Ilomata International Journal of Tax & Accounting
P-ISSN: 2714-9838; E-ISSN: 2714-9846
Volume 4, Issue 2 April 2023
Page No. 341-357

Wealth Taxes on Individuals: An International Comparative Study

Estelle Abrahams[1], Suzette Bosman[2]
[12]Sol Plaatje University, South Africa
Correspondent: estelle.abrahams@spu.ac.za[1]

Received : February 8, 2023
Accepted : April 21, 2023
Published : April 30, 2023

Citation: Abrahams, E., Bosman, S.(2023). Wealth Taxes on Individuals: An International Comparative Study. Ilomata International Journal of Tax and Accounting, 4(2), 341-357.
https://doi.org/10.52728/ijtc.v4i2.738

ABSTRACT: Citizens contribute to the economy by creating wealth for themselves and in the way they use their assets. How assets, especially capital assets, are employed attracts tax and this influences how assets are used. In South Africa, tax policy is one of the drivers in the decisions that individuals make regarding the use or disposal of their assets. Wealth taxes are levied to address income disparities and mostly affect capital assets when they change ownership. This study compares developed and developing countries' tax policies that impact capital assets when they are transferred or disposed of. The financial impact from using one's assets drives economic participation. Previous studies found that tax policy is influential in economic participation. A literature study was performed analysing wealth taxes, academic literature and legislation and incorporated a case study to illustrate the tax consequences of capital assets changing ownership in Namibia, South Africa, India and Australia. The study found that, compared to the other countries, South Africa taxes capital transfer both upon change of ownership by way of sale, donation and death of the owner. This study makes a novel contribution to the understanding of and development of improved and internationally comparable wealth tax legislation to address the wealth tax consequences of asset transactions in South Africa.

Keywords: Donations Tax, Wealth Tax, Capital Gains Tax, Transfer Duty, Estate Duty

INTRODUCTION

The economic growth of any country falls onto the shoulders of both the government of a country and its citizens (O.E.C.D., 2013). Economic participation is a human right and interlinks with the idea that people are entitled to unencumbered economic participation and their share in the resultant benefits or riches of said participation (Piovesan, 2013). This economic participation is comparable to a partnership between the authority figures of a country and the residents of said country. According to (Vogel et al., 2021) these cross-sector partnerships generally have a shared goal.

This relationship between authorities and residents, is dependent on and informs the level of trust present in the partnership. A factor that impacts this trust relationship, is the perception and adoption of the legalised policies and regulatory environment that is prevalent in a country (O.E.C.D., 2013). If this trust relationship is compromised, increased occurrences of legislative non-compliance, decreased investment and decreased economic participation prevails amongst both companies and individuals (O.E.C.D., 2013).

Along with the need for economic partnership, individuals are also deeply motivated by their personal needs; this is confirmed by the work done of Abraham Maslow. Maslow constructed the "hierarchy of needs" which, upon further exploration and understanding, concludes that human beings naturally seek to satisfy their own basic needs first before addressing the next need. Desires to fulfil one need only appears once a more basic need has been met. The need for "safety" is one of the levels in Maslow's hierarchy of needs and includes feeling safe in your economic environment due to income stability (Maslow, 1943).

(Yu, 2007) concluded that economics and psychology is related and that financial decisions are influenced by preconceptions (Yu, 2007). Similarly, a study by (Kahneman & Tversky, 1974) concluded that an individual's existing knowledge about a topic has an influence on their behaviour regarding said topic or matter. Subsequently, (Bosman, 2020) concluded that an individual's response to their regulatory environment is impacted by their perception or understanding of the ruling policies that govern this regulatory environment.

Consequently, if an individual perceives government policies as fair and equitable, the economic needs of a country and that of the individual would be in alignment (O.E.C.D., 2013). Government utilises the taxes raised for the benefit of the citizens; a responsibility that falls on governing structures (Bird-Pollan, 2016). The tax system should be transparent and aimed at the advancement of the country through the advancement of its residents. (Kamiru, 2005) found that redistribution is intrinsic to a taxation system and because of its nature, taxpayers are just in their expectation that this reallocation of tax monies is performed in an equitable manner.

There are three components to taxes: tax on wealth, tax on purchases and income tax. The tax on these components is triggered at different times, and this sets them apart (Arendse & Stack, 2018). Based on the Cambridge dictionary, wealth tax is "a tax levied on personal property and financial assets above a certain level". This tax type is triggered when ownership of an asset changes. Wealth tax is imposed to raise additional revenue for government spending and to redress wealth disparity (Arendse & Stack, 2018). (Basson, 2015) determined that wealth taxes include tax on capital gains (CGT), tax on donations, securities transfer tax (STT), transfer duty and tax on late estates - which is also referred to as estate duty.

