

## **PROPERTY INHERITANCES ARE NOW ALMOST TAX-FREE: By Jonathan Hore**

If you didn't know, there is a tax called Inheritance Tax which is charged on heirs on the transfer of property to such persons on inheritances, known as Inheritance Tax or Capital Transfer Tax. I want to show you that Inheritance Taxes are almost non-existent, following the changes made to the Capital Transfer Tax Act, effective 1 March 2020. In this article, words importing the masculine shall be deemed to include the feminine.

### **Inheritance taxes brief**

The concept of an inheritance tax arises from the fact that an heir or any such beneficiary suddenly find themselves sitting on piles of cash or immovable property, which they never worked for. The taxman then wants a share of the newly begotten wealth. Before 1 March 2020, it was potentially chargeable on almost all property including immovable property, cash, cattle, shares and other valuables. I must state that this tax used to be so heavy as it was also charged on the market value of immovable property.

In addition to inheritance tax, there is a tax called Transfer Duty, which is also potentially chargeable to a beneficiary when property changes hands. However, you will see below that heirs never used to worry about this tax as the Transfer Duty Act exempted them from paying tax. So, the main tax to worry about was and still is Inheritance Tax.

### **Almost tax-free**

Let me now show you how the tax laws have made inheritances almost tax-free. Well, remember that I stated above that the Transfer Duty Act has for long exempted heirs from paying transfer duty. What this means is that any other person who is not exempt will pay transfer duty whenever immovable property changes hands to them at 5% for citizens and 30% for non-citizens. As stated above, the exception there is an heir, who is exempt.

Now, effective 1 March 2020, the Capital Transfer Tax Act which levies inheritance tax borrowed all exemptions sitting in the Transfer Duty Act. This means that an heir who used to pay Inheritance Tax before 1 March 2020 is no longer required to pay such tax as they are now exempt. I know that sounds gibberish but let me break it down for you below.

When a person inherits property after the above-mentioned date, their tax will be as below:

- **Inheritance tax:** The tax that used to be so heavy due to the market values of immovable property is no longer charged on such property, as the exemption for heirs sitting in the Transfer Duty Act now applies to Inheritance Taxes. So, if an heir is solely inheriting immovable property, they technically no longer pay inheritance tax at all. Further, if they inherited shares in a property-holding company, so much of the value of such company attributable to immovable property no longer suffers tax. Tax will only be levied on other non-immovable assets such as cash, shares in companies not holding immovable property and personal livestock.
- **Transfer Duty:** Remember that we stated that heirs have always been exempt from transfer duty; so, this is not a tax to talk about.
- **Capital Gains Tax:** A person who realizes capital appreciation on certain assets may potentially be taxed on the gain, a tax called Capital Gains Tax (CGT). BURS has ruled that there is no CGT when property changes hands to heirs on inheritances.

### **Conclusion**

I have made it ostensible that inheritance taxes used to be heavy as immovable property was subject to the tax but this is no longer the case. In conclusion, if one is inheriting assets predominantly consisting of immovable property, they don't pay Inheritance Tax, Transfer Duty and Capital Gains Tax.

Now, if that opened your eyes, say this with me, 'High 5, Yours Truly, Twaaa!'

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group or know about our 8 e-books on Tax, send me a text on the cell number below.