

The First-Time Property Buyer

With the increase in interest rates and ever-growing legislative requirements for property ownership, it is becoming increasingly difficult for the first-time buyer to enter the market. This is compounded by the rapid rise in property and building prices, which also results in an increase in the various legal costs incurred by the purchaser to enable transfer to take place.

When purchasing for the first time, there are a number of cost and tax implications which the buyer must consider. He must decide in whose name the property will be registered, be it in his personal capacity (with or without spouse), a close corporation, company or trust. This will affect the transfer duty payable to the Receiver of Revenue, as the corporate entities attract a higher rate than the individual. This decision will also ultimately affect the capital gains tax payable on disposal of the property. Corporate entities again attract a higher rate of tax whereas the individual will benefit from an exemption of capital gains tax if certain limited provisions are met.

Once the property is registered in the name of the purchaser, bond payments will commence as agreed with the relevant banking institution. The National Credit Act has created more transparency in the financing process and the buyer will therefore be more aware of the long term cost implications of his purchase. Interest will accrue on the borrowed amount over the period of the loan and payments will first be offset against the interest before the capital diminishes. The buyer must also take into consideration the possibility of increases in interest rates during the period of the loan and ensure that he has budgeted accordingly.

Unfortunately there are currently no tax rebates or subsidies for the first-time buyer and this compound the difficulties in entering the property market for the first time. Certain lending institutions will however consider loaning the costs of transfer to the first-time buyer so this does provide some relief. It is clear however that much more will have to be done moving forward to facilitate the entry of first-time buyers into the market in the current property climate.

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