ABC of Capital Gains Tax for Individuals

Issue 13

Capital Gains Tax

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Preface

This guide provides a simple introduction to capital gains tax (CGT) at its most basic level and contains insufficient detail to accurately determine CGT under most practical situations. It should accordingly not be used as a legal reference.

It applies to the 2024 year of assessment which covers the period 1 March 2023 to 29 February 2024.

For more information, assistance and guidance you may –

- visit the **SARS website** to, amongst other things, consult the *Comprehensive Guide to Capital Gains Tax* or the *Tax Guide for Share Owners*;
- contact the SARS National Service Centre (between 8am and 4.30pm South African time except on Wednesdays when the service centre can be called between 9am and 4.30pm) –
  - if calling locally, on 0800 00 7277; or
  - if calling from abroad, on +27 11 602 2093;
- have a virtual consultation with a SARS consultant by making an appointment via the **SARS website**;
- visit your nearest SARS service centre, preferably after making an appointment via the **SARS website**; or
- contact your own tax advisor or tax practitioner.

Comments on this guide may be e-mailed to **policycomments@sars.gov.za**.

Leveraged Legal Products
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1. Introduction

Capital gains tax (CGT) was introduced in South Africa with effect from 1 October 2001 (referred to as the "valuation date") and applies to the disposal of an asset on or after that date.

A person's aggregate capital gain made on the disposal of assets are subject to CGT unless excluded by specific provisions.

Section 26A of the Income Tax Act 58 of 1962 (the Act) provides that a taxable capital gain must be included in a person's taxable income. Capital gains tax is therefore not a separate tax but forms part of income tax. The Eighth Schedule to the Act contains most of the CGT provisions which determine a taxable capital gain or assessed capital loss. Some provisions affecting the determination of capital gains and capital losses are, however, contained in the main body of the Act, such as those relating to the death of a taxpayer, transactions between spouses and ceasing to be a resident.

2. Registration for capital gains tax

No separate registration for CGT is required. Since CGT forms part of the income tax system, a person must simply declare capital gains and capital losses in the annual income tax return. If the sum of a person's capital gains or capital losses exceeds the annual exclusion (2024: R40 000) and the person is not registered for income tax purposes, it will be necessary to register as a taxpayer for the year of assessment in which the asset is disposed of and to complete an income tax return for that year.

3. Key definitions

The Eighth Schedule provides for four key definitions (asset, disposal, proceeds and base cost) which form the basic building blocks in determining a capital gain or capital loss.

3.1 Asset

An "asset" is widely defined and includes property of whatever nature, whether movable or immovable, corporeal or incorporeal and any right to, or interest in, such property. Any currency is excluded from the definition of "asset", but any coin made mainly from gold or platinum is included. Capital gains tax applies to all assets disposed of on or after 1 October 2001 (valuation date), regardless of whether the asset was acquired before, on, or after that date.

Nevertheless, only the capital gain or capital loss attributable to the period on or after 1 October 2001 must be brought to account for CGT purposes.

3.2 Disposal

Capital gains tax is triggered by the disposal or deemed disposal of an asset. A wide meaning is given to the term "disposal". The following are some examples of events that are disposals:

- Sale of an asset
- Donation of an asset
- Expropriation of an asset
- Vesting of an interest in an asset of a trust in a beneficiary

- Death of a person
- Ceasing to be a resident
- Loss or destruction of an asset
- Change in the use of an asset

The time of disposal is important as it determines when a capital gain or capital loss must be brought to account. It also provides the corresponding date of acquisition by the acquirer of an asset.

The table below summarises the time of disposal rules under paragraph 13.

Disposal	**Time of disposal**
Disposal of an asset by means of a change of ownership effected or to be effected from one person to another because of an event, act, forbearance or by operation of law such as:	
Agreement subject to a suspensive condition	Date on which the condition is satisfied
Agreement not subject to a suspensive condition	Date on which agreement is concluded
The distribution of an asset of a trust by a trustee to a beneficiary to the extent that the beneficiary has a vested interest in the asset	Date on which the interest vests
The granting by a trust to a beneficiary of an equity instrument contemplated in s 8C.	Time when the equity instrument vests in the beneficiary as contemplated in s 8C
Donation of an asset	Date of compliance with all legal requirements for a valid donation
Expropriation of an asset	Date on which the person receives the full compensation agreed to or finally determined by a competent tribunal or court
Conversion of an asset	Date on which that asset is converted
Granting, renewal or extension of an option	Date on which the option is granted, renewed or extended
Exercise of an option	Date on which the option is exercised
Termination of an option to acquire a share, participatory interest or debenture of that company	Date on which that option terminates
Any other case	Date of change of ownership

