

Good news for buyers, not necessarily home owners

 By [Bruce Swain](#)

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Minister Pravin Gordhan had a difficult budget speech to deliver on 22 February as the economy struggles through its largest under performance since the 2009 recession, with the added challenge of a R30.4bn tax shortfall. The economic growth forecast remains unchanged at 1.3% for 2017, 2% for 2018 and 2.2% for 2019.

A quick overview of tax increases

As part of a R28bn package of tax hikes, South Africans earning taxable income above of R1.5m per year will now pay 45% personal income tax. The top previous bracket was 41% at R701,301. On the other end of the income spectrum, there is limited bracket creep relief with the increase of the tax free threshold from R75,000 to R75,750.

While VAT remains unchanged, there will be increases in the general fuel levy (of 30c/litre) and 9c/litre in the road accident fund levy. Excise duties for alcohol and tobacco will increase between 6 and 10%.

It's time to look at different ways to live. Most of us tend to wait until a crisis like a drought or power cuts to start a vegetable garden, consider solar electricity or use public transport (where possible) to save on petrol costs. I think we could all benefit from being more pro-active – Minister Gordhan has indicated that there will be a further R15bn increase in taxes next year and who knows what economic and or natural challenges our economy could face – it's now more imperative than ever to decrease the household debt-to-income ratios so that home owners are better prepared for these increases and any unexpected economic setbacks.

Good news for buyers

In a move that will save buyers a significant amount, the threshold for the payment of transfer duty on house purchases has been increased from R750,000 to R900,000. The residential property market has been struggling, barring a few exceptions like the Western Cape's Atlantic Seaboard with the latest FNB Mortgage Barometer indicating that the number of residential transactions fell by 4.8% year-on-year in the twelve months to the end of October 2016.

Buyers were given some relief in 2015 when the threshold was raised to R750,000 (up from R600,000 in 2014). This further increase to R900,000 will do much to alleviate the pressure on buyers, which will in turn boost the property market.

Retain your investment for longer

We applaud both Minister Gordhan and Minister Sisulu for appealing to home owners, especially in the lower end of the property market, to hold on to their homes for longer. A house is an asset that can be used to generate real wealth – not just by eventually selling it for a good price, but by using it as collateral to fund a child's education for example. This is responsible advice that ought to be applied by all South African home owners.

ABOUT BRUCE SWAIN

Bruce Swain is the CEO of Leapfrog Property Group.

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