



NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

URBAN RENEWAL TAX INCENTIVE FOR SEVEN INNER CITIES

The Minister of Finance is pleased to announce the approval of the Urban Development Zone applications of seven more municipalities, including eThekweni (Durban), City of Tshwane (Pretoria), Emfuleni (Vereeniging), Sol Plaatje (Kimberly), Buffalo City (East London), Mangaung (Bloemfontein) and Mbombela (Nelspruit). This is in addition to the urban development zones approved for Johannesburg and Cape Town on 14 October 2004.

These demarcated zones are designed to stimulate investment in inner city areas in terms of the Urban Renewal Tax Incentive (s13quat). This innovative incentive in the form of an accelerated depreciation allowance is aimed at promoting refurbishment and new construction in inner city areas that are in decay. The benefits of this incentive are to revive our inner cities, create more jobs and attract more people to live and work in these cities.

For the refurbishment of existing buildings, investors are eligible to receive a 20% tax deduction in the first year of earning income, plus an annual depreciation of 20% over a four-year period. For new developments, this incentive offers a tax deduction of 20% in the first year, plus an annual depreciation of 5% for the next 16 years. This ultimately leads to a substantial subsidy that should stimulate the inner city's property sector. This incentive is extremely novel in that it allows the accelerated depreciation to be set-off against any other income (including personal income tax) and not only income from that particular building (as long as the building is receiving an income or used for the person's trade). For individuals and companies, this incentive offers a great opportunity to invest in the inner cities, or to maintain their current investments and participate in urban renewal and development. (See attached guide which provides detailed information)..

The incentive will also support government's housing policy, as it encourages private investments in affordable rental housing in the inner city. It will complement other initiatives such as the formation of business-improvement districts, which allows the private sector to provide supplementary urban management in the form of additional security, cleaning and marketing services.

The Urban Renewal Tax Incentive will take effect on December 10 2004 for the seven municipalities and will be published in Government Gazette no 27077 tomorrow.

This incentive is available for 16 municipalities in terms of the Revenue Laws Amendment Act, no 45 of 2003. With the nine approvals, this leaves seven municipalities outstanding. The application for Msunduzi (Pietermaritzburg) is at an advanced stage. The National Treasury has also received applications from Polokwane (Pietersburg), Ekurhuleni (Kempton Park), Nelson Mandela Metropolitan (Port Elizabeth), Mafikeng and Matjhabeng (Welkom) municipalities. No proposal has been received from Emalahleni (Witbank) and the National Treasury is working closely with this municipality to ensure that they are able to submit their application shortly.

Demarcated Areas

The demarcated areas have been chosen by municipalities, and approved by their councils before seeking the approval of the Minister. Enclosed are maps for each of the seven areas. The note below also provides a brief description of the areas:

The eThekweni UDZ consists of the Durban CBD including 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.

The Buffalo City UDZ captures the Quigney and Beach area. The Quigney area is situated between the East London CBD and the Central Beach Front and consists of a northern, western and coastal edge. The coastal edge starts at Esplanade and John Bailie Road and ends at the area known as Signal Hill. The western edge, from Signal Hill, joins up with South Street and excludes the Harbour area and ends westwards along Stephenson Street and cutting northwards along the western boundary known as the 'Triangle' joining up with Avenue Street. The northern edge, south eastwards along Avenue Street, joins up with Commercial Road and ends by following John Bailie Road north eastwards to the intersection with the Esplanade.

Sol Plaatje has demarcated an UDZ area which includes the Kimberley CBD. The demarcated area consists of the city hall, the inner core of the CBD and to the east, The Big Hole and Caravan Park. The northern edge starts at the intersection of Waterloo St & St Augustines St and ends at Quinn St, the eastern edge starts south along Quinn St to the intersection of Lennox St, the southern edge moves west along Lennox St and ends at the intersection with Waterloo St, and the western edge moves north along Waterloo and ends at the intersection with St Augustines St.

The Emfuleni UDZ area includes the Vereeniging CBD that comprises of two strips forming a T-shape, running in an east-west north-south direction respectively. The Vereeniging CBD has an elongated linear structure primarily along the main provincial route (Johannesburg / Voortrekker Road) that transverse the area. The designated urban development zone encompasses the core CBD, including the commercial and non-commercial land uses. It starts at the main entrances into the CBD from the north (at the railway line bridge and De Villiers road) and the west along Edward Street to the Rail line that forms the boundary in the east and the north. The urban development zone is demarcated to capture all the entrances to the city (north, south, east and west).

Mangaung has demarcated a UDZ area that includes the Bloemfontein CBD with the northern boundary being Alexandra Road, the eastern boundary being the railway line, the southern Boundary being Franoken and the western Boundary being First Avenue.

The Mbombela UDZ area consists of the Nelspruit CBD, which is the gateway to the tourism industry in the Lowveld region. The Municipality focuses on compacting the area by means of promoting urban corridors, urban development nodes and urban edges. The area starts at entrances into the CBD from the northwest corner moving east along the northern boundary (along Andrew St, Henshall St, Bester St and Currie St), south along the eastern boundary until the intersection with Ferreira St, west along the southern boundary until the intersection with Sitrus Crescent and north along the western boundary (along Sitrus Crescent).

The City of Tshwane UDZ area includes the CBD, parts of the Nelson Mandela Development Corridor, parts of Pretoria West adjacent to the central business district and Marabastad. The UDZ consists of roughly the following boundaries:

- **North:** Boom Street, the Bell Hombre Station and Pretoria Zoo, including Marabastad
- **West:** Schutte Street / Railway line up to Soutter Street in the south and Retief street in the north.
- **South:** Railway line up to Nelson Mandela Drive.
- **East:** Nelson Mandela Drive.

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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.

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