Motivation to the study

Utilising one's productive assets, is one way to grow the economy and participate actively. Deciding on whether to participate, is influenced by the policies that regulate this economy and in particular, tax policy is identified as a key policy (O.E.C.D., 2013; Ramson, 2014). This study aims to identify and analyse the South African taxes that are levied when capital assets are transferred and compare them to similar taxes in other selected countries.

The countries that will be compared are Australia, India and Namibia. Australia, as a developed country, has a tax system comparable to South Africa and levy CGT and stamp duty (Halog & Anieke, 2021). In addition, the South African CGT tax principles were informed by the equivalent Australian policies and hence comparing these countries could potentially provide meaningful results (Ramson, 2014). India forms part of the global emerging economy BRICS (Brazil, Russia, India, China & South Africa) countries (Arendse & Stack, 2018) and is selected to directly compare developing countries' tax systems. Lastly, Namibia, a country that does not levy the general taxes on created or existing wealth that are levied in South Africa, to draw comparison and analyse how this country taxes their capital assets upon transfer or sale (K.M.P.G., 2022; PricewaterhouseCoopers, 2019).

Limitations

The study is limited to the wealth tax implications of selected capital assets and selected wealth taxes to ensure a succinct study. The assets are limited to assets that are at risk of attracting the highest wealth taxes and include shares, both listed and private and fixed property. The taxes considered are limited to donations tax, transfer duty, STT, CGT and estate duty. Other forms of taxation will not be considered in the study.

METHOD

This qualitative study takes the form of a literature study and an interpretivism philosophy is followed. Interpretivism holds that reality has numerous perspectives and the interpretation of data is subjective and formed by the researcher. This paradigm ensures that deep knowledge of a subject matter is gained in its own context rather than a general view (Pham, 2018).

This study will analyse legislation and rules of specific taxes (wealth) related to specific assets. Other sources of information that drives the study will be academic research references and other relevant general information.

The study will identify, outline and draw a comparison of the applicable taxes, specifically wealth taxes, when assets change ownership. The study will firstly provide an overview of wealth taxes followed by an analyses of wealth taxes in each of the selected countries when assets are donated, transferred to a Trust, sold, or retained until death. Thereafter, the wealth taxes of the selected countries will be compared to draw conclusions regarding the comparability of South Africa to these countries and make possible recommendations for future studies and improvements. A case study is incorporated to illustrate the impact of the tax policy analysed.

RESULT AND DISCUSSION

Background to wealth tax

(Muller, 2010) concluded that the 1864 South African "recipient-based succession duty" was the earliest form of wealth tax in this country (Basson, 2015). Thereafter, the Death Duty Act (29 of 1922) was legislated. In 1955, the Estate Duty Act took its place.

The debate surrounding wealth taxes is a recurring one and cannot exclude discussions and analyses of the wealth disparity and inequality considering, especially, South Africa's history (Muller, 2010; Roeleveld, 2015). In 2013, Pravin Gordhan, Minister of Finance, commissioned the Davis Tax Committee (DTC) to perform a feasibility study on the imposition of a net wealth tax in this country that was benchmarked against countries including India and France.

According to (Roeleveld, 2015) the South African equivalent of wealth taxes are STT, donations tax, estate duty and transfer duty. The inclusion of CGT as a wealth tax attracts different viewpoints - some researchers believe that CGT is taxation on deferred revenue or value appreciation and not on wealth (Muller, 2010). According to (Roeleveld, 2015) the international perspective indicates that the wealthiest individuals contribute the most to CGT tax revenue and the fact that upon death and emigration individuals are exposed to CGT, solidifies the argument that CGT is a form of wealth tax. This study takes on the view that CGT is indeed a form of wealth tax and therefore includes it in the study. The table below lists all the wealth taxes and their related information necessary to clarify the case study that follows.

Table 1. Summary of selected wealth taxes in South Africa

Tax levied	Which assets does it apply to	Events that are considered a disposal	Yearly exclusion or abatement	Percentage
CGT	Most assets (exclusions apply)	• Donated asset • Sale of asset • Dispose asset that is held in a Trust (living disposal)	R40 000	40% of the taxable gain is included
		• Individual passes away	R300 000	
Securities transfer tax	• Listed shares • Shares in private companies	• Selling the shares • Donating the shares	Not applicable	0.25% (share value)

Deceased Estate Duty	Assets belonging to deceased	Individual passes away	R3 500 000	20% -amount below R30 million 25%- amount above R30 million
Donations tax	All donations (exemptions apply)	Individual gives asset away for no compensation	R100 000	20%
Transfer Duty	Immovable asset	• Sale	R1 000 000	13%

Source: Bosman,2020

Case study

Assume this information to illustrate the taxes: Mr. Tax, a South African resident, owns fixed property and shares held as investments (private and listed on the Johannesburg Stock Exchange (JSE)). The fixed property consists of Property 1 that was inheritance from a deceased aunt in 2012 and Property 2 that was purchased in 2014. His share portfolio consists of 50 shares in private company A (a donation by a third party in 2015) and 700 shares in JSE listed company B, bought in 2015. He has financial liabilities of R1 000 000 and estimated administrative costs of R400 000 will apply if he is to die today. Assume that his net asset value is below R30 million, his income is within the maximum income tax bracket of 45% and he has a R680 000 assessed capital loss from the prior year.

