

Inheritance Tax

What you need to know

South Africa's inheritance laws apply to every person who owns property in South Africa. The three main statutes governing inheritances in South Africa are:

The Administration of Estates Act

(Regulates the disposal of the deceased's estate in South Africa)

The Wills Act

(Affects all persons with a will for their property in South Africa)

The Intestate Succession Act

(Governs the distribution of estates of all deceased persons who have property and who die without a will)

What is Inheritance Tax?

This is a tax placed on a person who inherits assets from a person who has died. In South Africa, this tax is only applied to property as Estate Duty, or money or property that is given to someone by the deceased as a gift or donation.

Assets in an estate include immovable property (e.g. house), movable property (e.g. car, heirlooms, furniture), cash, or shares in a company. An estate is the remaining assets after all the estate's debts are paid off.

Who has to pay Inheritance Tax in South Africa?

As a beneficiary, you do not have to pay tax on what you inherit. However, the estate of the deceased is subject to a 20% tax if its value is above R3.5 million, called Estate Duty. If the value of an estate is less than R3.5 million, then no Estate Duty applies. This tax will be paid on the estate before it goes to the beneficiary.



Note:

Any donations or gifts you receive BEFORE someone passes away are treated differently in terms of tax.

Are you affected by Capital Gains Tax?

When an asset is sold, any profit that is made from the base cost is considered a capital gain and is subject to Capital Gains tax.

Capital Gains tax is payable before the estate is transferred to any beneficiary. If you acquire an asset through inheritance, this is not subject to Capital Gains tax. Capital gain or loss is only calculated when the asset is sold or disposed of.

Property or assets that are donated by the deceased during their lifetime will be subject to a donations tax of 20%, but the exemption threshold is much lower - assets with a value above R100 000.

If you are planning to pass your inheritances to your loved ones, it is important to ensure that your assets will be distributed according to your wishes. Make sure you write up a Will so that there is no confusion for your family.

Sources:

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