

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 92

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MR N MACK TO ASK THE MINISTER OF FINANCE:

- (1) Whether, in light of the Urban Renewal Tax Incentive Scheme and the Revenue Laws Amendment Act, Act 45 of 2003, Bega Square in Bega Road, Wynberg is eligible for tax relief; if not, why not; if so, what are the relevant details?
- (2) what are the requirements and procedures required to be accorded benefits in respect of the Urban Renewal Tax Incentive Scheme?

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REPLY:

- (1) No, Bega Square is not eligible for tax relief as it does not fall within the designated area as proposed by the municipality of Cape Town. My role as Minister of Finance is to ensure the proposed designated area complies with the Income Tax Act (no 58 of 1962). Each designated area for an Urban Development Zone (UDZ) is the choice of the municipality, and I cannot answer why the municipality of Cape Town has not chosen to include Bega Road in Wynberg within their designated area.
- (2) The approval and gazetting of a designated area by a municipality is done according to subsection 13quat(6) and (9) of the Income Tax Act (no 58 of 1962). To qualify for incentives, the designated area has to meet certain criteria, and for the Member's information, these are outlined in full in the National Treasury's website (www.treasury.gov.za).

For a potential investor to qualify for these incentives, he or she must:

- (i) improve an existing building or erect, extend or add to an existing building or construct a new building within the urban development zone.
- (ii) provide the Commissioner of SARS, with the following: (a) a certificate of occupancy of a building and confirmation of the building's location within the urban development zone; (b) the total amount of the costs to the taxpayer of erection, extension, addition or improvement of a building; and (c) particulars as to

- whether the costs were incurred in respect of the erection of a building, or the extension, addition or improvement of a building;
- (iii) use the improved or new building solely for purposes of his or her trade, which can be of any kind, commercial, industrial or even as rental of a residential apartment;
 - (iv) not to use the building for any other reasons; and
 - (v) not to dispose of the building during any previous year of assessment.