Our firm specialises in conveyancing transactions and property law.

If prospective Purchasers have not been adequately informed regarding the costs related to a property transaction, these can be can be unexpected, daunting and in extreme cases can jeopardise the sale. Buyers must be given adequate information regarding the costs at the outset of the transaction which will enable them to make provisions for the related costs and confirm the affordability of the entire transaction. Very frequently we have clients demanding a discount on the fees as they have not been fully educated by the Agent on all the costs.

The general/standard costs associated with PURCHASING a property are the following;

1. Transferring Attorney's Fees:- This fee is calculated according to the Purchase Price and is usually charged according to a guideline tariff issued by the Law Society of South Africa. Attorneys are not obliged to follow this tariff but most do as it is a fair and reasonable charge for the work that goes into a transaction.
2. Transfer Duty:- This is a tax levied by and payable to SARS on all immovable property transactions with a purchase price above R900 000.00 Transfer duty is calculated on a sliding scale calculation as follows:
   R0 to R900 000 = 0%;
   R900 000 to R1 250 000 = 3% of the value over R900 000;
   R1 250 000 to R1 750 000 million = R10 500 plus 6% of the value over R1 250 000;
   R1 750 000 to R2 250 000 = R40 500 plus 8% of the value over R1 750 000;
   R2 250 000 to R10 million = R80 500 plus 11% of the value over R2 250 000;
   R10 million upwards = R933 000 plus 13% of the value over R10 million.
3. If the Seller is a VAT vendor then the rule of thumb is that VAT at 14% and not transfer duty would be payable. However, residential properties are ordinarily exempt from VAT (which means that transfer duty would then be payable) unless the Seller claimed VAT when he purchased the property in which event VAT would have to be dealt with in the purchase price. There are situations where one can zero rate the transaction i.e. VAT is payable at 0% but we will not go into this for the purposes of this newsletter but you are welcome to contact us for assistance.
4. Deeds Office Fee –This is an administrative fee charged by the Deeds Office and is calculated according to the purchase price of the property but currently does not exceed R5500.
5. Municipal Clearance Certificates:- Conveyancers are required to obtain a rates clearance certificate which is lodged in the Deeds Office. The cost thereof will depend on which Municipal area the property falls in. Depending on the Municipality but usually it will require payment for the certificate together with payment of all arrear, current and a provision for advance rates (usually around 3 months in advance), electricity, refuse and possibly water. Some Municipalities also require a water rates certificate to be obtained.
6. Levy Clearance certificates and Consents:- In the case of a Sectional property a levy clearance certificate is also required, together with the payment of advance levies, and charges for the issuing of the certificate. If the property is within an estate then advance HOA levies, levy

stabilisation funds, club joining fees and even debentures may be payable.

7. Sundry Charges: – the Conveyancers may charge for postages and petties, online electronic instruction costs and a fee for complying with the Financial Intelligence Centre Act but all of these usually don't exceed a total of R4 000.00.
8. Bond Registration Costs: – If the Purchaser is obtaining a bond to pay for some or all of the Purchase Price, then separate provisions have to be made for the bond registration attorney's fee (as well as disbursements) over and above the transfer costs. The bond attorney's costs and the Deeds Office fee for the registration thereof is also calculated on the bond amount to be registered, and is usually calculated according to the Law Society guideline tariff.
9. Bank's Initiation Fee – this is a fee charged by the bank to raise the bond. Depending on the bank, it is usually charged upfront, and is included in the bond registration attorney's account. However it may, subject the bank's agreement, be included in the bond but we do not recommend this, as the fee will, in effect attract interest for the term of the loan.

Note. A foreigner purchasing property and requiring bond finance, will probably only be able to obtain 50% of the purchase price. So 50% deposit must be available in order to secure the full purchase price.

An important note to mention is that not all provinces have the same practices when it comes to whom pays for what. In JHB it appears to be the custom that the Seller pays the certificate fees.

Although the Purchaser is predominantly liable for the costs of the transfer, THE SELLER has to also provide for certain costs such as:

1. Bond cancellation costs – If there is a bond registered over the property, the balance owing to the bank will be deducted from the Purchase Price on transfer. The Attorneys who are appointed by the bank to handle this will also charge a fee of between R3 000 and R5 000, which includes a Deeds Office fee and the cost will depend on how many bonds have been registered over the property. A cancellation Attorney has to attend to the cancellation of the bond in the Deeds Office even if the bond has been paid off;It is important to note that if there is a bond registered over the property, the banks require 90 days' notice to cancel the bond. So, as soon as the decision is made to sell the property, the banks must be advised, and this advice must be renewed every 90 days.
2. Agent's commission – this is negotiated between the Seller and the Agent when a mandate to sell the Property is given;
3. Compliance certificates – (if applicable and as per the sale agreement) the Seller will be obliged to provide an electrical compliance certificate, an entomologist certificate (if the property is in a coastal area – stating that the property is free from wood destroying insects), a gas compliance certificate (if the property is sold with a gas stove or geyser installed), and an electric fence compliance (if the freehold property has an electric fence installed or a sectional title unit where the body corporate is not responsible for the fence). In Cape Town, a plumbing certificate is also required. The Agents or Conveyancers can arrange these on the Seller's

behalf. The cost of these inspections (only) will usually be between R550 and R950 each. Any remedial work would be for the Seller's account.

4. Outstanding rates and levies –The Seller will be liable for arrear and pro-rata rates, water, electricity, refuse, levies etc up to date of registration of transfer.
5. Capital Gains Tax – Last but not least, Sellers seem to forget that CGT is payable to SARS if there if there has been any gain or profit made on the property. This amount WILL NOT be deducted from the proceeds and must be attended to by an accountant after transfer and as part of the Seller's income tax return. The amount of CGT would also depend whether the Seller is an individual, Company/CC or Trust and further, if he is an individual, whether it is his primary residence or not. Also, if the Seller is a Trust, whether the funds are being retained in the Trust or distributed to the beneficiaries. For the purpose of this article we will not go into these calculations but please ensure that you consult your accountant or auditor to calculate this amount on your behalf.

For a detailed quote or if you have any further queries please don't hesitate to contact us.