

Costs to budget for when buying property

By [Lethabo Mashishi](#)

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You have finally identified your dream home and want to put pen to paper and sign the sale agreement. Thereafter, you will probably approach a bank for a loan to secure the purchase price or part thereof. Securing the purchase price, be it by way of a cash payment or bank finance, is not the only financial expense that you need to consider when buying property. There are additional costs that should be kept in mind, and which should be budgeted for upfront.

The following costs are commonly found when you buy a property:

- Transfer fees
- Deeds Office fees
- Bond registration fees
- Transfer duty payable to Sars

And after registration, as a homeowner, you would typically be required to pay:

- Property insurance
- Municipal rates and taxes
- Electricity, water, and sanitation charges
- Levies

Once the sale agreement is concluded, an attorney (transferring attorney) is appointed to facilitate the process of transferring the property from the seller to the buyer. The transferring attorney charges a fee for professional services rendered, which are calculated in accordance with a tariff issued by the Legal Practice Council of South Africa.



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Transferring attorney fees

In practice, the seller appoints the transferring attorney, and the buyer pays the fees, which fees are due before registration of the transaction in the Deeds Office. In addition to the fees that the transferring attorney collects from the buyer, the attorney also collects costs such as transfer duty and Deeds Office fees.

Transfer duty is tax levied on the value of the property purchased and payable to the South African Revenue Services (Sars). Government determines the scale at which transfer duty is calculated. The prevailing scale can be found [here](#). If transfer duty is payable, it must be paid to Sars prior to lodgement of the transaction as a transfer duty receipt should be lodged at the Deeds Office with the other transfer documents.



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Tax status of seller

It is important to note that the tax status of the seller determines whether transfer duty or value added tax (VAT) is payable in respect of the transaction. If the seller is a VAT vendor and selling the property in the ordinary course of its business, as

would be the case with the property developer, VAT is payable in respect of the purchase price and not transfer duty. The purchase price would include VAT and Sars will issue a transfer duty exemption certificate.

The Deeds Office charges a fee for the registration of each transaction. The transferring attorney will collect this fee from the buyer and pay it over to the Deeds Office once registration takes place. These are the most prevalent additional costs that a buyer would find in the statement of account issued by the transferring attorney.

Where bank finance is required to secure the purchase price, the bank will require that a mortgage bond be registered over the property in its favour, which bond registration will take place simultaneous with the registration of the transfer of the property. The bond registration process is attended to by the bond registration attorney, appointed by the bank. The bond registration attorney also charges a professional fee for services rendered, calculated on the aforesaid tariff. These fees and costs, such as the Deeds Office fee, the bank's initiation fee (where not included in the loan) are payable by the buyer.

In some instances, the bank may grant a loan that covers the bond registration fees and costs. Where applicable, this is done in accordance with the bank's internal criteria.

Property insurance

Further, banks always require that the financed property be insured. This is to protect their interest in the security they hold (being the registered bond) should anything happen to the property. Banks will normally offer their own property insurance to clients, but it remains the client's prerogative to take the bank's insurance or to opt for his or her own insurance with an insurance company of choice. As a homeowner, the monthly insurance premium should also be budgeted for.

Lastly, a sale agreement usually stipulates that all risks and benefits in the property pass to the buyer on date of registration in the Deeds Office. This means that from date of registration, the buyer becomes liable for all expenses relating to the property, which include municipal rates and taxes levied on the property as well as any levies that may be charged. Levies are charged when a property forms part of a sectional title scheme or where a property is situated in an estate where a homeowners association exists.

It is clear from above that careful financial planning is required when you intend buying a property. There is significant cost implications to think of before you become a homeowner. Understanding these will enable you to plan your finances carefully. It is advisable to do proper research beforehand, alternatively to consult a property law expert to have a clear understanding of the costs and process involved when buying property.

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