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REAL ESTATE ALERT

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TRANSFER DUTY IMPLICATIONS ARISING FROM THE 2016 BUDGET SPEECH

In the 2016 Budget recently delivered by Minister of Finance, Pravin Gordhan, it was announced that our current taxes on wealth are under review by the Davis Committee.

TRANSFER DUTY IMPLICATIONS ARISING FROM THE 2016 BUDGET SPEECH

Although the calculation of transfer duty in respect of transactions with a property value under R10 million has not been affected.

Agreements concluded prior to 1 March 2016 will therefore still be subject to the calculation of transfer duty based on the previous tax dispensation, notwithstanding that the date of fulfilment of suspensive conditions in terms of such agreements, or the registration of the transfers of the properties under those agreements may occur after 1 March 2016.

In the 2016 Budget recently delivered by Minister of Finance, Pravin Gordhan, it was announced that our current taxes on wealth are under review by the Davis Committee.

Although the calculation of transfer duty in respect of transactions with a property value under R10 million has not been affected, a further tax bracket has been implemented in respect of the transfer duty rate on the portion of the property value above R10 million, which will increase from 11% to 13%.

With effect from 1 March 2016, transfer duty will therefore be payable at the following rates on transactions which are not subject to VAT:

Value of Property	Transfer duty
R0 – R750 000	0%
R750 001 – R1 250 000	3% of the value above R750 000
R1 250 001 – R1 750 000	R15 000 + 6% of the value above R1 250 000
R1 750 001 – R2 250 000	R45 000 + 8% of the value above R1 750 000
R2 250 001 – R10 000 000	R85 000 + 11% of the value exceeding R2 250 000
R10 000 001 and above	R937 500 + 13% of the value exceeding R10 000 000

Transfer duty payable in respect of property transactions where the underlying agreements were concluded on or after 1 March 2016 will therefore be subject to the new transfer duty provisions and will be calculated as per the above table.

Agreements concluded prior to 1 March 2016 will therefore still be subject to the calculation of transfer duty based on the previous tax dispensation, notwithstanding that the date of fulfilment of suspensive conditions in terms of such agreements, or the registration of the transfers of the properties under those agreements may occur after 1 March 2016.

The Minister stated that higher capital gains inclusion rates and measures to strengthen the estate duty and donations tax are also proposed.

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