Disposal	Time of disposal
Extinction of an asset including by way of forfeiture, termination, redemption, cancellation, surrender, discharge, relinquishment, release, waiver, renunciation, expiry or abandonment	Date of the extinction of the asset
Scrapping, loss or destruction of an asset	Date • when the full compensation is received; or • if no compensation is payable, the later of the date when the scrapping, loss or destruction is discovered or the date on which it is established that no compensation will be payable
Distribution of an asset by a company to a holder of shares	Date on which that asset is so distributed as contemplated in para 75
Decrease of a person's interest in a company, trust or partnership as a result of a 'value shifting arrangement	Date on which the value of that person's interest decreases
Deemed disposals referred to in para 12	Date immediately before the day that the event occurs

3.3 Proceeds

The amount received by or accrued to the seller on disposal of an asset constitutes the proceeds. Assets disposed of by donation, for a consideration not measurable in money, or to a connected person at a non-arm's length price are treated as being disposed of for an amount received or accrued equal to the market value of the asset. The proceeds will also be equal to market value if a person dies, ceases to be a resident or is subject to a number of other deemed disposal events. Amounts included in income such as a recoupment of capital allowances are excluded from proceeds.

3.4 Base cost

Broadly the determination of the base cost of an asset depends on whether the asset was acquired –

- before 1 October 2001;
- on or after 1 October 2001;
- by donation, for a consideration not measurable in money or from a connected person at a non-arm's length price; or
- in consequence of a deemed disposal event such as death of a person, ceasing to be a resident or conversion of a capital asset to trading stock.

Assets acquired on or after 1 October 2001

The base cost of an asset acquired on or after 1 October 2001 generally comprises the actual expenditure incurred on the asset. In order to qualify for inclusion in base cost, such expenditure must appear on the list of qualifying expenditure in paragraph 20 of the Eighth Schedule. Some of the main costs that qualify to be part of the base cost of an asset include –

- the costs of acquisition or creation of the asset;
- the cost of valuing the asset for the purpose of determining a capital gain or capital loss;
- the following amounts actually incurred as expenditure directly related to the acquisition or disposal of the asset, namely –
    - ➢ the remuneration of a surveyor, valuer, auctioneer, accountant, broker, agent, consultant or legal advisor, for services rendered;
    - ➢ transfer costs;
    - ➢ securities transfer tax, transfer duty or similar tax or duty;
    - ➢ advertising costs to find a seller or to find a buyer;
    - ➢ the cost of moving that asset from one location to another;
    - ➢ installation costs including foundations and supporting structures;
    - ➢ donations tax limited by a formula;
    - ➢ cost of an option used to acquire or dispose of the asset;
- cost of establishing, maintaining or defending a legal title to or right in the asset;
- cost of effecting an improvement to or enhancement of the value of the asset; and
- value-added tax incurred on an asset and not claimed as an input tax credit for value-added tax purposes.

Holding costs

Holding costs generally do not form part of the base cost of an asset. Thus, expenditure on repairs, maintenance, protection, insurance, rates and taxes, or similar expenditure is specifically excluded. Borrowing costs (including bond registration and bond cancellation costs) are also generally excluded with one exception. Under that exception one-third of the interest incurred on borrowings used to acquire listed shares and participatory interests in collective investment schemes may be added to base cost.

Reduction of base cost

Any expenditure referred to above which is allowable against ordinary income must be reduced in arriving at the base cost of an asset. For example, capital allowances will reduce the expenditure incurred in acquiring an asset.

Assets acquired before 1 October 2001

In order to exclude the portion of the gain or loss relating to the period before 1 October 2001, a value for the asset as at that date (referred to as the "valuation date value") needs to be determined. One of the following methods may be used to determine the valuation date value of the asset:

- 20% × (proceeds less allowable expenditure incurred on or after 1 October 2001). This method would typically be used when no records have been kept and no valuation was obtained as at 1 October 2001.

- Market value of the asset as at 1 October 2001. In order to use this method the asset must have been valued on or before 30 September 2004 except with certain assets whose prices were published in the *Government Gazette*, such as South African-listed shares or participatory interests in collective investment schemes.
- Time-apportionment base cost method. This is a method of calculating the value of the asset based on how long a person has owned it before, and on or after 1 October 2001. The calculation is done as follows:

$$\text{Original cost} + \left[\frac{(\text{Proceeds} - \text{Original cost}) \times \text{Number of years held before 1 October 2001}}{\text{Number of years held before 1 October 2001} + \text{number of years held on or after 1 October 2001}}\right]$$

The "proceeds" used in the above formula are determined using a separate formula when improvements to an asset have been made on or after valuation date.