Mr. Tax founded an inter vivos1 Trust, for estate planning, and donated Property 3 (purchased in 2002 from a third party and earns rental income) to the Trust in 2018. Mr Tax, Mrs Tax and their accountant are the trustees and the beneficiaries are his daughters, aged 15 and 22 and a nephew who resides in the United Kingdom (UK). The beneficiaries have equal rights to the assets and income of the Trust. Property 1 will be bequeathed to his wife in his will. The table below summarises these facts including a cost price and market value when they are disposed of. The study assumes that proceeds are equal to market value when the disposal event occurs.

Table 2. Case study data

Asset	Cost R'000	Market value/proceeds R'000	Acquisition date	Owner	Acquired from	How was it acquired
Property 1	R1 500	R2 900	2012	Mr. Tax	aunt	Inherited
Property 2	R5 000	R6 200	2014	Mr. Tax	Third party	Purchased

Property 3	R500	R2 000	2002	Mr. Tax	Third party	Purchased
Property 3	R2 000	R2 400	2018	Trust	Mr. Tax	Donation
Private shares	R125	R150	2015	Mr. Tax	Third party	Donation
Listed shares	R800	R600	2015	Mr.Tax	JSE	Purchased

Analyses of wealth taxes when capital assets change ownership in South Africa:

Capital Gains Tax – Assets disposed

If a capital asset is sold for more than it was purchased, a capital gain is realized and the inverse will cause a capital loss. Therefore, capital gains and losses are influenced by the sales price and the cost (base cost) of the disposed asset. To calculate the possible CGT, base cost and proceeds must be determined. This section assumed that Mr. Tax disposed of Property 1,2, Company A shares and Company B shares.

The purchase price for the second property (Property 2) and the 700 JSE listed shares is used as "base cost" to determine any capital gain or loss (Par 20, Eighth Schedule).

As Property 1 was inherited, the market value upon date of receipt is deemed as its base cost. This will be the same for the private company shares as these shares were a gift (Sec 9HA, ITA; Par 38, Eighth Schedule).

The cash sales price or cash consideration from the sale of these assets is the proceeds that is needed to determine the potential CGT impact (Par 35, Eighth Schedule). For the purposes of this study, all sales are made to non-connected persons.

To compute a net capital gain, the aggregate capital gains/losses for the tax year is reduced by the prior year's assessed capital loss of R680 000 (Stein, 2019). Subsequently, the annual R40 000 exclusion is applied to this net capital gain. The calculation is represented in the table below.

Table 3. CGT Calculation for disposal of assets

	R'000
Capital loss/gain	
Property 1 (2 900-1 500)	**1 400**
Property 2 (6 200-5 000)	**1 200**
Private shares (150-125)	**25**
Listed shares (600-800)	**(200)**
Aggregate capital gain	**2 425**
Less prior year capital loss carried forward	**(680)**
Net capital gain	**1 745**
Par 5 exclusion	**(40)**
Taxable capital gain	**1 705**

Source: Compiled by author based on case study data

The taxable capital gain, computed in table 3 above will be added to Mr. Tax's taxable income for the year of assessment. It will be included at 40%, which is R682 000, and taxed at 45% (maximum marginal tax rate). Ultimately, R306 900 (R682 000*45%) will be capital gains tax (Stein, 2019).

Capital Gains Tax – Effect upon death

This section examines the CGT impact upon the death of individuals. When an individual dies, for taxation purposes, all owned assets are transferred to the deceased estate that now becomes a tax payer. Section 9H of the ITA informs us that upon death, Mr. Tax is deemed to dispose his assets to a deceased estate at market value. Consequently, this deemed disposal attracts CGT ((Mescht, 2012; Muller, 2010). The assets' base cost will be the same as in the previous CGT discussion and the annual CGT exclusion increases to R300 000 upon death (Loubser, 2016). The calculation is represented in the table below.

