



## Urban Development Zone Frequently Asked Questions

1. **How many buildings or sites in the city have applied for UDZ tax rebates and been accepted since the initiative was started in 2003? Do you have statistics you can send me?**

<b>Applications between 2006 and December 2012</b>	
Total number of applications received:	337
Value of new construction:	R2.13bln
Value of refurbishment:	R1.23bln

2. **Is it correct that tax rebates may come in two forms, either a 1) tax write-off or a 2) straight line accelerated depreciations?**

The UDZ is introduced in the form of an accelerated depreciation allowance alone (as effected by the insertion of section 13quat into the Act). The tax incentive, when claimed, reduces the taxable income of a taxpayer. The incentive is not limited to the taxable income of the taxpayer and can create an assessed loss.

This allowance (the UDZ allowance) is applicable in respect of the -

- erection, extension or improvement of or addition to an entire building;
- erection, extension, improvement or addition of part of a building representing a floor area of at least 1 000 m<sup>2</sup>;
- erection, extension, improvement or addition to low-cost housing; or
- purchase of such a building or part of a building directly from a developer on or after 8 November 2005, provided that certain requirements are met.

A taxpayer will only qualify for the UDZ allowance in respect of a building or part of the building constructed, improved or purchased directly from a developer within a UDZ, if the building or that part of the building is used solely for purposes of that person's trade and was brought into use for these purposes on or before 31 March 2020.

A deduction in respect of the UDZ allowance will be allowed in the determination of the taxable income of a person that constructed, improved or purchased a building from a developer, provided all the requirements are complied with. The UDZ allowance will be allowed in respect of –

- the erection, extension of or addition to any building or the purchase of such a building or part of a building from a developer, over a period of 11 years;
- the improvement of an existing building or part of a building or the purchase of such an existing building or part of a building from a developer, over a period of five years;
- the erection, extension of or addition to any building in relation to a low-cost residential unit, over a period of seven years; and
- the improvement of any existing building or part of a building in relation to a low-cost residential unit, over a period of four years.

**3. Besides the Portside building, are there any "big" newish developments that have been built/are being built under the UDZ scheme?**

The list below indicates projects where the value of the development is **greater than R10 million**.

<b>Address</b>	<b>Deemed value</b>	<b>Date (fiscal year)</b>
31 Mechau Street, Cape Town	90	2006/7
Corner Strand and Belbren Street, Bellville	16.6	2006/7
5 Hans Strijdom Avenue, Cape Town	22.6	2007/8
8 Kloof Street, Cape Town	13.2	2007/8
11 Jamieson Street, Cape Town	14	
77A Burg Street, Cape Town	267	2007/8
7 Keizersgracht Street, Cape Town	15.8	2007/8
41 New Church Street, Cape Town	40.1	2008/9
31 Prestwiche Street, Cape Town	117.7	2008/9
Searle Street, Cape Town	28.5	2009/10
The Boulevard, Searle	64	2009/10
Searle Street, Cape Town	44	2009/10
Searle Street, Cape Town	304	2009/10
Searle Street, Cape Town	14	2009/10
76 Sir Lowry Road, Cape Town	70	2009/10
5 St Michael Street, Observatory	33	2009/10
Corner of Adderley and Wale Street, Cape Town	318	2009/10
51c Victoria Road, Woodstock	24.8	2009/10
Corner of Voortrekker Road and AJ West Street, Bellville	82.4	2009/10
29 Kasselsvlei Road, Bellville South	17.7	2009/10
31 Brickfield Road, Salt River	10	2010/11
9 Grey's Pass, Gardens, Cape Town	252	2010/11
186 Loop Street, Cape Town	18	2010/11
Loop Street, Cape Town	345 (addition) 41 (improvement)	2011
198 Bree Street, Cape Town	36	2011
20 Barrack Street, Cape Town	20.8	2011
12 Plein Street, Cape Town	25.5	2011
10 Plein Street, Cape Town	37.5	2011
Black River Park, Searle Street, Cape Town	122	2011
17 Shelley Road, Salt River, Cape Town	11.7	2011
Gatesville Medical Centre, 36 Balu Parker Boulevard, Gatesville	61.5	2011
Corner of Wale and Buitengracht Streets	172	2011
Old Match Factory, 5 St Michael Street, Observatory	39.8	2011
198 Bree Street, Cape Town	18.3	2012
4 Treaty Road, Woodstock	37	2012

#### **4. How are the benefits of the scheme judged?**

The assessment of the UDZ must be considered against the rationale of the incentive, which are established by the legislation and the corresponding guidelines provided by the National Treasury (see the UDZ guide for more details):

South Africa has a number of urban areas that are impoverished and suffering from extensive urban decay. In order to address these concerns and maintain existing infrastructure that was developed at great cost, governments internationally have increasingly utilised tax measures to support efforts aimed at regenerating these urban areas. Such narrowly targeted capital allowances seek to attract development to areas where interest would otherwise be lacking.

Thus in 2003 the Minister inserted the UDZ tax incentive as section 13quat of the ITA as part of the Revenues Law Amendment Act (45 of 2003). The core objectives of the incentive are to address dereliction and dilapidation in South Africa's largest cities and to promote urban renewal and development by promoting investment by the private sector in the construction and/or improvement of commercial and residential buildings. The incentive intends to encourage investment in areas with high population carrying capacity, central business districts or inner city environments and areas with developed public transport infrastructure.

#### **5. Now that the initiative has been extended to 2020, does that include the CBD also?**

The entire UDZ area - which has now been extended to parts of Maitland, Parow and Bellville – is eligible until 31 March 2020.

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**Further details** - including maps and a press release – may be downloaded from the City's planning portal: '[planning.capetown.gov.za](http://planning.capetown.gov.za)'. The suffix 'www.' is not required in the URL.

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