Postal: P O Box 504899, Gaborone
Physical: Plot 76295 Gaborone North/
205 Independence Avenue
Telephone: 393 9435 / 71 81 58 36
Email: jhore@aupracontax.co.bw

No CGT on disposal of co-owned houses

The real estate business is one of the most lucrative ventures where the prospects of stable returns are higher. To secure the much-needed investment, people have mastered the art of pooling resources together to achieve their objectives and in so doing, two or more persons become joint owners of real estate assets. Co-ownership of houses commonly arise in marriage contracts where parties to the institution agree for the in-community of property regime.

The purpose of today's article is to address the Capital Gains Tax ('CGT') implications on the disposal of co-owned houses. So, what is CGT? CGT is a tax that is chargeable on the gains realized from the disposal of movable or immovable property situated in Botswana.

The Income Tax Act stipulates that CGT is not chargeable on the disposal of a Principal Private Residence ('PPR'), being an individual's main or sole residence. To determine what constitutes main residence, the Act gives reference to the period of ownership of the property. For the CGT exemption to apply, natural persons must own the residential property for a period of at least five years prior to disposal. The PPR must the individual's only house or where they own more than 1 house, their main house.

So, if a couple co-owned a house and they dispose of it after 5 years, do they still enjoy the CGT exemption? The reality is that the two co-owned the premises and if it was their PPR, there mustn't be CGT as the 5-year condition is met. In circumstances where co-ownership applies to several houses, the exemption is only allowed for one disposal in a five-year period. The CGT exemption must also apply to non-couples, such as a brother and sister who co-owned a house.

You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax Articles' tab. **This article is of a general nature and is not meant to address particular matters of any person. Please contact us on +267 71815836 +267 3939435 or jhore@aupracontax.co.bw for tax consulting or to join our free Tax WhatsApp group or to know about our 9 Tax e-books**