valued at 12% over the expected life of the annuitant
 - IF: within 5 years of death the annuity ceases, then value = lesser of the capitalised value or actuals

Example: Valuation of usufruct

- Mr A owns land with a MV of R5,6 million. He bequeathes the usufruct to Mr B for the remainder of Mr B's life. Mr A is 60, Mr B is 50. Value the bequest.
- Annual value = R 5,6 million x 12% = R 672 000
- (Mr B is the heir (51 ANB), therefore use his useful life, and get 20,72)
- PV = 7,53713
- Value = R672 000 x 7,53713 = R 5 064 951

Usufructs and Bare dominium

Mr X (56 next birthday) bequeaths a usufruct to Mr Y (33 next birthday)

The bare dominium is bequeathed to Mr Z, who will be 40 next birthday.

MV of property = R10 million

USUFRUCT:

Annual value =	10,000,000	x12%	1,200,000
PV on Y's age next birthday			8.18836
			9,826,032

BARE DOMINIUM

Annual value =	10,000,000	x12%	1,200,000
PV on Y's age next birthday			8.18836
Usufruct for BD purposes			9,826,032
Bare Dominium =	10,000,000 - Usufruct value		173,968

TOTAL

10,000,000

Proviso 1:

D sells the bare dominium in his farm to E for R100 000 and gives U the usufruct. 6 years later, U dies, leaving the usufruct to E. E is currently 36 years old.

MV of property = R14,285 million

MV for Estate Duty = R14,285 million * 70%

USUFRUCT:

Annual value =	10,000,000	x12%	1,200,000
PV on E's age next birthday			8.11558

9,738,696

Apply Proviso 1:

Cost of Bare Dominium	100,000
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Interest for 6 years @ 6 %	36,000
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Total reduction	136,000
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Value included in U's estate

9,602,696

Proviso 2:

D (age 40) sells the bare dominium in his property to E for R100 000 and gives Mrs U (age 50) the usufruct. 6 years later, Mrs U dies, leaving the usufruct to E.

E is currently 36 years old.

MV of property = R10 million on death, R 8 000 000 on dominium sale

(Step 1)

USUFRUCT: (Step 1)

Annual value = 10,000,000 x12% 1,200,000

PV on E's age next birthday 8.11558

9,738,696

NB: If Proviso 1 and 2 both apply, then need to apply Proviso 1 first!

Apply Proviso 1:

(Step 2)

Total reduction 136,000

Usufruct value before Proviso 2:

9,602,696

Apply Proviso 2:

(Step 4)

Fair Market Value = 10,000,000

Less: Original BD MV value (working 1) 425,917

9,574,083

(Step 5)

Amount included in U's estate =

9,574,083

BARE DOMINIUM (Working 1)

(Step 3)

Annual value = 8,000,000 x12% 960,000

PV on U's age next birthday 7.88967

Usufruct Value for BD purposes

7,574,083

Bare Dominium = 5,000,000 - Usufruct value

425,917

Valuation methods

	Estate Duty	Donations Tax
Usufruct	12% x MV x lesser of: a) Heir/Beneficiary b) Period of use	12% x MV x lesser of: a) Heir/Beneficiary b) Period of use c) Donor's life
Bare Dominium	MV - 12% x MV x lesser of: a) Heir/Beneficiary b) Period of use	MV - 12% x MV x lesser of: a) Heir/Beneficiary b) Period of use

To summarise up to here:

- Get market value:
 - On date of death for transferred assets
 - Sales value if sold in the Estate (unless subject to Buy/sell agreement for Pty(Ltd)'s)
- Add in deemed assets
- Deduct liabilities

Successive death rebate

- If estate duty was paid – and there a numerous deaths in quick succession, relief allowed by the Act.
- Drop of 20% for each 2 years.
- Rebate is calculated as:
 - $MV \text{ of property in ORIGINAL estate} / \text{Net value of current estate} * \text{Estate Duty calculated} * \text{Rebate \%}$

Amount of rebate

0 – 2 years	2 – 4 years	4 – 6 years	6 – 8 years	8 – 10 years
100%	80%	60%	40%	20%

Example

Mr A bequeaths a flat worth R1 000 000 to Mr B. The estate duty payable on the flat was R 100 000. Mr B dies 2 years 1month later, when the flat is worth R2 000 000. Assume that Mr B's gross property is R 7 000 000, and that he has deductions of R300 000. The gross property includes the current MV of the flat.