Note: When the time-apportionment base cost method is used to determine the valuation date value of an asset as at 1 October 2001, selling expenses must be deducted from proceeds when applying the relevant formulae.

Example 1 – Time-apportionment base cost

Facts:

A, an individual, acquired a holiday home for R500 000 on 1 August 2000, that is, two years before the valuation date of 1 October 2001. A sold the property on 29 February 2024, that is, 23 years after the valuation date, for R1,4 million.

Result:

Base cost = R500 000 + [(R1 400 000 − R500 000) × 2 / 28] = R564 286 (rounded off)

	R
Proceeds	1 400 000
Less: Base cost (as calculated above)	(564 286)
Capital gain	835 714

Notes:

1. When no records have been kept and no valuation was obtained on or before 30 September 2004, the "20% of proceeds" method must be used.

2. A part of a year is treated as a full year. The number of years before valuation date is determined by counting in yearly intervals starting on the date of acquisition and ending on 30 September 2001. Thus in the example the number of years before valuation date is determined as follows:

	Number of years
1 August 2000 to 31 July 2001	1
1 August 2001 to 30 September 2001 (two months)	1
	2

Similarly, the number of years on or after the valuation date is determined by counting the yearly intervals starting on 1 October 2001 and ending on the date of disposal.

3. This example illustrates only the basic principles of time apportionment, and in practice the application of the formulae is likely to be more complex. In order to assist taxpayers, SARS has made available a "TAB calculator" on its website which uses an Excel spreadsheet. More advanced examples can be found in the *Comprehensive Guide to Capital Gains Tax*.

Assets acquired by donation, for a consideration not measurable in money or from a connected person at a non-arm's length price

An asset is deemed to be acquired at market value on the date of acquisition when it is acquired by way of donation, consideration not measurable in money, or transaction between a connected person not at an arm's length price.

4. The basic computation

Capital gain or capital loss

A person's capital gain on an asset disposed of is the amount by which the proceeds exceed the base cost of that asset. A capital loss is equal to the amount by which the base cost of the asset exceeds the proceeds.

Example 2 – Capital gain or capital loss

	Gain		Loss
	R		R
Proceeds	10 000	Proceeds	10 000
Less: Base cost	(5 000)	*Less*: Base cost	(20 000)
Capital gain	5 000	Capital loss	(10 000)

Determining a taxable capital gain or an assessed capital loss

A taxable capital gain (which will be included in a person's taxable income) or an assessed capital loss (which will be carried forward to the following year of assessment for set-off against future capital gains) is determined as follows:

Sum of capital gains and capital losses during the year of assessment

Less: Annual exclusion

= Aggregate capital gain or aggregate capital loss

Less / add*:* Assessed capital loss brought forward from previous year of assessment

= Net capital gain or assessed capital loss

Multiply a net capital gain by the inclusion rate (40% for an individual)

= Taxable capital gain to be included in taxable income.

Annual exclusion

For each year of assessment an annual amount (referred to as the "annual exclusion") of the sum of a natural person's capital gains and capital losses is excluded for CGT purposes. The annual exclusion increases in the year in which a person dies. A net loss that results after adding together the capital gains and capital losses for the year of assessment must also be reduced by the annual exclusion. Any "unused" balance of the annual exclusion cannot be carried forward to a following year of assessment.

Year of assessment	Annual exclusion	Annual exclusion in year of death
	R	R
2017 to 2024	40 000	300 000
2013 to 2016	30 000	300 000

The inclusion rate

An individual's taxable capital gain for the 2017 to 2024 years of assessment is 40% of the net capital gain.

Example 3 – Determination of taxable capital gain

Facts:

B, an individual, acquired shares as a long-term investment for R10 000 in the 2014 year of assessment and disposed of all of them during the 2024 year of assessment for R60 000.

Result:

The sale of the shares triggers a disposal for CGT purposes. Any capital gain or capital loss on disposal must be accounted for, since no specific exclusions apply to the transaction. The capital gain is determined as follows:

	R
Proceeds	60 000
Less: Base cost	(10 000)
Capital gain	50 000

B, being a natural person, is entitled to the annual exclusion of R40 000.