Table 4. CGT calculation upon death

	R'000
Capital loss/gain	
Property 1 (2 900-1 500)	**1 400**
Property 2 (6 200-5 000)	**1 200**
Private shares (150-125)	**25**
Listed shares (600-800)	**(200)**
Aggregate capital gain	**2 425**
Less prior year capital loss carried forward	**(680)**
Net capital gain	**1 745**
Less Par 5 exclusion in year of death	**(300)**
Taxable capital gain	**1 445**

Source: Compiled by author based on case study data

The taxable capital gain of R1 445 000 will be added to Mr. Tax's taxable income and included at 40%, which is R578 000 and subsequently taxed at the appropriate tax scale. Ultimately, R260 100 (R578 000*45%) will be included as capital gains tax.

Securities Transfer Tax (STT)

Mr. Tax is liable for STT on the private company shares donated to him and the listed shares that the purchased (Sec 7, STT Act). The study assumes the value of the shares equal its cost, the STT liability is computed at 0.25% of the value of the securities (SARS, 2022b; Sec 2; STT Act). Respectively, the STT would be R312.50 (R125 000* 0.25%) and R2 000 (R800 000* 0.25%) for the private and listed shares.

Transfer duty

Upon purchasing property 2 and 3, transfer duty was payable (Le Grange, 2013). Property 1 would be exempt from transfer duty, because it was inherited. Transfer duty is determined based on the progressive table below, thus the duty payable for Property 2 is calculated as R366 000 ((R5 000 000-R2 475 000)*11%)+ R88 250) and Property 3's purchase price is below the threshold of R1 000 000 and therefore there was no transfer duty payable. Table 4 below contains the South African transfer duty rates.

Table 5. Transfer duty rates

Value of the property (R)	Rate
1 – 1 000 000	0%
1 000 001 – 1 375 000	3% of the value above R1 000 000
1 375 001 – 1 925 000	R11 250 + 6% of the value above R 1 375 000
1 925 001 – 2 475 000	R44 250 + 8% of the value above R 1 925 000
2 475 001 – 11 000 000	R88 250 +11% of the value above R2 475 000
10 000 001 and above	R1 026 000 + 13% of the value exceeding R11 000 000

Source: SARS – online 2022

Estate duty

All owned assets minus liabilities and administrative expenses are included in a deceased estate when individuals die. Section 4(q) of the Estate Duty Act excludes bequeaths made to a spouse from estate duty. Additionally, in terms of section 4A, R3 500 000 may be deducted from the net estate value. This abatement reduces the dutiable amount of estates.

Assuming, based on the case study information, that Mr. Tax is deceased, and his will is executed as per the case study, the potential estate duty of Mr. Tax is as follows:

Table 6. Calculation of Estate Duty

	R'000
Market value – Property	**2 900**
Market value – Property 2	**6 200**
Market value – private shares	
150	
Market value – listed shares	**600**
Total	**9 850**
Less sec 4(q) spousal bequeath	**(2 900)**
Less liabilities	**(1 000)**
Less administrative costs	**(400)**
Dutiable amount	**5 550**
Less sec 4A abatement	
(3 500)	
Net dutiable amount	**2 050**

Source: Compiled by author based on case study data

The estate duty payable will be R410 000, which is 20% of the net dutiable amount.

Donations tax

If assets are donated, then donations tax must be considered (Basson, 2015). Donations tax is governed by section 54 – 64 of the ITA. Section 56 lists certain donations that are exempt from donations tax. To illustrate the effect of donations tax, this section assumes that Mr. Tax donates all his assets and none of them are within the ambit of the exemption list as mentioned earlier. When the assets are donated, their value is determined based on the market value at that date and in terms of legislation the first R100 000 is excluded from donations tax (Mescht, 2012). Refer to the table below for a snapshot of the potential taxable donations.

Table 7. Calculation of taxable donations

	R'000
Property 1	**2 900**
Property 2	**6 200**
Private company shares	**150**
Listed shares	**600**
Market value - Property 3	**2 000**
Value of donation	**11 850**
Sec 56(2) exclusion	**(100)**
Taxable donations	**11 750**

Source: Compiled by author based on case study data

Mr. Tax's donations tax liability will be R2 350 000 (R11 750 000*20%) if he makes the donations as stipulated above.

Identification of wealth taxes when capital assets are transferred in Namibia, India and Australia:

Tax policy in Namibia

According to PwC (2022), Namibia adopted many of their tax policies from historic South African tax policies, but their tax policy relating to wealth taxes is significantly different from this country. In contrast to South Africa, Namibian tax administrators do not levy CGT, donations tax nor estate duty when assets change ownership (Kostiainen, 2018).

Legislation that governs how trusts and deceased estates are taxed is found in the "Namibian Income Tax Act 24 of 1981" (ITA Namibia). The wealth taxes identified in Namibia are stamp duty and transfer duty and these are comparable to the South African STT and transfer duty (K.P.M.G., 2019; PricewaterhouseCoopers, 2019). The "Namibian Transfer Duty Act 14 of 1993" governs the taxes that are to be levied on property transfers within its borders and the Stamp Duty Act 15 of 1993 governs taxes when deeds and specific instruments are transferred (K.M.P.G., 2022; PricewaterhouseCoopers, 2019).

