

What does #Budget2017 mean for property?

 By [Richard Gray](#)

24 Feb 2017

The 2017 Budget will add to the financial difficulties facing South African households. Tough times lie ahead, but they may prove to be a necessary step in addressing our fiscal difficulties.



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Finance Minister Pravin Gordhan trod a fine line in attempting to bridge the gaps between South Africa's pressing social needs, the fiscal integrity of the country, and the patience of the country's stressed taxpayers.

New tax bracket

Tax increases through a new tax bracket of 45% for those earning over R1.5m a year, as well as increases in the dividend withholding rate from 15% to 20% are bad news for the property market. This will put a squeeze on higher income earners. While it should not place too much pressure on their ability to service bonds on their homes, it will likely dissuade investment in second properties – such as holiday homes and rental properties.

Perhaps more seriously for the property market, increases in fuel taxes will take a bite out of the income of all South Africans. Fuel prices have knock-on effects on the economy as a whole, and will hit lower and middle income earners particularly hard. Households in this segment of the market have already been struggling with South Africa's general economic sluggishness, especially with elevated food prices.

Recent research has indicated that South Africans are increasingly failing to save or make provision for the future in order to service their immediate responsibilities.

Transfer duties

On the other hand, the increase in the threshold for transfer duties (from R750,000 to R900,000) is to be welcomed, and will provide modest relief for lower income home buyers.

Overall, the Budget offers little cheer for those with property investments. But it is important to note that the budget addresses a troubled economy. The difficult measures are necessary if we are to avoid a debt trap, and remind the world that the country's economic fundamentals remain strong. With little room for manoeuvre, Gordhan performed his balancing act as well as can be expected.

Property, it must be emphasised, is a long-term value proposition. Buyers and owners need to hold onto their investments tenaciously, even in the face of short-term hardship – appreciation is certain, especially when better times arrive again!

ABOUT RICHARD GRAY

Richard Gray is CEO of Harcourts Real Estate South Africa. He joined the group in September 2010. Gray brings extensive experience in IT, project management, corporate operations and financial services provision, having been CEO of mortgage originator Bond Choice, to the table. He believes that the key to the group's prospects are the strong brand, industry-leading value proposition, talented people, and the benefits of being part of a powerful international real estate group.

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