

Article

Tax relief for developers

Depreciation allowances, including the accelerated depreciation relief for urban development zones, are available if the underlying land is owned by the party undertaking the improvement. This requirement creates practical problems for development partnerships undertaken by government and the private sector. Government entities often provide long-term use of land in exchange for private development.

The UDZ has sparked the rejuvenation of many "ugly duckling" areas, so a proposal to further extend the allowance is likely to provide a further boost to property values in many areas.

Anne Steffny says: "The members of the JICBC and CJP have worked very closely with CoJ Economic development department to extend the period of the UDZ and are still continuing to work with government on the possible extension of the boundaries of the Inner City UDZ area. "The government is to be congratulated for trying to create and implement incentives that are workable and will encourage the private sector to invest more in degenerated areas."

Since its implementation in 2004, the UDZ incentive scheme has successfully attracted R5 billion in investments and has attracted a variety of business tenants to the city, including Anglo Ashanti, whose headquarters are in Newtown.

The UDZ tax incentive scheme aims to promote inner city renewal across South Africa with any taxpaying, property-owning individual or entity qualifying for the benefits. The tax allowance incentive covers an accelerated depreciation made into either refurbishing an existing property or creating new developments within designated inner city UDZs.

The Johannesburg Urban Development Zone (UDZ) is re-launching its tax incentive to attract more inner-city investors by extending the initial deadline of 2009 by another five years, to 2014. Because the UDZ tax incentive deadline has been extended to 2014, investors now have ample time to maximise their investment in the inner city.

The UDZ is part of the inner city and spans 1 800 ha and includes the traditional CBD, Joubert Park, Marshalltown, Braamfontein, Newtown, Fordsburg, Bellevue, Yeoville, Berea, Hillbrow, Troyeville, Bertrams and Doornfontein.

For first-time buyers of a newly constructed building in the inner city, the investment amount qualifying for depreciation is 55% of the purchase price, depreciated at 20% in the first year and 5% in the subsequent 16 years.

For first-time buyers who intend to renovate or refurbish a building in the inner city the investment amount that qualifies for depreciation is 30% of the purchase price, depreciated at 20% yearly for five years.

A key criterion of the incentive is that all buildings in the inner city tax incentive offers must be used to generate income, ranging from rental accommodation, manufacturing and business.