(Kostiainen, 2018) concluded that the taxation approach in Namibia and South Africa is different, because of the contrasting wealth disparity statistics. The author also found that Namibia addressed their wealth disparity through budget allocations whereas South Africa attempts to address this by using tax income. According to (Smicht, 2009), the poverty levels in Namibia should significant improvement from 1993 to 2004. A study performed by the World Bank concluded, based on statistical 2gini-coefficient measures, that the inequality in Namibia is slightly better compared to South Africa. Namibia's gini-coefficient rating improved from an estimated 0.59 in 2015 to 0.49 in 2017; this improvement was attributed to the Namibian fiscal policy of utilizing social expenditure to alleviate poverty and inequality (Kostiainen, 2018).

Stamp Duty- Namibia

Schedule 1 of the countries' stamp duty act indicates that this tax is raised on legal documents and applies to the transfer of shares, contracts, agreements or deeds and marketable securities (Franzsen & McClusky, 2017). The nature of each transaction drives the rate at which this tax will be levied as can be seen from the table below.

Table 8. Namibian Stamp Duty Rates

Transaction	Stamp duty
Agreements or contracts (other than those where duty is specifically provided for in the Act)	N$5
Lease agreement or lease	The stamp duty will be based on lease payments, together with additional considerations specified in the lease agreement
Transfer or issue of marketable securities and other share transactions	N$2 for every N$1 000 or part thereof of the value/consideration, depending on the specific transaction
Transfer deed relating to immovable property purchased	N$10 for every N$1 000 or part thereof is payable for values over N$600 000

Source: PwC, 2022

Estates – Namibia

The administration of deceased estates falls under the authority of the "Administration of Estates Act 66 of 1965" (Cronje & Co, 2019) and does not prescribe any estate duty. Section 26 states that income that would have accrued if the deceased was alive will accrue to the legal heirs on condition that it is proven to be to the current of future benefit of the heir. If this benefit cannot be proven, the income accrues to the deceased estate (Section 26, ITA Namibia). Section 1 excluded accruals that are capital in nature and thus income accruals from capital assets disposed will not be taxed when it accrues to the deceased estate.

Tax policy in India

In 1956 the Kaldor committee was established to investigate and address tax evasion and financial and equitable aspects of resident tax liabilities. These investigations concluded by introducing a gift tax, wealth tax and capital gains tax and the resultant "Gift Tax Act of 1958" and "Wealth Tax Act of 1957" and was legislated.

Subsequently, based on recommendations from the 1992 tax reform committee, wealth tax was limited to unproductive assets that included jewellery and luxury vehicles and in line with these recommendations in 1993 the Wealth Tax Act was amended. This amendment was brief as the administration and classification of unproductive assets was challenging and not applied uniformly and subsequently the "Wealth Tax Act of 1957" was terminated in 2015 (Batra, 2015). Similarly, to the aforementioned, in 1998 India proceeded to abolish the "Gift Tax Act of 1958". Indian tax authorities subsequently introduced a 2% surcharge for high-income persons to substitute the revenue erosion caused by the cessation of these two Acts.

Indian tax authorities introduced CGT in 1981. CGT regulations are included in the "Indian Income Tax Act 43 of 1961" (ITA India). Section 47 of the ITA India states that capital asset transfers in terms of a will are not regarded as transfers and thus there is no CGT consequences for a deceased estate.

In 1953, India introduced the Estate Duty Act in an attempt to address wealth disparities. Due to the immense criticism this act received, it was terminated in 1985 (Dutta & Malhotra, 2018).

Based on the aforementioned, India does not charge estate duty, tax on donations and CGT on deceased estates, therefore, the South African equivalent wealth taxes that this study will analyse are limited to stamp duty, CGT and STT.

Stamp Duty – India

This duty is legislated in the "Indian Stamp Act of 1899" and contains stamp duty rates applicable when property changes ownership, is transferred or new property acquired (included in the cost). It is similar to transfer duty in South Africa. This Act extends to the whole of India but excluded certain states. The rate that this tax is levied at varies from 5% to 8% of the property value (Paisabazaar, 2021).

CGT – India

A capital gain is defined as a "profit arising from the transfer of a capital asset" and net gains are included in the taxable income of individuals.

Section 55 of the ITA India states that the cost of the asset (comparable to base cost in South Africa) is the acquisition costs, cost of improvements before April 1981 and transfer costs. If the asset being sold is equity shares or securities, STT is excluded form the cost of these assets.