Normal Calc:

Gross property	7,000,000
Less Deductions	<u>300,000</u>
	6,700,000
Less Abatement	<u>3,500,000</u>
Dutiable Amount	<u><u>3,200,000</u></u>
Estate Duty @ 20%	640,000
Less rebate: $1,000,000 / 6,700,000 \times 640,000 \times 80\%$	<u>76,418</u>
Final estate duty payable	<u><u>563,582</u></u>

NB: This example gives you the estate duty on the flat - otherwise would need to calculate it!

Would your answer change if the estate duty paid on the flat originally was R60 000?

Portable Estate Duty Abatement

- Spouses now get 7 million, reduced by the abatement used by deceased spouse
 - To claim, must have the original Estate Duty Return of the earlier dying spouse.
 - This area can get quite technical based on multiple spouses, etc. Please refer to Guide for more detail.

Estate Duty Calculation

Assets -actual	R	372 358,80
Assets deemed	R	80 059,56
Total Property	R	<u>452 418,36</u>
Liabilities	R	9 233,95
Deductions	R	80 059,56
Total Deductions	R	<u>89 293,51</u>
Dutiable Estate	R	<u><u>363 124,85</u></u>

Portable Estate Duty Calculation

In Estate of Wife	R	7 000 000,00
Less Abatement utilised by spouse	R	363 124,85
Total Abatement available	R	<u><u>6 636 875,15</u></u>

Liability - who pays?

- For usufruct, annuities and life insurance estate duty payable by beneficiary.
- Executor is liable for total amount, and must then recover from individuals.
- Estate duty is apportioned over the value of the property in relation to the value of the estate.
- Executor may not transfer property without having sufficient funds to cover duty

Example

Insurance Policy - paid directly to heir	R	2 000 000,00
Other assets	R	14 000 000,00
		<hr/>
	R	16 000 000,00
Less: Deductions	R	7 000 000,00
		<hr/>
NET VALUE	R	9 000 000,00
Less: Abatement	R	3 500 000,00
		<hr/>
DUTIABLE AMOUNT	R	5 500 000,00
		<hr/>
Estate Duty payable	R	<u>1 100 000,00</u>
		<hr/>
Paid by Estate	R	962 500,00
Paid by heir	R	137 500,00
		<hr/>
	R	<u>1 100 000,00</u>

Consolidated example

- Jill owns shares (Base cost R1million) now worth R10 million. She also owns a house with a MV of R1,5million. She has a loan to her daughter of R2 million, as well as a life insurance policy of R3 million (daughter is beneficiary) On death, her will requires the loan to be written off. Calculate the CGT and Estate Duty payable by Jill or her Estate. She had a capital gain of R300 000 from previous shares sales this year.

Shares		Summary	
Proceeds	R10 000 000,00		
Base Cost	<u>R1 000 000,00</u>		
	R9 000 000,00	R	9 000 000,00
House			
Proceeds	R1 500 000,00		
Base Cost	<u>R800 000,00</u>		
	R700 000,00	R	- para 44
Loan			
Proceeds	R2 000 000,00		
Base Cost	<u>R2 000 000,00</u>		
	R -	R	-
Insurance Policy			
Proceeds	R3 000 000,00		
Base Cost	<u>R400 000,00</u>		
	R2 600 000,00	R	- para 55
			<u>R9 000 000,00</u>
			R300 000,00
Other gains			
			<u>R300 000,00</u>
			R9 000 000,00
			R3 600 000,00
			R1 620 000,00

Example continued

- Estate Duty:
- Shares = R10 million
- House = R1,5 million
- Loan = R2 million
- Insurance policy = R3 million
- Total = R16,5 million less R1,62 = R14,88 million
- Less abatement = R11,38 million x20% = R2,276million

Trusts?

- Section 7C loans
- Donation versus loan account?
- Davis Tax Committee recommendation that large loans should give you control of trust assets?
- Liquidity is still a huge benefit

Disclaimer

- This seminar is presented for information purposes only and does not constitute tax advice. Please contact your tax practitioner for advice tailored to your specific circumstance.