	R
Capital gain (as calculated above)	50 000
Less: Annual exclusion	(40 000)
Net capital gain	10 000
Inclusion rate	40%
Taxable capital gain 40% × R10 000	4 000

The taxable capital gain of R4 000 must be included in X's taxable income.

5. Exclusions

Capital gains and capital losses on the disposal of specified assets are excluded from CGT. Some of the most common exclusions include the following:

- Personal-use assets, which include personal belongings such as a motor vehicle (including a motor vehicle for which a person receives a car allowance), a caravan, artwork, stamp collection, furniture and household appliances and other assets used mainly (that is, more than 50%) for a non-trade purpose, but exclude, amongst others, immovable property and financial instruments such as shares, participatory interests in collective investment schemes and cryptocurrency.
- Boats not exceeding ten metres in length and aircraft having an empty mass of 450 kilograms or less which are personal-use assets.
- Lump sum payments from pension, pension preservation, provident, provident preservation and retirement annuity funds (approved retirement funds).

- Proceeds from an endowment policy or life insurance policy (but not if it is a second-hand policy or a foreign policy).
- Compensation for personal injury or illness.
- Prizes or winnings from gambling, games or competitions which are authorised by, and conducted under, the laws of South Africa, for example, the National Lottery.
- Donation or bequest of an asset to an approved public benefit organisation.
- Specified disposals of an interest of at least 10% in a foreign company.
- Receipt of certain land restitution claims.
- A tax-free investment under section 12T.

Some exclusions are limited to a specified amount, such as –

- the small business asset exclusion (limited to R1,8 million during a person's lifetime); and
- the primary residence exclusion (limited to R2 million per primary residence – see below).

6. Primary residence

Meaning of "primary residence"

A home will not be a primary residence unless –

- a natural person or special trust (not a trust other than a special trust, company or close corporation) holds an interest in that residence; and
- the natural person or spouse ordinarily reside in the home as his or her main residence and use the home mainly for domestic purposes.

Most primary residences will not be subject to CGT because –

- the first R2 million of any capital gain or capital loss on the disposal is disregarded for CGT purposes. This exclusion means that a person needs to make a capital gain of more than R2 million in order to be subject to CGT; and
- in addition, if the proceeds on disposal of a primary residence do not exceed R2 million, any resulting capital gain must be disregarded (the R2 million proceeds threshold). This rule is subject to specified conditions, for example, no part of the residence must have been used for the purposes of trade.

More than one person holding an interest in the primary residence

Often spouses hold an interest in a primary residence jointly. In such a case the primary residence exclusion of R2 million is divided according to the interest each spouse holds in the primary residence. For example, if spouses have an equal interest in a primary residence, each spouse will qualify for a primary residence exclusion of a maximum R1 million (R2 million × 50%). Each spouse will also be entitled to the annual exclusion (2024: R40 000).

The primary residence exclusion of R2 million and the R2 million proceeds threshold operate on a "per primary residence" basis and not on a "per person holding an interest in the primary residence" basis.

Multiple primary residences

There is no limit on the number of times a person can qualify for the exclusion of R2 million, even during the same year of assessment. It applies each time a primary residence is disposed of and there is no lifetime limit. Thus, a person could qualify for more than one primary residence exclusion in a year of assessment if multiple primary residences were disposed of in that year. However, a person who regularly disposes of and acquires primary residences as part of a scheme of profit-making could be subject to a full inclusion in income and in such event the exclusion of R2 million will not avail to the person.

Importantly, only one residence may be a primary residence of a person for any period during which that person held more than one residence. This requirement means that there could never be an overlapping period when one person owns two residences and uses both as primary residences, except when paragraph 48 of the Eighth Schedule applies. The latter provision allows for a two-year overlap under specified circumstances.

Circumstances when the sale of a primary residence will be subject to CGT

A capital gain or capital loss will not be fully excluded in the following circumstances:

- If the capital gain on the sale of a primary residence exceeds R2 million, the portion of the capital gain that exceeds R2 million will be subject to CGT. Similarly, when a capital loss exceeds R2 million, only the portion of the loss exceeding R2 million will be allowed as a capital loss.
- The capital gain or capital loss attributable to the portion of a property that exceeds two hectares is subject to CGT.
- The primary residence exclusion does not apply to the portion of a capital gain or capital loss that relates to a period on or after the valuation date (1 October 2001), in which a person or his or her spouse was not ordinarily resident in a primary residence.
- The primary residence exclusion does not apply to the portion of a capital gain or capital loss that relates to any part of the primary residence that is used for the purposes of trade. This situation would apply, for example, if a person uses a study as an office for business purposes or if the residence is let.

