

Wizard for calculating capital gains: new feature on EDS (1/9/20)

The State Revenue Service (SRS) has recently launched a wizard for calculating capital gains on the Electronic Declaration System (EDS). This article explores cases in which the wizard can be used and the advantages of using it.

A brief overview of the tax treatment of income from capital gains

Under the Personal Income Tax (PIT) Act, an individual receiving income from capital gains is required to report it and calculate a 20% PIT payable to the government. This requirement applies to income from disposing of capital assets such as shares, investment fund certificates, intellectual property, virtual currency, and real estate (RE).

A capital gain is measured as the selling price of a capital asset less its acquisition cost less any amount invested in it over the holding period.

Income from RE disposal

A capital gain arising on the sale of RE is not so easily measured as described above. And the PIT Act lists several cases where an individual's income from disposing of capital assets is fully exempt from PIT.

When it comes to selling RE, we also need to consider some other aspects that may affect the PIT treatment, such as whether the RE is used in trade or business, how the RE was acquired, any amounts invested in the RE, and supporting documents.

In view of this, the SRS has introduced a new tool available to EDS users for easier calculation of income from RE: the capital gains calculation wizard.

The wizard

Answering the wizard's questions helps you prepare the necessary information for reporting income received in a single transaction.

If you have multiple transactions to report, then you need to complete the wizard for each transaction separately. This allows you to determine the content of your total documentation to be filed for all your transactions as well as deadlines for filing your capital gains tax returns.

You can give each wizard a name that fits the transaction. The wizard can be saved at any stage of completion and edited later.

Using the wizard

To use the wizard, you need to register with the EDS and in the section "My List" select the option "Tax return on income from capital gains for the period: DK form." Then select the option "Prepare from

wizard.”

When using the wizard, remember that the information you have entered and saved is not considered to have been filed with the SRS and is not legally binding. If the data entered in the wizard needs transferring to your tax return, then after completing the wizard, select the option “Tax return calculations” and the information prepared in the wizard will go into the right form of the tax return automatically. After taking these steps, you should check the data, and your tax return will be ready for filing.

Advantages of the capital gains calculation wizard

The questions asked by the wizard help you correctly identify the type of transaction to be reported and the right way of claiming allowable expenses, calculate the amount of income to be reported, and determine deadlines for filing your tax return. The data entered in the wizard can be transferred to your capital gains tax return. The wizard can be used as a tool that helps you prepare your tax return and find out whether you have any tax to pay and what amount is due before you proceed with the transaction.