Capital Gains Tax (CGT) Implications for Livestock Farmers

The introduction of Capital Gains Tax on 1 October 2001 has necessitated a review of most individual's income tax and estate planning.

For Capital Gains Tax purposes, taxpayers will need to assess the base cost of their assets in order to determine the gain or loss on disposal of the assets. Base cost is the sum of valuation date value and expenditure incurred after valuation date. One of the following methods may be used in determining valuation date value:

- 20% of the proceeds
- Time apportionment basis
- Market Value of the asset at 1 October 2001

Due to the above it is recommended that assets are properly valued by a suitably qualified valuer as at 1 October 2001 to ensure that the tax liability is minimized. In order to use such a valuation, the valuation must be done by 30 September 2003.

The death of a person also triggers a capital gain event and, at date of death, the person is deemed to have disposed of all his assets to the deceased estate at market value,CGT has to be calculated and then Estate Duty is determined.

The implication for livestock farmers is as follows:

The value of livestock is determined at standard values for Income Tax purposes (no change). The market value of livestock is used for compiling the asset value of the estate and also for determining Estate Duty (no change). However the difference between the market value and the standard value represents a capital gain and is subject to capital gains tax. The person inheriting the livestock is allowed to deduct the market value of the livestock for income tax purposes (no change).

Livestock, especially stud animals, should be valued at 1 October 2001. The base cost of livestock would then be the valuation amount less the cost price of the animal, if applicable. On the death of the farmer these animals would then only attract CGT on any increase in value.