Example 4 – Primary residence

Facts:

C, an individual, owned a primary residence which was valued at R1 million on 1 October 2001. The valuer charged C R5 000 to value the residence. In 2008 C installed a swimming pool at a cost of R45 000. The residence was sold on 1 February 2024 for R3,5 million.

Result:

The base cost of the primary residence comprises its valuation date value plus the qualifying expenditure incurred on or after the valuation date.

	R
Valuation date value (market value on 1 October 2001)	1 000 000
Valuation fee	5 000
Improvements – swimming pool	45 000
Base cost	1 050 000

The capital gain is determined as follows:

	R
Proceeds	3 500 000
Less: Base cost (as determined above)	(1 050 000)
Gain	2 450 000
Less: Primary residence exclusion	(2 000 000)
Capital gain	450 000

Deemed period of "ordinarily resident"

A person will be treated as having been ordinarily resident for a continuous period of up to two years even if not living in the home during that two-year period if any one of the following circumstances applies:

- The old home was in the process of being sold while a new primary residence was acquired or was in the process of being acquired.
- The home was being built on land acquired for the purpose of erecting the primary residence.
- The primary residence had been accidentally rendered uninhabitable.
- Upon a person's death.

Deemed domestic usage despite letting

A person will be treated as having used a primary residence for domestic purposes despite letting it for a rental if –

- being absent from the residence for a continuous period not exceeding five years;
- the peron or person's spouse resided in the residence as a primary residence for a continuous period of at least one year before and after the letting period;
- the person did not have another primary residence during the letting period; and
- the person was either –
    - ➢ temporarily absent from South Africa during the letting period (for example, working overseas); or
    - ➢ employed or carried on business more than 250 kilometres from the primary residence.

7. Roll-over of capital gain or capital loss

In some cases capital gains or capital losses are "rolled over", that is, they are deferred to a future year of assessment. Some examples include –

- transfers of assets between spouses (the spouse disposing of the asset disregards any capital gain or capital loss and the spouse acquiring it takes over the history of the asset for purposes of determining that spouse's base cost);
- involuntary disposal of an asset by operation of law, theft or destruction (does not apply to financial instruments and is made at the election of the taxpayer; the capital gain will be recognised when the replacement asset is sold, or if the replacement asset is a depreciable asset, over the period that the capital allowances are claimed on the replacement asset);

- replacement of depreciable assets used for the purposes of trade (also requires an election); and
- certain corporate actions involving share transactions (asset-for-share transactions, amalgamation transactions and unbundling transactions).

8. Effect of capital gains tax on the calculation of some deductions

The impact of a taxable capital gain on the calculation of some common deductions is as follows:

Pension, provident and retirement annuity fund contributions

Under section 11F of the Act pension fund, provident fund and retirement annuity fund contributions are limited to the lesser of –

- R350 000;
- 27,5% of the higher of –
  - remuneration (other than retirement fund lump sum benefits, retirement fund lump sum withdrawal benefits and severance benefits); and
  - taxable income (other than retirement fund lump sum benefits, retirement fund lump sum withdrawal benefits and severance benefits) before taking into account the deduction for foreign taxes on income under section 6*quat*(1C) and deductible donations under section 18A. Taxable income for this purpose includes a taxable capital gain;
- Taxable income (other than retirement fund lump sum benefits, retirement fund lump sum withdrawal benefits and severance benefits) before –
  - allowing any deduction under section 11F, section 6*quat*(1C) and section 18A; and
  - including any taxable capital gain.

Deductible donations under section 18A

Under section 18A(1) of the Act a person is entitled to a deduction for qualifying donations to the extent that they do not exceed 10% of taxable income before taking into account any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit, or the deductions under section 6*quat*(1C) and section 18A. Since a taxable capital gain forms part of taxable income, it must be included when working out the 10% allowable amount.

Additional medical expenses tax credit

When calculating the additional medical expenses tax credit under section 6B(3)(*c*) of the Act, the rule that only that portion of medical expenses exceeding 7,5% of taxable income before taking into account any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit will qualify for the credit, will also include 7,5% of any taxable capital gain, since it forms part of taxable income.