In terms of the Act, capital gains or losses are calculated by deducting the determined cost of capital assets from the sales consideration that is received. The capital gain tax rate is variable and influenced by the nature of the asset that was disposed of. When capital gains are realised on so called "longer term" assets, it is taxed at 20%. Capital gains on shorter term assets such as equity shares held for a short term, are taxed at 10%. The Act also indicates that capital gains and – losses may be offset, provided that the balance of any losses are utilised within 8 years.

STT - India

India legislated the Securities Transaction Tax Rules of 2004 which governs the levy of STT. It is charged when Indian stock exchange securities (listed) are disposed of. The STT rate is variable and subject to the nature of the security. The rate ranges from 0.001% to 0.2% and either buyer or seller could be liable for this tax depending on the circumstances of each transaction.

Tax policy in Australia

Like some of the other selected countries, Australia legislated stamp duty in their Australian Territory Stamp Duty of 1969. Based on this Act, taxes are levied on the transfer of certain assets.

Australia repealed its wealth, death and donation taxes respectively in the 1970s and 1980s. These acts were repealed as the administration was cumbersome, compliance costly on taxpayers and it facilitated tax evasion through the implementation of Trusts Consequently, CGT was legislated in the "Australian Income Tax Assessment Act 38 of 1997" to substitute this loss of tax revenue (Arendse & Stack, 2018; Ramson, 2014).

Stamp Duty – Australia

When there is a change in ownership in moveable and immoveable assets, stamp duty is charged in Australia. The affected assets include property, insurance policies, business or personal assets, motor vehicles and shares. The sliding stamp duty rate depends on the jurisdiction of the asset sold disposed of ranges up to 5.75%. The acquiring person is liable for the levied stamp duty.

CGT – Australia

Capital gains tax legislation can be found in the third chapter of the ITA Australia and contain regulations that pertain to the key considerations of CGT: disposals, proceeds, base cost and asset (Ramson, 2014).

According to the ITA Australia, there are no CGT consequences when the owner of an asset dies. Any CGT consequences are only triggered when the legatee sells the inherited asset (Ramson, 2014). If, however, the assets in a deceased estate are bequeathed to compliant superannuation entity, a foreign resident or a tax- advantaged entity then CGT will be triggered and taxed in the deceased estate (Ramson, 2014).

CGT is calculated when it has been concluded that there has been a capital gain from a disposal and then any applicable exemptions from CGT are considered. Fifty percent of capital gains are included in taxable income if the asset has been owned for more than twelve months and the full capital gain is taxed if the asset has been owned for a lesser period. Like South Africa, capital losses and gains are netted off in a tax year and carried forward if there are no or insufficient gains.

Disposing assets via donation, has no CGT effect because both proceeds and base cost are deemed at market value. Consequently, individuals may dispose of assets by donating them and there will be no CGT liability or consequences.

Findings

South Africa – CGT

Capital gains tax was effectively implemented from 1 October 2001 and is legislated in the "Eighth Schedule to the South African Income Tax Act No. 58 of 1962". Any capital assets that are disposed after this date will have CGT consequences. Disposals that trigger CGT include selling or donating assets and deemed disposals upon death (Basson, 2015). All taxable capital gains, after the annual R40 000 exclusion or R300 000 in the year of death, are included in taxable income at 40% (Loubser, 2016). Capital losses during a year of assessment are only to be utilized against future capital gains.

Australia- CGT

Capital gains tax provisions was effectively implemented from 20 September 1985 and is legislated as part of the "Australian Income Tax Assessment Act 1997". Disposals that trigger CGT include capital asset sales. All taxable capital gains are included in taxable income at a rate of 50%, if owned for more than twelve months and fully taxable if owned for less than twelve months. Capital losses are utilized against any gains and any remainder is carried forward for offsetting against any future capital gains. Capital assets that are disposed by donation, attracts no CGT as market value is used as both base cost and proceeds. Upon death, there is no deemed disposal event, and any capital gain is deferred to future sales by the legatee, unless the legatee is tax advantaged entity.

Namibia – CGT

There is no capital gains tax in this country- neither on disposals during a lifetime nor upon death.

India - CGT

Capital gains tax provisions was effectively implemented from September 1981 and is legislated as part of the Income Tax Act, 1961. The capital gain inclusion rate is dependent on the classification of the capital asset as either long or short-term. The capital gains inclusion rate on equity shares vary from 10% to 100% depending on the classification. Capital losses during a year of assessment are utilized against any capital gains and the remainder is carried forward for offsetting against future capital gains, but limited to a roll over timeframe of eight years.

South Africa – Donations Tax

Donations tax was legislated in the ITA through a tax amendment bill (Basson, 2015). A donation is made when a capital asset is gifted at no cost or for less than market value (sec 58(1), ITA). Donations tax is charged at 25% on donated values exceeding R30 million and 20% if the value is less than R30 million. Deceased estates are exempt from donations tax if capital asset donations are made in terms of a valid will (sec 56(1)(c) & (d); ITA).

