BIZCOMMUNITY

What it means for the real estate sector

By Mike Greeff

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Calling for sowing seeds of renewal and growth, finance minister Tito Mboweni noted with great emphasis during his maiden Budget Speech the need for pruning and plucking at the rot that has attacked the country's green shoots. As such, the minister aimed to address the hard facts and figures by not further kicking the can down the road.

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The South African property market can look forward to two major factors in the real estate industry remaining unchanged which are transfer duties and capital gains tax. This means whether you're planning to buy or sell property in 2019, it won't be more expensive. The announcement to leave these factors unchanged are set to bolster the market ahead of the 2019 National Elections.

With the budget deficit projected to narrow from an estimated 4.2% of GDP in 2018/2019 to 4.0% in 2021/2022, the 2019 Budget Speech has forced citizens to take a long, hard look at the reality of their finances. This is a stern but necessary budget that demands South Africans to be more disciplined, prioritise their spending and invest wisely. We have always dispensed this advice to potential homeowners. Property is one of the best possible investments one can make and it requires large amounts of self-discipline in order to work.

Fiscal support for SOEs

As highly anticipated, state-owned enterprises like Eskom will continue to receive fiscal support on condition of the appointment of a chief reorganisation officer working side by side with the ministers of finance and public enterprises.

South Africa desperately needs Eskom to work. Without it, foreign investors lose faith in the country's ability to meet production deadlines. Diminished foreign investor confidence is a warning signal for all the other economic sectors. The real estate market is not immune to the ripples of nervousness surrounding Eskom and foreign investors may need to be assured of the power utility's stability as it could have an effect on long-term property investments in South Africa.

Homeowners and those in the middle to lower income bracket who may be looking to buy in future are however expected to feel the pinch with an expected 29-30 cents increase on fuel levies, further increasing transport costs for hard-pressed taxpayers.

On a much more welcomed note, the decision by Treasury to create a special grant for first-time homeowners through its Our Help to Buy fund is sure to boost the South African property market and work in favour for all those looking to buy with a figure of R950m set aside for the first three years. The property industry can expect to see significant growth as first-time homeowners will take full advantage of the grant.

Homeowners can breathe a sigh of relief as Treasury will leave personal income tax rates untouched. Leaving VAT unchanged at 15% shows a state cautious about putting increased tax pressures on individuals and businesses as many are still feeling the effects of last year's hike.

ABOUT THE AUTHOR

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