Adjustment in transfer duty threshold a welcome move

By Dr Andrew Golding

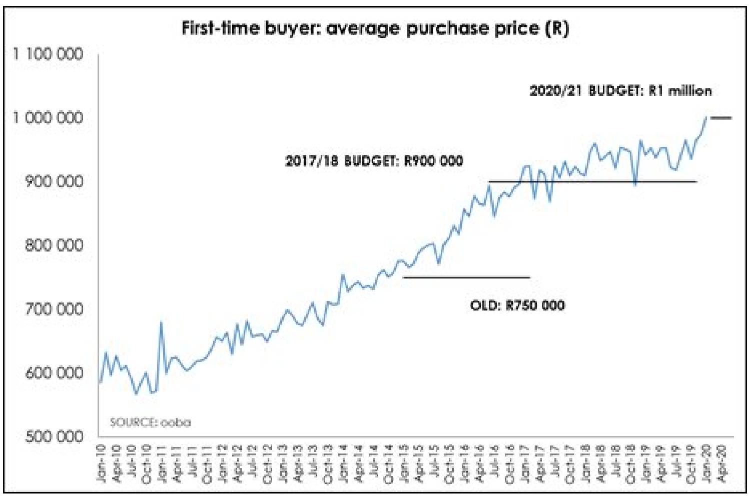
27 Feb 2020

Apart from the tax reprieve announced by finance minister Tito Mboweni in the National Budget, with no major tax increases and even personal income tax relief across the board, good news for the property market is the adjustment of the threshold for transfer duty with zero duty payable on property costing R1m or less.

Dr Andrew Golding, CE of the Pam Golding Property group

Encouragingly, one of the primary beneficiaries of the 2020 Budget is first-time homeowners. And one of the key positives for the local housing market is the demographic dividend of a young population – with approximately two-thirds of the current population under the age of the average first-time buyer (34 years, according to ooba).

While first-time buyers currently account for approximately half of all mortgages currently facilitated by ooba, affordability has tended to dampen potential demand. The 2020 Budget goes some way towards addressing this, by lifting the transfer threshold from R900,000 to R1m. This is given that the average price paid for a home by a first-time buyer broke the R1m barrier for the first time ever at the beginning of the year – at R1,001,275 in January 2020.



Stimulate property transactions

The increase in the transfer duty threshold provides a very positive incentive not only for first-time home buyers but also others seeking affordably priced homes – a sector which represents a key driver in the current market. It will help stimulate property transactions in this price band, increasing volumes and creating a ripple effect across the market in general – which will in turn benefit government income generation.

It is also pleasing to see that the Help to Buy scheme has assisted over 2,000 families to buy their own homes.

As expected, the fuel levy has again increased, this time by 25c per litre, 16c for the general fuel levy and 9c for the Road Accident Fund levy. With consumers having had to absorb a carbon levy which came into effect last year (2019), disproportionately rising fuel costs due to rising levies create an inflationary impact across the economy, further eating away at consumers' disposable income.

As we've seen in recent years, and a trend which will continue, is that rising fuel costs further propel buyers towards conveniently located, hassle-free living in major centres and key nodes close to the workplace and all amenities, including schools, with the added benefits of avoiding heavy traffic congestion and time wastage.

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Samuel Seeff 27 Feb 2020

Further positives

With the weaker economic outlook and bail-outs for SOEs, plans to contain costs by reducing the public sector wage bill, recover money lost due to fruitless and wasteful expenditure and corruption, among other measures, offer some encouragement.

Further positives are an emphasis on spending on education, health, social development and infrastructure – the latter including the refurbishment of industrial parks in townships and rural economies. It is hoped that industrial business incentives, small business incentive programmes and the lowering the cost of doing business will go some way towards assisting this sector, coupled with assistance for agriculture – a critical area to ensure food security in South Africa.

In particular, we agree that a key priority is job creation as the youth represent the future of our country. Helping create employment opportunities will ultimately assist the younger generation either rent or acquire their first home – thereby gaining their first foothold on the ladder towards wealth creation and owning a significant asset.

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Restoring consumer, investment confidence

A crucial component in restoring consumer and investment confidence in South Africa is availability and continuity in our energy supply, so the ability of municipalities in good standing to purchase electricity from independent power producers is overdue, given the renewed bouts of load shedding experienced in recent weeks. However, this offers major benefits for residents in these municipalities, with Cape Town for example already making plans to do so.

The fact is that for cash-strapped, budget-conscious consumers the long-term fiscal trajectory remains muted and they will be looking to reduce monthly costs where possible. In this regard, in the housing market, we’re going to see an ever-increasing trend towards energy-saving features as more and more homeowners - including entire residential estates and developments across all sectors - endeavour to reduce their reliance on Eskom and even go completely off the grid.

This is becoming an economic imperative, especially as the costs of such features become more accessible to a broader public. Developers and landlords will focus increasing attention on reducing municipal costs for services such as electricity and water as much as possible in order to make their offerings more appealing to tenants.

ABOUT DR ANDREW GOLDING

Dr Andrew Golding, chief executive of the Pam Golding Property group, was originally in private practice as a General Practitioner on the Atlantic Seaboard from 1991 to 1996, after which he joined the family business as MD in 1996, followed by his present position.

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