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NEWSLETTER: February 2012

Transfer Duty - The Impact on Property Market

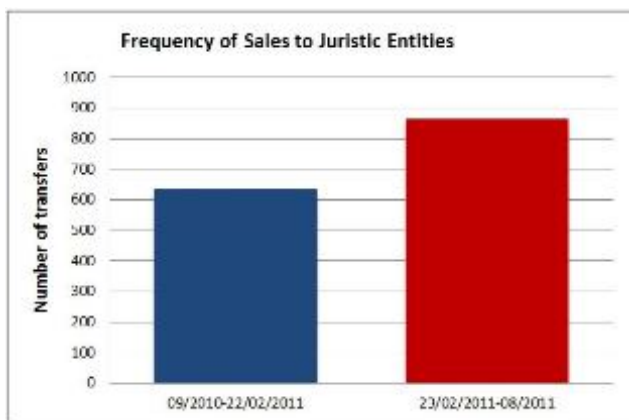
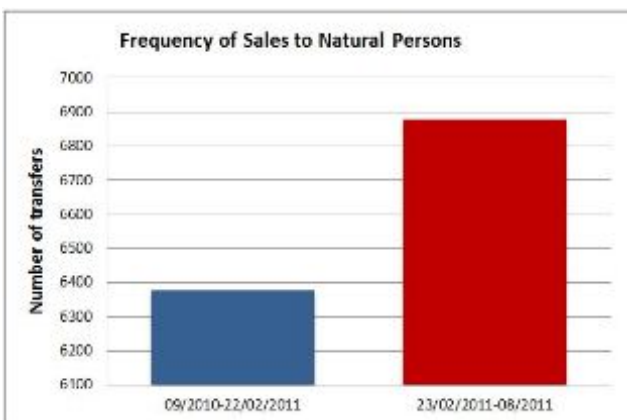
Transfer Duty - The Impact on Property Market

With February traditionally being the month of fiscal focus and the Minister of Finance's budget speech, and whilst this is not something that is adjusted regularly, we thought a study of the impact of amendments to transfer duty in respect of property sales would make for an interesting topic for this month's newsletter.

And we weren't disappointed by the results ...

Last year, effective 23 February 2011, Mr Pravin Gordhan, raised the transfer duty value (the price of the property exempt from transfer duty payment) by R100 000 to R600 000. The 2011 adjustment also changed the ruling to allow juristic entities, i.e. trusts, CC's and Pty Ltds to also benefit from the R600 000 transfer duty allowance.

In order to understand whether these adjustments had any impact on sales in the property market we examined the frequency of property sales in the R500 000 to R600 000 price bracket in the 6 month period pre and post the date of implementation, being 23 February 2011. As far as possible we excluded those transactions that were directly from property developers, as they do not carry transfer duty costs, as well as portions of title shares. We also looked at sales to natural persons and juristic entities independently.



Sales increase by 8% for natural persons

The results indicate that in the case of natural persons, that is persons buying property in their personal capacity registered against their ID number at the Deed's Office, the number of sales in the R500 000 to R600 000 band in the 6

month period prior to the transfer duty amendment was 6 378 and this rose to 6 879 in the 6 months post the adjustment, indicating an 8% increase.

Juristic entities take advantage of transfer duty exemption

In the case of juristic entities, we identified a 36% lift in property sales between the R500 000 and R600 000 band in the 6 month period post the announcement, from 635 to 866 sales, indicating that the adjustment served as an impetus for purchases in the names of juristic entities, in the price band exempt of transfer duty.

Whilst we do not anticipate a further adjustment to the transfer duty value at next week's budget speech (22 February 2012), the results of our research indicates that an increase in the minimum value for transfer duty appears to stimulate the appetite of buyers in the value band exempt from transfer costs.

Tip of the Month

To obtain Erf numbers on the properties in Map Search, zoom in until it is visible.

Subscriber Competition!!!

3 Apple iPads and shopping centre vouchers still up for grabs!



Congratulations to last month's winner, Potso Maloma from Pam Golding Properties in Phalaborwa, who won a R500 shopping voucher. Happy shopping, Potso!

Make sure you're in the running to win one of 3 Apple iPads or 6 shopping centre vouchers worth R500 each by simply including **Property Features** in your next report. Each time you complete the Property Features for a property, your name will be entered into the monthly draw for a R500 shopping centre voucher. All monthly entries for the quarter are included in a grand prize draw in the 4th month for a snazzy Apple iPad2. The next draw date for an Apple iPad will be 2 March 2012. Good luck!

Terms and Conditions

This competition will run from 19 October 2011 until 31 October 2012. All Lightstone subscribers, with up-to-date accounts, are eligible to enter. Entering 'Property Features' on a single property report equates to one entry in the monthly draw. All entries are cleared once an Apple iPad has been won and a new cycle begins. Winners will be drawn randomly from all entries and the judges' decision is final.

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