



DAVEY'S Locker



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Allocate your estate efficiently

How to emulate us billionaires

by Tony Davey

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American billionaires, notably Warren Buffett and Bill Gates, have recently encouraged a resurgence of philanthropic behaviour by pledging to bequeath the majority of their wealth to charitable causes.

In my experience in advising so-called high-net-worth individuals here in South Africa, it is uncommon for charities to be seriously considered as heirs, even in part, in lieu of a trust fund or children.

Tax morality has many facets but, in my view, would be improved if there were a perceived efficient use of taxes collected, including estate duty, in favour of deserving causes, which would benefit the needy, leading to socioeconomic improvement and a more stable society.

Many wealthy clients, particularly the self-made, believe that they can manage and allocate money better than the govern-

ment can spend tax collections. Do they realize that the Estate Duty Act allows them the opportunity of proving the point—without limitation?

Section 4(h) of the Estate Duty Act allows the deduction against a natural person's estate of bequests to a public benefit organization (PBO) approved by the Commissioner under s 30 of the Income Tax Act.

In essence, if you were to bequeath the balance of your estate in excess of the R3,5 m threshold to qualifying PBOs of your choice, you would be exercising your legal right to apply the proceeds directly to an honest, effective and well-managed cause, without incurring any estate duty liability.

American billionaires have—possibly unwittingly—scored an estate planning point!

