

Pay tax on inherited movable goods!

Some of you might be surprised to learn that you may actually owe the taxman a few Pulas from property you inherited from a loved one. Generally, inheritance tax is not very common unlike other taxes such as Value added Tax and Pay As You Earn, just to mention a few. However, the said tax is equally binding (legally) on any person just like any other. In this regard, it is key that we understand that inheriting property from a deceased loved one may trigger tax in the hands of the recipient or beneficiary.

Inheritance tax refers to a tax that is levied on persons who receive gratuitously disposed property from a deceased estate. Technically, the tax is referred to as the Capital Transfer Tax. Simply put, it is tax on property given for free. The tax is generally not assessable on inherited immovable property. Consequently, any movable property devolving from a deceased estate triggers the said tax. Further, it is key to point out that the meaning of the term property in reference to inheritance encompasses anything with a monetary value. In this respect, any movable property that devolves from a deceased estate to a surviving beneficiary fits within the ambit of gratuitously disposed property i.e., given for free. The tax is applicable whether or not there is a will.

However, not every beneficiary of such property suffers tax. The law prescribes an exemption for a spouse inheriting property on the death of the other spouse. Further, any recipients or beneficiaries of household goods, chattels and personal belongings from a deceased estate are exempted from paying the said tax. This implies that a recipient of property such as furniture, clothes, jewellery etc from a deceased estate is free from inheritance tax regardless of the value of the property.

Additionally, the law provides for a deduction of the first P100,000 of the value of inherited property. Essentially, this implies that a person pays tax on the excess of the market value above the said deduction i.e., P100,000.

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