BUYING IN YOUR PERSONAL CAPACITY

Property Buyer's Guide

When to consider buying in your personal capacity:

- **If this would be your primary residence.**
- **If this is your first property and you would rent it out.**

What does it mean to buy in your personal capacity?

Buying property in your personal capacity means that you are purchasing the property as an individual, rather than on behalf of a company, organization, or any other legal entity. When you buy property in your personal capacity, you are acquiring it for your personal use or investment purposes, and you will personally assume all the rights, responsibilities, and liabilities associated with the ownership of the property.

Pros:

- Control: Purchasing property in your personal capacity gives you full control over the property. You can make decisions regarding its use, management, and potential improvements without needing to consult or seek approval from others.
- Flexibility: Personal ownership allows you the flexibility to use the property for your own purposes, whether it's as a primary residence, vacation home, or rental property.
- Capital gains Tax benefits: As your primary residence you get a tax break of R2million of any capital gain from the property when you sell. In other words, if you buy it for R1million and sell it for R3million you are not taxed.
- Personal Asset: Owning property in your personal capacity can be an asset that contributes to your overall net worth.
- Estate Planning: Personal property ownership allows you to incorporate the property into your estate planning and determine how it will be distributed.

Cons:

- Personal Liability: As the sole owner, you assume personal liability for any debts, liabilities, or legal claims related to the property.
- Limited Asset Protection: Personal property ownership offers limited protection against legal claims and creditors.

Intro to Capital Gains Tax

(Please speak to your tax advisor)

A tax on an asset being disposed of, on or after 1 October 2001 for proceeds that exceed its base cost. It is not a separate tax but forms part of income tax. No separate registration is required.

If the property is your primary residence, you do get a R2million exclusion on any capital gain as per below.

Capital gain = Sale price (when you sell) – purchase price (when you bought) – Improvements on the property (That you have receipts for).

Capital gains tax = capital gain x 40% inclusion rate x marginal tax rate.