




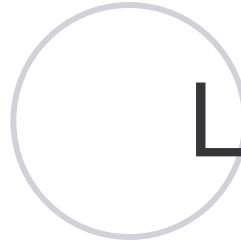
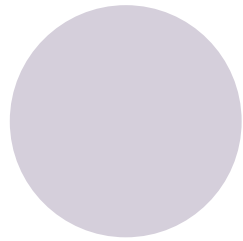
URBAN DEVELOPMENT ZONES



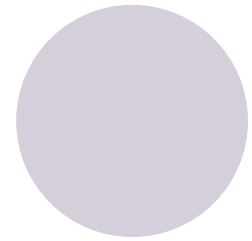
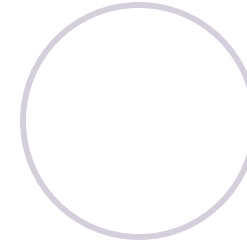
Keith Engel
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National Treasury



- To regenerate blighted urban areas
- To prevent the permanent loss of sunken capital
- To reduce urban sprawl
- To indirectly promote integration of diverse groups



Listed Zones



- Buffalo City
- Cape Town
- Ekurhuleni
- Emalahleni
- Emfuleni
- eThekweni
- Jo'burg Metro
- Mangaung

- Matjhabeng
- Mbombela
- Msunduzi
- Nelson Mandela Metro
- Polokwane
- Sol Plaatje
- Tswane
- [Mafikeng]

Tax Incentive: Owner-Builder

- The erection of new buildings (plus extensions or additions of a 1000 m² minimum) are depreciable:
 - At 20% for the first year
 - At 5% for each of the following 16 years
- Improvements of existing structures are:
 - At 20% for each of 5 years
- Without this incentive, buildings used in trade are generally depreciable at 0%-5%.



Tax Incentive – 1st Purchaser from Developer

- Parties purchasing the building from a developer receive the following depreciation rate:
 - 55% x 20%/5% for new buildings
 - 30% x 20% for improvements
- 1st purchasers cannot use the incentive if developers already used the incentive
- Note: Developers who plan to sell the site shortly after construction receive little tax benefit because of the basic recoupment rules (see final slide)

Trade & Ownership Requirements

- Trade Requirement:
 - Only the portion used solely for trade is eligible for the incentive (i.e. has a profit objective)
 - The incentive begins as the building is brought into use
- Ownership Requirement:
 - The incentive is allowed only for owners
 - Lessees do not receive the incentive (but can deduct the lease payment if the lease is for trade)

Eligible/Ineligible UDZ Costs

● Eligible

- Demolition
- Excavation
- Adjoining water, power & parking
- Adjoining drainage and security
- Adjoining waste disposal
- Adjoining frontage access (e.g. sidewalks)
- Other construction (e.g. architect & landscape)

● Ineligible

- Land
- Transfer duty
- Transfer fees
- Borrowing & financing (may be deductible under other provisions)
- Repairs (may be deductible under other provisions)



Owner-Builder Return Documentation

- Municipal certificate confirming UDZ location
- Municipal certificate of occupancy
- Calculation of costs

1st Purchaser Return Documentation

- UDZ 3 certificate from the developer confirming that:
 - The developer incurred costs equal to at least 20% of the purchase price
 - The developer has not utilised the UDZ incentive
 - The developer constructed the entire building or an area of at least 1000 m²
 - The building is located in a UDZ area & certificate of occupancy
- Calculation of costs and 55%/30% ratio



Trade Cessation or Sale

- UDZ building cessation of trade
 - UDZ depreciation terminates in the following taxable year
- UDZ building sale
 - UDZ depreciation terminates in the following taxable year
 - Ordinary revenue for prior depreciation to the extent the sale gain reflects recoupment

31 March 2009 Cut-Off Date