Example 5 – Determination of taxable capital gain, taxable income and normal tax

Facts:

The following particulars relate to D, an individual under the age of 65 without a disability, for the 2024 year of assessment:

	R
Salary excluding fringe benefits	100 000
Bonus	50 000
Capital gain	130 000
Pension fund contributions	22 500
Retirement annuity fund contributions	52 500
Donation to public benefit organisation (section 18A)	20 000
Medical expenses	15 000

Notes:

1. The pension fund contributions comprise R7 500 contributed by D and R15 000 by D's employer.
2. D had a section 18A receipt for the donation.
3. D did not belong to a medical fund and the medical expenses were fully borne by D.
4. Any employees' tax deducted from salary is ignored for purposes of this example.

Result:

Step 1: Determine taxable capital gain

	R
Capital gain	130 000
Less: Annual exclusion	(40 000)
Aggregate capital gain	90 000
Less: Assessed capital loss brought forward from previous year	(0)
Net capital gain	90 000
Inclusion rate	40%
Taxable capital gain R90 000 × 40%	36 000

Step 2: Determine taxable income before retirement fund contributions and donations

	R
Salary (excluding fringe benefits)	100 000
Fringe benefit – employer's contribution to pension fund	15 000
Bonus	50 000
Remuneration	165 000
Taxable capital gain	36 000
Taxable income before deductions under sections 11F and 18A	201 000

Step 3: Determine allowable retirement fund contributions

D is under section 11F entitled to a deduction equal to the lesser of R350 000 and 27,5% of the higher of remuneration and taxable income (both before retirement fund contributions and section 18A donations).

Since taxable income before retirement fund contributions and section 18A donations (R201 000) is higher than remuneration (R165 000), D will be entitled to a maximum deduction of 27,5% of such taxable income, that is, 27,5% × R201 000 = R55 275. D's total retirement fund contributions amount to R75 000 (R22 500 + R52 500). The excess contributions of R19 725 (R75 000 − R55 275) will be carried forward to the 2025 year of assessment in which they will be treated as retirement fund contributions.

Step 4: Determine taxable income after retirement fund contributions

	R
Taxable income before retirement fund contributions and taxable capital gain	165 000
Less: Allowable retirement fund contributions (**Note**)	(55 275)
Taxable income before section 18A donation and taxable capital gain	109 725
Taxable capital gain	36 000
Taxable income before section 18A donation	145 725

Step 5: Determine taxable income after allowable section 18A donation

Taxable income after retirement fund contributions		145 725
Less: Allowable section 18A donation		
Actual donation	20 000	
Limited to: R145 725 × 10%	(14 573)	(14 573)
Excess carried forward to 2025 year of assessment	5 427	
Taxable income		131 152

Note:

Taxable income excluding the taxable capital gain and section 18A donation amounts to R109 725. Since there is a positive balance remaining, the retirement fund contributions are not further limited under section 11F(2)(*c*).

The additional medical expenses tax credit is determined as follows:

	R
Medical expenses	15 000
Less: 7,5% × taxable income of R131 152	(9 836)
Allowable portion of medical expenses	5 164
Additional medical expenses tax credit R5 164 × 25%	1 291,00

The normal tax payable is determined as follows:

Taxable income	131 152
Normal tax per 2021 tax tables R131 152 × 18%	23 607,36
Less: Primary rebate	(14 958,00)
Additional medical schemes tax credit (see above)	(1 291,00)
Normal tax payable	7 358,36

Example 6 – Assessed capital loss and taxable income

Facts:

The following particulars relate to E, an individual under the age of 65 without a disability, for the 2024 year of assessment:

	R
Salary excluding fringe benefits	100 000
Bonus	50 000
Assessed capital loss from previous year	(150 000)
Pension fund contributions	22 500
Retirement annuity fund contributions	52 500

Note:

The pension fund contributions comprise R7 500 contributed by E and R15 000 by E's employer.

Result:

	R
Salary	100 000
Fringe benefit – employer's contribution to pension fund	15 000
Bonus	50 000
Remuneration / taxable income before retirement fund contributions	165 000

E's retirement fund contributions amount to R22 500 + R52 500 = R75 000. This amount is limited to the lesser of R350 000 and 27,5% × R165 000 = R45 375. The excess contributions of R29 625 (R75 000 − R45 375) will be carried forward to the 2025 year of assessment in which they will be treated as retirement fund contributions.

E's taxable income for the 2024 year of assessment is determined as follows:

	R
Taxable income before retirement fund contributions	165 000
Less: Allowable retirement fund contributions	(45 375)
Taxable income	119 625

Note:

The assessed capital loss of R150 000 brought forward from the previous year of assessment is not allowable as a deduction against ordinary income, but is carried forward to the following year of assessment in which it will be available for set-off against any future capital gains.