



# AFRICA-South Africa - January 2017

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## It Is Time Cape Town Taxed Foreign Property Buyers Up To 15%

It is simply not true that foreigners have little influence on the price of Cape Town's real estate. The city must tax them, as Vancouver does.

Inflation is spiralling out of control but nowhere near the housing market in Cape Town, especially the Atlantic Seaboard and to make matters worse salaries, are not adjusting proportionately.

Buying a flat or house as a first time buyer in Cape Town anywhere near the City CBD or Atlantic Seaboard is almost impossible for anyone, let alone upgrading from a one bedroom to a two bedroom, unless your dad happens to be Christo Wiese, has R80 billion and is keen to wire R90 million to an auctioneer on your behalf. Take nothing away from Clare Wiese, she is successful in her own right with a phenomenal eye for style, but this isn't New York City and no jewellery line can demand profits that afford a Nettleton Road home.

To make matters more ludicrous, Wiese thinks it was a bargain price and the developer Stuart Chait, the veteran property expert, agrees. Chait claims that Sasfin Bank ordered the auction, contrary to his advice. Chait's prediction was, simply by holding onto the property for several more months, letting foreign visitors view the property could have fetched a value closer to 150 million and during that waiting period, rent out the house for R150,000 per day. That statement contradicts a lot of estate agents claiming foreigners have little to no influence on property prices.

Samuel Seeff claims that less than 10% of property is purchased by foreigners in Cape Town and their investment plays no part in price. I disagree. What does 10% actually mean in value and number of transactions? It's hard to trust estate agents, they are constantly wearing two hats. They are inclined to issue market data but at the same time need to be cautious as to what they say and how they say it, as it directly affects their business as they earn a percentage of the sale price and anything driving down the price or slowing sales hurts their industry.

If we were able to replicate Vancouver's taxation concept, it would be a new way to collect much needed funding without directly hurting South African citizens.

The Clare Wiese example is one of the rare exceptions, which is why so much media attention has been drawn to the auction sale that fetched the highest price so far of R90 million. Auctions for high-end properties, unless it's a commercial property or homes in Australia, is not a smart move if you're after the big bucks because auctions are considered a place of desperate sellers. Foreigners would also need to bid by phone, and ever since Rael Levitt from Auction Alliance was found guilty of bid rigging using a ghost caller to scam Wendy Appelbaum in the Quoin Rock wine estate transaction, a lot of auctioneer companies try stay away from it.

Dogon Group, currently holds the record for the most expensive house ever sold in South Africa. The buyers were German, the area was Bantry Bay, Cape Town and the value was R290 million.

## International Property Tax Institute

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Vancouver Canada has been experiencing the same property issues as Cape Town but side-by-side, our property market has moved north quicker and is a lot further out of reach to our middle class and employees in the area. Vancouver also has a shortage of rental properties on the market due to foreign buyers buying for capital growth and shadow flipping and so, in an attempt to address the high property prices and foreign owned homes that stand empty, taxations were implemented. Foreigners buying property in Vancouver pay an additional property transfer tax of 15%. A house selling for R40 million to a foreign national would amount to an additional R6 million payable on transfer to the government.

If we were able to replicate this taxation concept, it would be a new way to collect much needed funding without directly hurting South African citizens. The money from the additional tax could be ring-fenced to fund low cost housing, housing relocation programs and the homeless. Foreigners might not feel so hard done by if they knew it was directly benefiting the locals.

Although these measures are intended to allow for home ownership to remain within range of the middle class, simultaneously collecting tax, it might also address the growing anger towards foreigners buying property.

The only potential problem with this idea is sticking to its created intention. Our government and other political parties have a history of meddling with things that make money and work perfectly, here's hoping that this is an exceptions.

### Take part in property rates policy change

The City of Johannesburg is calling on property owners to help shape the new rates policy – a four-year policy that influences your monthly rates payments.

The 2017/18 Property Rates Policy, a policy that influences the rates you pay on your property will be discussed at public consultation meetings on 25 January, and the City of Johannesburg is urging residents to take part.

The City's spokesperson Kgamanyane Maphologela said the rates policy review was driven by property owners. "The process of the rates policy review reflects the City's Ten Point Priority [plan] of a responsive government. Since 2008, when the City first implemented the rates policy and rates bylaws, the City has held annual meetings across the city and taken input from residents," he added.

Some changes are reflected in the latest policy. According to Maphologela this includes a reduced business property ratio from 3.5 to 2.6 and an increased property rebates list.

"The City is always mindful of the economic conditions facing its customers and as result, it takes a balanced approach when drafting the rates policy," he said.

The City, guided by the Municipal Property Rates Act, will ultimately determine the rates policy. The Act requires that the city council must annually review and, if necessary, amend its rates policy, Maphologela added.

Residents are encouraged to lead the changes they want to see in the rates policy by taking part in the public consultation meetings in their regions. There is more than one meeting per region, either after working hours or on weekends. You only need to attend one of the meetings in your region.

The meetings are scheduled as follows:

#### Region F:

The first meeting will be on 23 January from 6pm until 8pm at the Hillbrow Recreational Centre on the corner of Clarendon King George and Pretoria streets.

#### Region A:

On 26 January, from 6pm until 8pm at Ivory Park North Hall, Ivory Park, Midrand, the first meeting will be held. The second in the region will be held on 6 February from 6pm until 8pm at the Midrand Fire Station on the corner of First and Smuts streets, Midrand.

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**Region B:**

The first meeting is on 2 February from 6pm until 8pm at Marks Park Pavilion Hall on Judith Road in Emmarentia. The second will be on 11 February from 11am until 1pm at the Danie van Zyl Recreation Centre on the corner of Rex and Plantation avenues in Newlands.

**Region E:**

The first meeting will be held on 7 February from 6pm until 8pm at the Jabula Recreation Centre Hibiscus Hall on the corner of Anne Street and Athlone Avenue in Sandringham. The second will be on 4 February from 10am until noon at the East Bank Hall on the corner of Springbok and Impala streets in Alexandra. The third meeting will be on 8 February from 6pm until 8pm at the Ernest Ullman Park Recreational Centre, 1 Alna Street in Gallo Manor.

**Region C:**

The first meeting will be held on 9 February from 6pm until 8pm at the Cosmo City MPCC in Angola Drive, Cosmo City. The second meeting will be on 13 February from 6pm until 8pm at the Roodepoort City Hall on the corner of Dieperink and Berlandina streets in Roodepoort.

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