How can estate duty be saved?

In terms of the Estate Duty Act No 45 of 1955 estate duty of 20% is payable on the net value of a deceased estate, with the primary deduction being R3 500 000 – from 1/03/2007.

As a result of inflation more and more people have to pay estate duty. It is therefore worthwhile to consider the following ways to reduce estate duty:

· Donation of a usufructuary interest to a spouse or another family member who is younger than yourself.

· The use of your will – bequests to a surviving spouse for example do not attract estate duty.

· The use of trusts to ensure that the increase in value of growth assets falls out of the estate.

· The use of a private company to achieve the same results by issuing preferent shares to yourself at the value of the underlying assets of the company at a specific time.

· Donations to your spouse, which currently do not attract donations tax.

· Donations to heirs during your lifetime – donations up to a certain amount per year prescribed by the Minister can be made tax free.

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