

#Budget2017 brings some relief for first-time home buyers

 By [Dr Andrew Golding](#)

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The raising of the threshold for transfer duty on properties sold for less than R900,000, up from R750,000, as announced in the National Budget, is positive news as it provides some relief for first-time home buyers.

This aspirant sector of the market is a key driver of South Africa's residential property market, solidly underpinning activity, particularly in metropolitan hubs which increasingly draw a younger generation of home buyers wanting accommodation close to the workplace.

Also welcome is the increased investment in infrastructure and transport networks as well as in integrated urban development projects and township precincts, as this helps provide a catalyst for growth in the housing market.

Further positive aspects of the Budget include a concerted focus on education as well as tourism promotion.

Fuel tax

However, the hefty increase in fuel taxes is of concern as this will create an inflationary ripple effect across the economy. The 39c-a-litre hike, comprising an additional 30c in the fuel levy and 9c in the RAF levy, will mainly hurt the pockets of lower and middle income citizens, who are already contending with ever-rising electricity and water tariffs as well as property rates and food prices.

Furthermore, South Africans are faced with a double-whammy as the zero-rating of VAT on fuel is to be removed in the 2018/19 financial year, which in effect constitutes a double taxation on fuel.

Sectional title projects

As a result, we anticipate this will further boost the demand for residential property both to acquire and to rent among those seeking to reduce transport costs and avoid traffic congestion, again driving the need for homes within easy reach of places of employment and all amenities. This presents an opportunity for developers to look to cater for this market, and may well give rise to further sectional title projects being launched in strategic locations.

With the country's economic growth rate sluggish and remaining a major challenge, we need to encourage investment among local and international high net worth investors. Setting the bar at a tax rate of 45% for those with a taxable income over R1.5m per annum sends a less than encouraging signal to high net worth investors, and may dampen sentiment in luxury homes in the upper price band.

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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