The Budget and Property

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Lower transfer duty to support the property market

The 2011 Budget was tabled by the Minister of Finance, Pravin Gordhan in Parliament on 23 February 2011. As one of the tax proposals announced by the Minister, transfer duty on property was lowered. This was the first time since the 2006 Budget that the rates at which transfer duty on property will be payable, was adjusted.

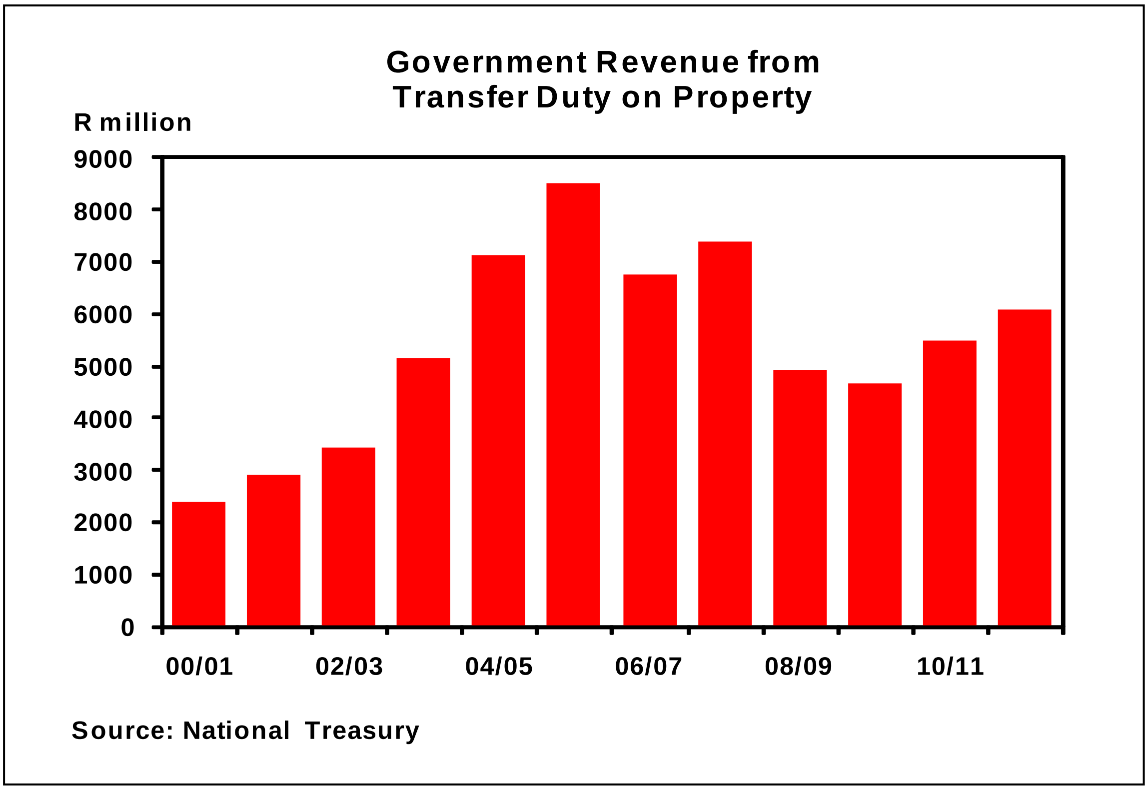
In the 2011/12 fiscal year no transfer duty will be payable on a property priced at R600 000 or less. The revised transfer duty rate structure (see tables below) will apply to properties sold in terms of purchase agreements concluded on or after 23 February 2011. This will also apply to legal persons, such as closed corporations, companies and trusts.

The maximum value of a property exempted from transfer duty was R100 000 in 2002/03; R140 000 in 2003/04; R150 000 in 2004/05; R190 000 in 2005/06; and R500 000 in the period 2006/07 to 2010/11. The adjustment to transfer duty on property is estimated to cost the fiscus R750 million in lost revenue in 20011/12, with the revenue from this source budgeted at R6,1 billion in the current fiscal year.

The further lowering of transfer duty on property is an effort by the government to promote homeownership and address the affordability of housing, especially in the lower-income categories of the population. This, in conjunction with the government's housing subsidy and banks' mortgage lending criteria for low-income and first-time homebuyers, will support the lower end of the market.

In view of no further interest rate cuts expected in 2011, which have been a major supporting factor in the residential property market in 2009-2010, lower transfer duty will be a positive factor contributing to the performance of the property market in 2011. An expected higher level of economic growth, some employment growth, personal income tax relief announced in the Budget, and growing real household disposable income, will be additional factors supporting the residential property market this year.

It was also announced in the Budget that investigations are underway on a tax incentive for property developers to increase the supply of affordable housing of below R300 000.



Transfer duty on property in 2011/12	
Property value	**Rates of transfer duty**
R0 - R600 000	0%
R600 001 - R1 000 000	3% on the value from R600 001 to R1 000 000
R1 000 001 - R1 500 000	R12 000 plus 5% on the value from R1 000 001 to R1 500 000
R1 500 001 and above	R37 000 plus 8% on the value above R1 500 000
Source: National Treasury	

Impact of lower transfer duty on property in 2011/12					
Property value	**Transfer duty in 2010/11**	**Transfer duty in 2011/12**			
		Rand	**Reduction from 2010/11**		**% of property value**
Rand	**Rand**		**Rand**	**%**	
600 000	5 000	0	5 000	100.0	0.0
700 000	10 000	3 000	7 000	70.0	0.4
800 000	15 000	6 000	9 000	60.0	0.8
900 000	20 000	9 000	11 000	55.0	1.0
1 000 000	25 000	12 000	13 000	52.0	1.2
1 250 000	45 000	24 500	20 500	45.6	2.0
1 500 000	65 000	37 000	28 000	43.1	2.5
2 000 000	105 000	77 000	28 000	26.7	3.9
2 500 000	145 000	117 000	28 000	19.3	4.7
Source: National Treasury					