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Transfer duty on property

25 February 2016

Adjustments to transfer duty on property in the 2016 national Budget are to impact only the upper end of the residential property market

The 2016 national Budget was tabled in the South African Parliament by the Minister of Finance, Pravin Gordhan, on Wednesday, 24 February 2016.

The Budget was delivered against the background of extremely difficult global and domestic economic conditions and consequently huge uncertainties about future trends. These are driven by factors such as low commodity prices, volatile financial markets, low economic and employment growth, a severe drought, electricity-supply shortages, increasing financial pressure on consumers on the back of rising inflation and interest rates, low levels of confidence and speculation of a possible country credit rating downgrade later this year. In view of these trends, developments and challenges, the Minister had a difficult task in balancing the budget, providing limited tax relief and increasing some taxes in an attempt to boost revenue in an environment where the economy is not performing strongly, while trying to keep expenditure under control.

The rates and brackets for transfer duty on the sale of property on or after 1 March 2016 will remain unchanged on all property acquired up to a value of R2,25 million. Brackets for transfer duty on properties of a value of between R2,25 million and R10 million and above R10 million were introduced. The transfer duty rate on a property of above R10 million will be 13%, which will lead to an increase in transfer duty payable on property transactions above this amount.

Due to government's tight fiscal position, no transfer duty relief was given at the lower end of the market, with the exemption threshold unchanged at R750 000, whereas the upper end of the market will have to pay more with regard to this tax. The maximum value of a property exempted from transfer duty was fixed at R100 000 in 2002/03; R140 000 in 2003/04; R150 000 in 2004/05; R190 000 in 2005/06; R500 000 in 2006/07 to 2010/11; R600 000 in 2011/12 to 2014/15 and R750 000 in 2015/16, with this amount to remain unchanged in 2016/17.

Rate structure of transfer duty on property	
2015/16	
Value of property	Transfer duty payable
R0 - R750 000	0%
R750 001 - R1 250 000	3% on the value from R750 001 to R1 250 000
R1 250 001 - R1 750 000	R15 000 plus 6% on the value from R1 250 001 to R1 750 000
R1 750 001 - R2 250 000	R45 000 plus 8% on the value from R1 750 001 to R2 250 000
R2 250 001 and above	R85 000 plus 11% on the value above R2 250 000
2016/17	
Value of property	Transfer duty payable
R0 - R750 000	0%
R750 001 - R1 250 000	3% on the value from R750 001 to R1 250 000
R1 250 001 - R1 750 000	R15 000 plus 6% on the value from R1 250 001 to R1 750 000
R1 750 001 - R2 250 000	R45 000 plus 8% on the value from R1 750 001 to R2 250 000
R2 250 001 - R10 000 000	R85 000 plus 11% on the value from R2 250 001 to R10 000 000
RR10 000 001 and above	R937 500 plus 13% on the value above R10 000 000

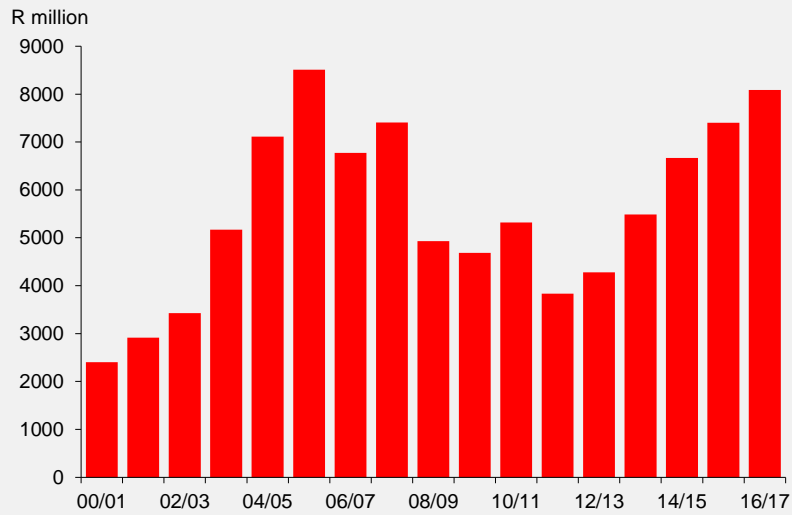
Source: National Treasury

Transfer duty on property in 2016/17

Property value Rand	Transfer duty in 2015/16 Rand	Amount payable Rand	Transfer duty in 2016/17		% of property value
			Change from 2015/16		
			Rand	%	
750 000	0	0	0	0.0	0.0
1 250 000	15 000	15 000	0	0.0	1.2
1 750 000	45 000	45 000	0	0.0	2.6
2 250 000	85 000	85 000	0	0.0	3.8
10 000 000	937 500	937 500	0	0.0	9.4
10 500 000	992 500	1 002 500	10 000	1.0	9.5
11 000 000	1 047 500	1 067 500	20 000	1.9	9.7
11 500 000	1 102 500	1 132 500	30 000	2.7	9.8
12 000 000	1 157 500	1 197 500	40 000	3.5	10.0
12 500 000	1 212 500	1 262 500	50 000	4.1	10.1
13 000 000	1 267 500	1 327 500	60 000	4.7	10.2
13 500 000	1 322 500	1 392 500	70 000	5.3	10.3
14 000 000	1 377 500	1 457 500	80 000	5.8	10.4
14 500 000	1 432 500	1 522 500	90 000	6.3	10.5
15 000 000	1 487 500	1 587 500	100 000	6.7	10.6

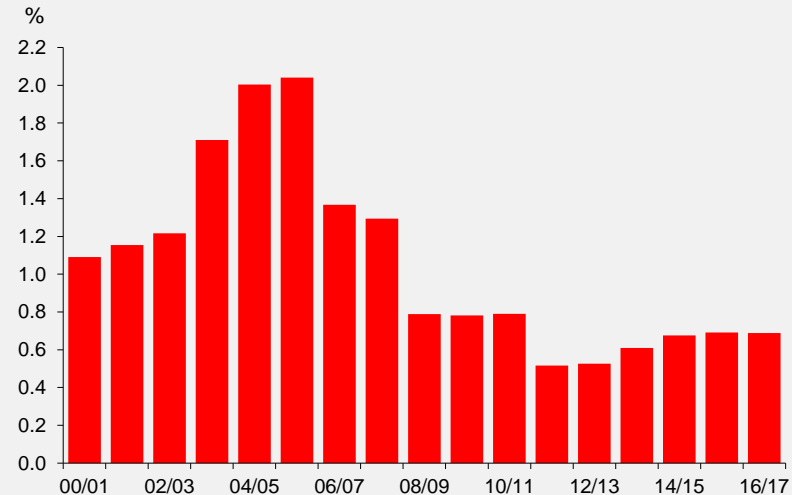
Source: National Treasury, Absa

Revenue from transfer duty on property



Source: National Treasury

Transfer duty on property % of total tax revenue



Source: National Treasury, Absa