



NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE

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URBAN RENEWAL TAX INCENTIVE LAUNCHED IN JOHANNESBURG AND CAPE TOWN

The National Treasury would like to announce the launching of the Urban Renewal Tax Incentive to stimulate investment in our urban areas. This incentive is an accelerated depreciation allowance to promote and stimulate development within the inner cities of sixteen large cities in South Africa. It was first announced in the 2003 Budget, and formally legislated in December last year.

The Urban Renewal Tax Incentive encourages the refurbishment and construction of both commercial and residential buildings in designated decaying inner city areas within selected municipalities. It is hoped that such investment within these inner city areas will return them to their former glories as vibrant city centres attracting more and more people to live, work and be entertained in these areas. It will also result in broader growth enhancing effects, especially, on job creation.

The incentive offers a great opportunity to investors, both companies and individuals, to participate in the urban renewal and development of the inner cities. The Urban Renewal Tax Incentive that will take effect today, 14 October 2004 in the Urban Development Zones (UDZs) of Johannesburg and Cape Town, as formally gazetted in Government Gazette No. 26866. The application for eThekweni is at an advanced stage and is expected to be gazetted by November. The National Treasury has also received applications from Tshwane (Pretoria), Emfuleni (Vaal Triangle) and Sol Plaatje (Kimberley).

This incentive supports other initiatives, such as policies to write-off existing bad debt from particular buildings in the inner city in order to allow for these buildings to be sold, restored and refurbished. The incentive will also support the objectives of the Department of Housing's *Comprehensive plan for the development of sustainable human settlements* by encouraging private investment in affordable rental housing in the inner city. Furthermore, it provides a possible catalyst for public-private partnerships in mixed-used developments that provide social facilities that are integrated into new commercial and residential developments.

The incentive translates into considerable financial benefits for investors, especially for refurbishing existing buildings. For redevelopment projects, there is a 20% tax deduction in the first year, plus an annual depreciation of 20% over four years. For new development, it offers a tax deduction of 20% in the first year, plus an annual depreciation of 5% for the next 16 years

The Johannesburg UDZ includes the central business district, and also Newtown and Braamfontein, as well as the high-density and high-rise residential areas of Hillbrow, and Berea. Other lower-density residential areas surrounding the general Ellis Park area such as Bertrams Judith's Paarl, Doornfontein, and Troyeville, as well as Bellevue; Bellevue East and Yeoville form part of the approved UDZ. The manufacturing and industrial strip to the north of the M2 E/W from Benrose in the east to City West in the west is also included.

Cape Town has two urban development zones, capturing part of the Cape Town CBD and the Bellville CBD. Most of the historic Cape Town CBD is included and properties adjacent to the Main Road and Klipfontein Road Corridors are included. This includes portions of the suburbs of Salt River, Woodstock, Observatoy, Maitland, Mowbray, Athlone and Gatesville.

The second Cape Town UDZ includes the older part of the Bellville CBD, focussing on land adjacent to the Voortrekker Road Corridor and around Bellville Station. Some properties along Modderdam Road and Kasselsvlei Road are also included. Both municipalities have proved that they meet the criteria as set out in the legislation.

The proposed area for the eThekweni UDZ includes parts of Walter Gilbert Road, Bell Road, Shepstone Road, Bay Terrace, Victoria Embankment, Alexandra, Brook Streets, West Street, Berea Road, Carters Ave, Canongate Road, Warwick Ave, Centenary Road, Carlisle Road, First Ave, Stamford Hill Road, Croydon Road. Walter Gilbert Road, Cobham Road, Old Fort Road, NMR Ave, Somtseu Ave, Stanger Str, Argyle Road, NMR Ave until Walter Gilbert Rd.

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The gazette provides details on the boundaries of the urban development zones. Potential investors are invited to our website www.treasury.gov.za under the local government icon to view the gazette, as well as a guide for investors on how the incentive works. The website also has links to the websites of the municipalities of Johannesburg and Cape Town, which display their own specific guides to the processes within each municipality. All related documents, including maps of UDZs are available on the website (see latest news)