BM Attorneys

## How to calculate profit for the purposes of Capital Gains Tax?

Profit for capital gains tax purposes is calculated by deducting the base cost of the property from the proceeds on the disposal of the property. Please note that "disposal" includes sales, donations, exchange and vesting in a beneficiary of a trust.

What may be included when calculating the base cost?

a) Purchase price paid when acquiring the property, including transfer costs, transfer duty/ VAT and professional fees e.g. attorney transfer fees

b) Cost of improvements, additions, renovations, alterations. These costs need to be proven by way of presenting invoices and receipts for payment.

c) Cost of selling the property, including Agent's commission as well as any advertising or valuation costs that may have been incurred.

Please be aware that in order to deduct the above costs, you need to be able to prove them. It is consequently vital to keep a record of all costs incurred.

All records are required to be kept for four years from the date of submitting an income tax return. If no return is submitted, then you are required to keep the records for a period of five years from the date of selling the property. If an objection or an appeal is lodged against a Capital Gains Tax assessment, then all records must be kept for not only the aforementioned periods, but also thereafter until the assessment has been finalised.
For any more information on Capital Gains Tax, please contact one of our conveyancers.