TRANSFERRING ASSETS INTO A TRUST

1. Your annual donations tax concessions, R100 000 per person, can be used to transfer growth assets, or cash to acquire growth assets, to a Trust. It is recommended that you transfer assets to the trust rather than using your annual donations tax concession to reduce the value of the loan account due to you. In this way growth assets are removed from your estate rather than reducing the value of a non-growth asset – the loan account.

2. To peg the value of your estate, existing assets can be transferred by:

   (a) Donating the assets – any amount above the R100 000, or R200 000 in the case of married couples, will be subject to donations tax.

   (b) Selling the assets at full market value – this is the most common method.

   Where the Trust does not have the means with which to pay the purchase price, the amount will remain as an outstanding loan account. The loan account remains an asset in your estate/s.

   Here the value of your estate is pegged rather than reduced.

   By reducing the loan account over time, the value of your estate will be reduced.

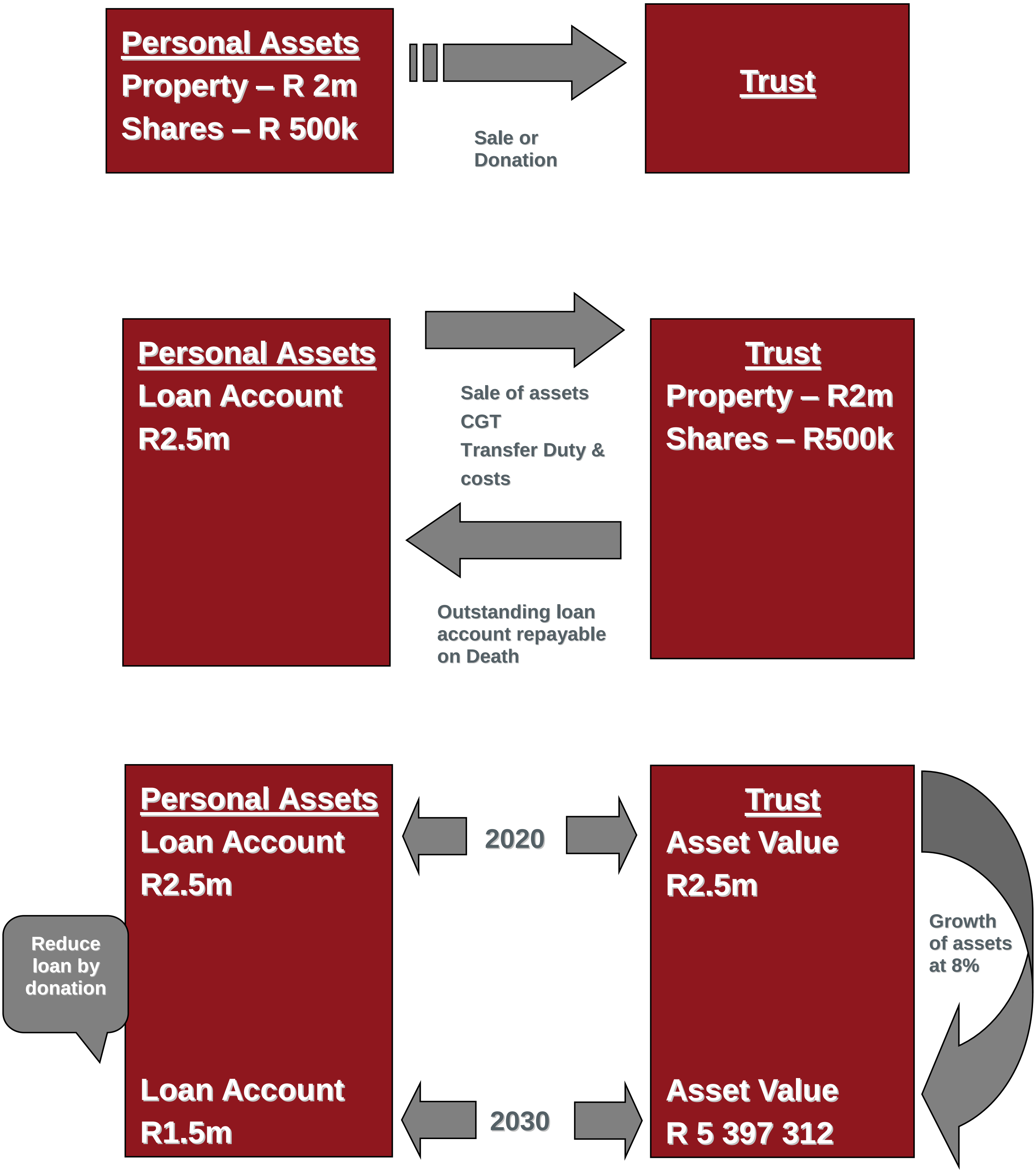
   Before transferring assets to the trust, you will need to consider the related costs as well as relevant factors in the tax and estate duty environment.

   The following points can be used in your deliberations:

   - Transfer duty rates applicable to trusts are in line with the rates applicable to natural persons.

   - The loan account is still considered an asset in your personal estate and along with income and capital gains tax generated in the Trust may be subject to the tax anti-avoidance regulations as set out in Section 7 of the Income Tax Act.

See schematic representation below on how the loan account works:



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