

TR 32

Facts

A shareholder holding the majority of shares in a company engaged in building services contemplates to sell all his shares to another potential new shareholder at a substantial amount in excess of the nominal value thus realising a capital gain. The existing shareholder does not trade in shares and this transaction is a one-off event.

Point at issue

Whether the gains accruing from the sale of shares are taxable in the hands of the seller.

Ruling (issued in November 2003)

The gains derived from the sale of shares are not subject to income tax by virtue of the exemption provided under Item 1 of Part IV of the Second Schedule to the Income Tax Act.