Australia – Donations Tax

None.

Namibia – Donations Tax

None.

India – Donations Tax

None.

South Africa – Estate Duty

This tax was legislated in 1955. Estate duty of 20% is charged on the dutiable amount of an estate up to the value of R30 million and 25% on the value above R30 million (SARS, 2022c).

Australia – Estate Duty

This country does not tax individual's estates when they are deceased.

Namibia- Estate Duty

This country does not tax individual's estates when they are deceased.

India – Estate Duty
This country abolished estate duty law.

South Africa – Transfer duty
This is a form of indirect tax that is charged when immovable property is purchased. It forms part of the property acquisition cost and the purchaser has to pay it.

Australia – Stamp Duty
Stamp duty can be levied up to 5.75% of the property value and has to be paid by the acquirer.

Namibia – Transfer duty
Transfer duty rates vary based on a sliding scale, has to be paid by the acquirer and is included in the cost of the immovable asset.

India – Stamp Duty
Stamp duty ranges from 5% to 8% of the property value and has to be paid by the acquirer.

South Africa – Securities Transfer Tax
STT of 0.25% is raised on the value of share purchases. This tax is included in the cost of the securities and the acquirer is liable for payment.

Australia – Securities Transfer Tax
This country levies Stamp Duty on security transfers. Stamp duty is discussed above.

Namibia – Securities Transfer Tax
This country levies Stamp Duty on security transfers. Stamp duty is discussed above.

India – Securities Transfer Tax
This tax is governed by the STT Rules in India and vary from 0.001% to 0.2%. The charge is also based on the market value of the sold shares and a contract determines whether the buyer or seller is responsible for payment.

Table 9. Findings summarised by country

Wealth tax investigated	Developed Nation	Developing Nation		
	Australia	Namibia	India	South Africa
Estate Duty	None	None	None	√
Transfer Duty	None	√	None	√
Securities TT	None	None	√	√
CGT	√	None	√	√
Donations Tax	None	None	None	√
Stamp Duty	√	√	√	None

Source: Compiled by author

CONCLUSION

The study found similarities for CGT between South Africa, Australia and India. These three countries charge CGT when capital assets are sold at varying inclusive rates. The treatment of assets upon the death of an individual is different as South Africa appears to be the only country of the three, that taxes the deceased estate of an individual, due to the legislation of a deemed disposal upon death.

Regarding transfer duty and securities transfer tax, the study found that all four countries have a form of this tax, some in the form of stamp duty. The rate to determine these taxes varies but is based on the property or share value and mostly paid by the purchaser.

The study found that South Africa is the only country, out of the selected countries, that charges taxes when an individual is deceased (estate duty) and when individuals give gifts or make donations (donations tax). India and Australia abolished their version of these taxes, due to the administrative burden and high compliance cost associated with it. The study notes that the introduction of CGT in both India and Australia coincides with the timeframe that they abolished donations and estate taxes.

The Namibian tax system addresses income redistribution by making budget allowances and not from taxation revenue. This is evident from the findings indicating the absence of CGT, donations tax and death taxes and is also attributable to the fact that the Namibian wealth disparity is less severe than in South Africa. Analyses of the Namibian tax system indicates that market value increases or growth in asset capital values are not taxed in Namibia. This could potentially influence and motivate residents to invest more in capital assets.

The study found that in comparison to the selected countries, South African tax legislation has more avenues that tax the market value increases of capital assets disposed of by their residents. These taxes can potentially have a significant impact on the wealth of individuals and may influence their investment decisions in this country. Further studies on the impact of double taxation are recommended.

REFERENCE

Arendse, J., & Stack, L. (2018). Investigating a new wealth tax in South Africa: Lessons from international experience. *Journal of Economic and Financial Sciences*, *11*(1), 175.

Basson, C. P. (2015). *The implications of wealth transfer taxation in the absence of estate duty (Master's thesis*. The University of Cape Town. https://open.uct.ac.za/bitstream/item/16569/thesis_com_2015_bsschr009-thesis.pdf?sequence=1

Batra, K. (2015). Chartered Club. Wealth Tax in India abolished & removed. *Budget*. https://www.charteredclub.com/wealth-tax/

Bird-Pollan, J. E. (2016). Taxation of Wealth Transfers: A Philosophical Analysis (Doctoral dissertation). Available from ProQuest Dissertations and Theses Database. *ProQuest, 103082232).*

Bosman, S. (2020). An analysis of wealth taxes applicable to the transfer of capital assets by an individual in South Africa. North-West University. *Potchefstroom*.

