



NATIONAL TREASURY

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PRESS RELEASE

URBAN RENEWAL TAX INCENTIVE FOR FOUR INNER CITIES

The Minister of Finance Mr Trevor A Manuel, MP is pleased to announce the approval of the Urban Development Zone (UDZ) applications of four more municipalities, including Polokwane (Pietersburg), Nelson Mandela (Port Elizabeth), Msunduzi (Pietermaritzburg) and Ekurhuleni (East Rand). This is in addition to the UDZ's approved for Johannesburg and Cape Town on 14 October 2004 and eThekweni, Tshwane, Buffalo City, Mbombela, Mangaung, Sol Plaatje and Emfuleni on 10 December 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 and regenerate the inner cities in our major centres.

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. It is hoped that this incentive will be the catalyst for other major developments anticipated for the 2010 Soccer World Cup.

The Urban Renewal Tax Incentive took effect on 6 June 2005 for the four municipalities and is published in Government Gazette no 27656.

This incentive is available for 16 municipalities in terms of the Revenue Laws Amendment Act, no 45 of 2003. With the 13 municipalities now approved it is anticipated that the three remaining municipalities will be announced shortly. The National Treasury is working closely with the outstanding municipalities, which are, Mafikeng, Matjhabeng (Welkom) and Emalahleni (Witbank) to ensure the final applications are submitted as soon as possible.

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 four areas. The note below also provides a brief description of the areas:

The Polokwane UDZ consists of the Pietersburg CBD. The borders are mainly formed by Biccard Street in the east, Marshall Street and the Strekloop river in the south, Dahl and End Street in the west, and Hospital Street and Oriental Plaza in the north.

The Msunduzi UDZ captures the Pietermaritzburg CBD. The UDZ has been designed along a central axis being Church Street, expanding into areas of high commercial activity and urban blight. The Boundary commences at the intersection of Burger Street and Commercial Road in the South East side. The south eastern border is Burger Street, Loop Street, Railway Street and Long Market Street, south western boundary is erf PMB/2503/2/3, north western boundary is Havelock Road, Pietermaritz Street and the mid block boundaries between Pietermaritz Street & Berg Street, Berg Street & Boom Street, and Boom Street and Greyling Street and the north eastern boundary is East Street and Chutney Street.

Nelson Mandela has demarcated an UDZ area, which includes the Port Elizabeth CBD. The demarcated area commences at the intersection of Govan Mbeki Avenue and Mount Road. The main boundaries in the northern side are Perkins Street and Middel Street, the eastern side are Russel Road and Baakens River Valley, the southern side are the harbour and North Union Street and the western side are Green Street and Crawford Street.

The Ekurhuleni UDZ area includes the Kempton Park CBD and Germiston CBD. The Kempton Park boundary starts at the corner of Kempton Road and Gottfried Avenue westwards to Monument Road, northwards to CR Swart Drive, westwards to Kelvin Street, south along the railway line and northeast along Albatross Street and Gottfried Avenue up to Kempton Road. The Germiston boundary starts at the corner of Power Street and End Street eastwards towards Railway street, south-eastwards up to the railway line, following the railway line up to Hardach Street, north-westwards up to Keswick Road up to Rose Innes Road, following Flag Street up to President street up to the railway line up to Jack street and then south along End Street up to Power Street.

For further information on the UDZ's please contact the following people:

Ekurhuleni:	Hennie Botha	bothahp@ekurhuleni.com or 011 741 6600
Nelson Mandela:	Jonathan Mercer	jonathan.mercer@mbda.co.za or 041 506 3286
Msunduzi:	Brian Bassett	bassettb@pmbcc.gov.za or 033 395 1576
Polokwane:	Willem Davel	willem.davel@polokwane.org.za or 015 290 2078

For media related enquires please contact Lindani Mbunyuza on 082 2970 283.

The gazette provides details on the boundaries of the urban development zones. Potential investors are invited to visit 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.

Issued by: National Treasury
08 June 2005