

# THE COST OF PROPERTY OWNERSHIP

Acquiring a property gives rise to a number of costs. These include, amongst others, transfer duty or value added tax payable to the South African Revenue Services, conveyancing fees payable to the transferring attorneys, deeds office registration fees payable to the deeds office, advance payments of rates due to the municipality and levies due to a home owners association and/or body corporate, and in some cases, debentures, club membership fees and contributions to a levy stabilisation fund. If a mortgage bond is being registered, there are, amongst others, conveyancing fees payable to the bond registration attorneys, deeds office registration fees payable to the deeds office and initiation fees payable to the bank.

Selling the property gives rise to further costs. These include, amongst others, commission payable to the estate agent and, if a mortgage bond is registered over the property, conveyancing fees payable to the bond cancellation attorneys, deeds office registration fees payable to the deeds office and penalty interest payable to the bank if the transfer and bond cancellation is registered less than 90 days from the date the bank is notified that the bond will be cancelled. In some instances contributions to a levy stabilisation fund are payable on the sale of a property. If the property is owned by a company, there may also be dividends tax payable on the distribution of the proceeds to the shareholders. In addition, the sale of a property may give rise to the payment of capital gains tax.

The 2015 budget speech introduced some changes to transfer duty and personal tax rates which will have an impact on the cost of property ownership. With regard to transfer duty, the 2015 budget has provided relief on transfer duty for some buyers but an increase for others. Previously transfer duty was exempt on the first R600 000,00 of the purchase price, was paid at the rate of 3% on the portion of the purchase price above R600,000 but less than R1,000 000, 5% on the portion above R1,000 000 but less than R1,500 000 and 8% on the portion above R1,500 000.

Following the 2015 budget speech, in respect of sales concluded after 1st March 2015, transfer duty will be exempt on the first R750 000 of the purchase price. Transfer duty will be paid at the rate of 3% on the portion of the purchase price above R700 000 but less than R1,250 000, 6% on the portion above R1,250 000 but less than R1,750 000, 8% on the portion above R1,750 000 but less than R2,250 000 and 11% on the portion above R2,250 000. The nett effect is that there has been a decrease in transfer duty for properties less than R2,650 000 and an increase in transfer duty payable for properties above R2,650 000. As an illustration, transfer duty on a property of R3,000 000 has increased from R157 000 to R164 500.

Although there has been no change in the capital gains inclusion rate of 33,3% for individuals, the increase in the personal tax rates has resulted in an increase in the maximum effective rate of capital gains tax for individuals from 13,3% to 13,65%. Accordingly, persons in the upper tax bracket, being those earning over R710 300 per annum, will pay an additional 0,35% in capital gains tax on any capital gain arising from the sale of their property, subject to the R2,000 000 exemption applicable to residential properties owned by natural persons.

Persons acquiring and selling property must be mindful of all the costs that arise from the acquisition and sale of the property. It is prudent to ascertain the cost implications when embarking on the acquisition or sale of a property to ensure there are no surprises on conclusion of the transaction.

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If you require assistance or advice regarding property matters, our specialist property team can advise you. Contact us on 031-5368500 or email Robin Westley (rwestley@coxyeats.co.za), Roger Green (rgreen@coxyeats.co.za), Carol McDonald (cmcdonald@coxyeats.co.za), Thabo Vilakazi (tvilakazi@coxyeats.co.za) or Kim Edwards (kedwards@coxyeats.co.za).

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