Cronje, & Co. (2019). *Wills and Estates*. http://www.cronjelaw.com/wills

Dutta, D., & Malhotra, H. (2018). *India: Estate Duty Act – A Critical Analysis Of The Journey So Far*. http://www.mondaq.com/india/x/708128/inheritance+tax/Estate+Duty+Act+A+Critical+Analysis+Of+The+Journey+So+Far

Franzsen, R., & McClusky, W. (2017). *Property tax in Africa*. https://www.researchgate.net/profile/Nara-Monkam/publication/344257478_Property_Taxation_in_Senegal_Legislation_and_Practice/links/5f611fb1299bf1d43c0732f2/Property-Taxation-in-Senegal-Legislation-and-Practice.pdf

Halog, A., & Anieke, S. (2021). A Review of Circular Economy Studies in Developed Countries and Its Potential Adoption in Developing Countries. *Circular Economy and Sustainability*, *1*, 209–230. https://doi.org/10.1007/s43615-021-00017-0.

Kahneman, D., & Tversky, A. (1974). Judgment under Uncertainty: Heuristics and Biases, Science. *Vol.185*, *4157*, 1124 – 1131.

Kamiru, J. G. (2005). *Tax Policy, Corporate Savings, Investment Behaviour, and Economic Growth: The Kenya Experience*.

K.M.P.G. (2022). *Namibia Tax budget guide*. https://kpmg.com/na/en/home/insights/2022/03/kpmg-namibia-tax-budget-guide-2022-2023.html

Kostiainen, E. (2018). *Taxation and Legitimacy : Namibia in focus (Master 's dissertation*. The University of Helsinki. https://helda.helsinki.fi/handle/10138/236857

K.P.M.G. (2019). *India Income Tax*. https://home.kpmg/xx/en/home/insights/2011/12/india-income-tax.html

Le Grange, A. J. (2013). *An Analysis of the Transfer Duty Implications on the 'Sale' of a Trust*.

Loubser, M. (2016). *A case study analysis of the impact of the Davis tax committee's first interim report on estate duty on certain trust and estate planning structures used by South African residents (Master's thesis*. University of Witwatersrand. http://wiredspace.wits.ac.za/handle/10539/22220

Maslow, A. H. (1943). A theory of human motivation. *Psychological Review*, *50*, 370–396.

Mescht, E. (2012). *Limited interests in property – an overview of limited interests in property with particular reference to the taxation of usufructs and more specifically the capital gains tax effects on disposal for individuals and for trusts (Master's thesis*. The University of Cape Town. https://open.uct.ac.za/bitstream/handle/11427/12202/thesis_com_2012_van_der_mescht_e.pdf?sequence=1&isAllowed=y

Muller, E. (2010). *A Framework for Wealth transfer taxation in South Africa (Doctoral thesis*. The University of Pretoria, South Africa. https://pdfs.semanticscholar.org/bf8a/5b6777744d3486ed11e861f1e132408775f3.pdf

O.E.C.D. (2013). Trust in government, policy effectiveness and the governance agenda". In *Government at a Glance 2013*. OECD Publishing. https://doi.org/10.1787/gov_glance-2013-6-en

Paisabazaar. (2021). *Stamp Duty in India.*

Pham, L. T. M. (2018). *Qualitative approach to research - A review of advantages and disadvantages of three paradigms: positivism, interpretivism and critical inquiry (Report*. The University of Adelaide. https://www.researchgate.net/publication/324486854

Piovesan, F. (2013). *Realizing the Right to Development, Chapter 6. Essays in commemoration of 25 years of the united nations declarations on the right to development*. https://www.ohchr.org/Documents/Publications/RightDevelopmentInteractive_EN.pdf

PricewaterhouseCoopers. (2019). *Namibia, Republic of – Corporate.* https://taxsummaries.pwc.com/republic-of-namibia/corporate/other-taxes

Ramson, V. (2014). *The interface between capital gains tax and estate duty and the double tax implications thereof (Masters mini-dissertation*. The University of KwaZulu Natal.

Roeleveld, J. J. (2015). An argument for either excluding death as a capital gains tax event or abolishing estate duty. *SA Journal of Accounting Research*, *26*(1), 2012.

Smicht, M. (2009). *Institute of Public Policy Research. Poverty And Inequality in Namibia: An Overview.* https://ippr.org.na/wp-ontent/uploads/2010/06/Poverty%20and%20Inequality%20Research.pdf

Stein, M. (2019). Stein on Capital Gains Tax. *Lexis Nexis Library.* https://www.mylexisnexis.co.za/Index.aspx

Vogel, R., Matsuo, Y., Gobel, M., Grewe-Safield, M., Herbert, M., & Weber, C. (2021). Cross-sector partnerships: Mapping the field and advancing an institutional approach. *International Journal of Management Review*, *24*, 394–414.

Yu, Z. (2007). *Behavioural economic analysis of decision making: a case of marketing* (pp. 10, 43–55).