

## YR 12 ACCOUNTING - WORKSHEET

Date: 24/04/2020

Week: 1

Worksheet No. : 5

Strand no: 2 Strand: Personal Finance

Sub Strand: - Personal Income Tax

Objectives: Students should be able to revise on:

- Capital gains tax.
- Exemption of Capital Gains Tax
- Calculating capital gains tax.

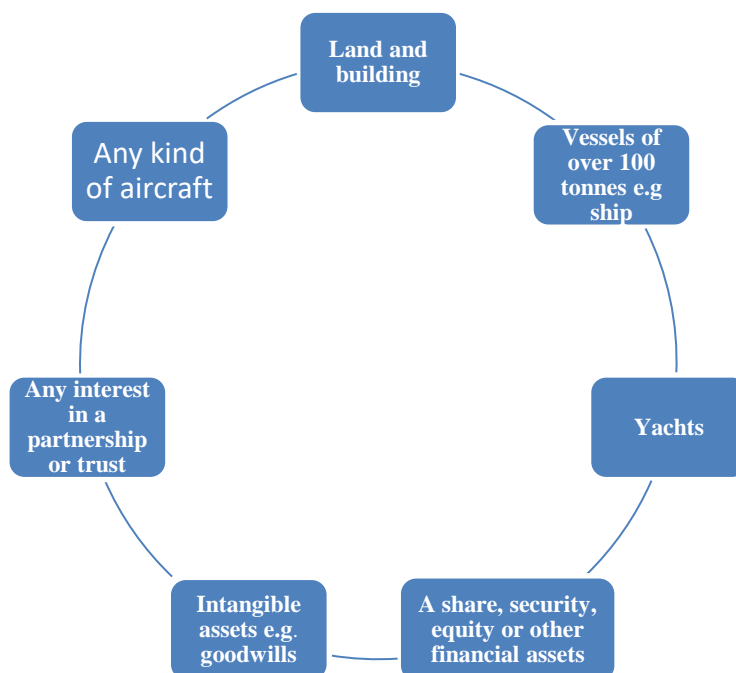
Notes

### A. Capital Gains Tax

Capital Gains Tax (CGT) is a tax that is levied on profits or gains realised on the disposal of capital assets, at the rate of 10%, with effect from 1 May, 2011.



A 'capital asset' refers to the assets listed below:



Capital Gains Tax is imposed and collected on a self-assessment basis and the seller is liable for the tax. It is computed on the VAT Exclusive Price (VEP) of the capital asset.

**B. Exemption of Capital Gains Tax**

Some of the categories of capital gains that is exempt from the capital gains tax:

1. A capital gain made by a resident individual or a Fiji citizen that does not exceed FJ\$16,000 Fiji dollars, with effect from 1<sup>st</sup> January 2016.
2. A capital gain made by a resident individual or a Fiji citizen on disposal of the Individual's first residential property or principal place of residence.
3. A capital gain made by a person on the disposal of shares listed on the South Pacific Stock Exchange.
4. A capital gain made on disposal of an asset that is used solely to derive income exempt from tax under the Income Tax Act. For instance, if a taxi driver has one taxi and sells it, the capital gain realised will not be taxed.
5. Any gain made by a person on the disposal of shares on any Unit Trust company in Fiji, as approved by the Commissioner.

### C. Calculating Capital Gains Tax

#### Example

1. Losalaini a resident of Fiji, owns a house in Suva and she plans to sell it to Wing Chong on 2<sup>nd</sup> May 2014 for \$100 000. Losalaini acquired the house on 1<sup>st</sup> January 2010 for \$75 000. Calculate the gain or loss on disposal of asset? If there is a gain then calculate the Capital Gains Tax. (Assume this was not Losalaini's principal place of residence)

#### Solution

Capital Gain or Loss = Selling Price – Cost

\$100 000 - \$75 000

\$25 000 Capital Gain

Capital Gains Tax = \$25 000 x 10%

\$2 500

2. Mr. Shiek a resident of Fiji, owns a house in Sigatoka and he plans to sell it to Mr. Willy on 2<sup>nd</sup> May 2014 for \$250 000. Mr. Shiek acquired the house on 1<sup>st</sup> January 2010 for \$235 000. Calculate the gain or loss on disposal of asset? If there is a gain then calculate the Capital Gains Tax. (Assume this was Mr. Shiek's principal place of residence)

#### Solution

(i) Capital Gain or Loss = Selling Price – Cost

= \$250 000 - \$235 000

= \$15 000 Capital Gain

### Activities

**(17 MARKS)**

### Instructions

Students are required to answer the following questions on their own, by recalling what they have already learned in term 1.

#### A. Short Answers

**(7 marks)**

1. Define the following terms:

Capital Gains Tax :

2. What is the rate on Capital Gains Tax ?

3. State the five categories of capital gains that is exempted from Capital Gains Tax?


A. **Calculations** **(10 marks)**

1. John a resident of Fiji, owns a house in Suva and he plans to sell it to Laukana on 1<sup>st</sup> October 2016 for \$250 000. Losalaini acquired the house on 1<sup>st</sup> June 2010 for \$100 000. Calculate the gain or loss on disposal of asset? If there is a gain then calculate the Capital Gains Tax. (**Assume this was not John's principal place of residence**)

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2. Miss Albert a resident of Fiji, owns her own taxi in Nausori and she intends to sell it to Mrs Mere Tuimaba on 31<sup>st</sup> December 2018 for \$25 000. Miss Albert acquired the house on 1<sup>st</sup> January 2017 for \$18 000. Calculate the gain or loss on disposal of asset?

Solution

ANS:

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