#BudgetSpeech2022 brings welcome relief, but transfer duty disappoints again for homebuyers

By Samuel Seeff

23 Feb 2022

It is encouraging to hear that the focus remains on stabilising the national debt, reducing the fiscal deficit and bringing the SoEs under control while facilitating economic growth and providing tax relief and income and job support.

Samuel Seeff, chair of the Seeff Property Group

A point of concern is that the economic growth outlook for the year is slightly down to 4.4% (from 4.9% predicted during the medium-term budget). The expected average growth outlook of 1.8% growth over next three years is also concerning given the need for higher growth to facilitate job creation.

We are pleased that rather than facing tax hikes, there is more tax relief for individuals, while the corporate tax rate comes down from 28% to 27%. There are also no hikes in the fuel levy, all of which should put some money back in household budgets and provide important relief.

Transfer duty exemption threshold

It is, however, disappointing that, for the second year, there is no adjustment in the transfer duty exemption threshold which remains at R1m and is now beginning to fall behind the entry-level house price which is at around R1.2m (R750,000 for a small house).

Relief for entry-level buyers could go a long way to getting more people into their own homes while the interest rate is so low, and buyers can still secure higher loan-to-value bonds. Relief at the top end of the price scale where transfer duty and CGT was hiked four years ago, could have provided a further sales boost during this favourable phase in the residential market.

The transaction costs on the upper end of the market when you take the transfer duty, CGT and so on into account is simply too high to encourage higher sales volumes. When you consider the multiplying factor, the opportunity cost in tax revenue lost is substantial. We have seen since the hikes that, rather than paying the higher taxes, many high-end buyers stay put and invest into upgrading existing homes. When they do buy, they tend to spend less, perhaps shifting the balance offshore.

We are also pleased at the commitments to infrastructure spend and job creation investment and additional funds for healthcare, education and police and the allocation to the Investigating Directorate to deal with state capture cases. Poverty alleviation is also welcomed for the economy including increases in social grants and pensions and extension of the Covid unemployment relief grant.

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Sustained activity in residential market

The residential market continues its positive phase with sustained activity. We have seen over the last year not just a bounce back to pre-pandemic levels, but many areas have achieved some of the best sales in three years.

Although the outlook for house price growth is flat for the year, sellers are taking the opportunity to sell and buy up in terms of a bigger house or better neighbourhood.

We maintain that the property market remains good news for the economy and given the substantial multiplying factor is contributing positively to the economic recovery. Despite the two rate hikes, the market remains favourable for buyers as the interest rate is still the lowest in decades, while it is easier to find credit.

ABOUT SAMUEL SEEFF

Samuel Seeff is chairman of the Seeff Group.

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