advantaged individuals in the property sector," he says.

At least 18 to 20 organisations have been involved in the formulation of the Property Charter and it sets a measurement for everybody in the sector, including the government, Mr de Klerk says.

"The main issue is principle, which is good. The main challenge is the empowerment deals that some companies have entered middle markets, and with this will come exciting growth opportunities. "For new black entrants into the industry there will be equally exciting career prospects."

Mr Jawitz says that if transformation is going to succeed and the industry is going to adopt the charter both in spirit and form, it cannot be left to the estate agencies alone — other stakeholders must be involved.

African companies.

An increasing number of local property companies have announced their intention to start pouring billions of rand into the continent to take advantage of improved business environments, which are opening up trade and allowing goods, services, labour and capital to flow more freely among market participants.

South African firms are trying nies, including South African ones, were working successfully in Africa, and several have been quietly getting on with it "under the radar", he said.

However, it is a diverse continent of 56 countries and assuming "one size fits all" is hazardous. "A strategic approach, backed by good information and an understanding of what is happening on the ground is essential for

Mr Steyn said the "African giant" has awoken.

"The massive potential in Africa is being recognised. Opportunities for first-mover pioneers are being snapped up at a rapid rate. Many global companies wanting to diversify from their home markets are moving in to grab opportunities on the continent to gain competitive advantage," he said.

CEO Marna van der Walt says there is no doubt that the Zimbabwean economy is growing and has recovered to some extent.

"It is already experiencing exceptional growth in the retail market at a rate of some 9%-plus year on year. As a result, and coupled with its move to dollarisation in 2009, Zimbabwe presents opportunities for significant further turnaround of its economy, appetite appropriate to the environment and a focus on growing rentals sustainably, the fund is pursuing growth in Zimbabwe.

The key attribute of the portfolio is strong cash flow generated by quality leases with listed companies as tenants. APF's vision is to grow the fund by acquiring commercial property assets from companies looking to raise funds by selling assets.

space remains subdued, while there is reasonably good demand for warehousing and distribution centres.

Of course, this holding pattern in which South African property has found itself for the past number of months is not all bad, particularly when one considers what the alternative might have been. Thanks to the sensible lending preferences of SA's banks and the reticence of developers and investors to go on a building spree based on the occasional bouts of confidence, SA's commercial and industrial markets have held up well in the face of the potentially disastrous economic onslaughts.

And the good news is the same resilience should see the markets continue to hold up as turbulence builds over Europe once again. Investors hope for capital preservation, but even in tough times capital growth can occur in portfolios of high quality.

■ *Berkeley is managing executive, Nedbank Corporate Property Finance*

Capital allowances are a key tax-saving benefit in real estate deals

VAS NAIDOO

CAPITAL allowances are a valuable financial savings tool as they are inherent in most property transactions or property developments, and are a key tax benefit within a company's real estate or project expenditure.

Recognising the availability and potential value of capital allowances within capital expenditure planning can significantly affect the complexion of real estate or project decisions.

By way of an example, implementing capital allowances systems may improve the post-tax investment yields, make marginal schemes viable or influence the design specification of a new build project. Capital allowances are the means of giving significant tax relief for capital expenditure incurred on certain types of commercial property assets.

Taxpayers can offset their eligible capital allowances against their taxable profits, thereby reducing the amount of tax that they have to pay.

Taxpayers who are in a tax-loss position may still claim capital allowances, which will in effect increase their tax losses.

When the taxpayer returns to a tax-paying position, he may then use these increased tax losses to offset against taxable profits.

The legislation dealing with capital allowances is a crucial part of the South African tax system, and is directly relevant to the whole range of businesses, from the largest company to the smallest business consisting of, perhaps, a rented apartment.

The capital allowances rules can be complex. For example, there are relatively few tax topics that have generated more case law. The legal arguments have stretched over many decades and have not shown any signs of coming to an end. The South African Revenue Service (SARS) has tried hard to assist taxpayers by way of their interpretation notes, most notably their interpretation note number47 (issue 2).

> **Taxpayers can offset eligible capital allowances against taxable profits, reducing the amount of tax they must pay**

However, a practical problem with this is that a simple list of assets is potentially misleading and also somewhat unhelpful.

To illustrate this point, electronic building management systems may qualify for plant and machinery allowances (by way of falling within the definition of plant for tax purposes), but these do not appear on SARS' relevant list. As a contrasting example, carports appear to qualify by way of appearing on SARS' list, however, its qualifying status for tax purposes actually depends on how it is attached to the ground.

For example, if the carport is simply bolted to the ground then it will qualify for plant and machinery allowances.

However, if it is cast within a concrete foundation then it may be considered to be a structure or works of a permanent nature for tax purposes, and therefore, not be eligible for plant and machinery allowances.

Therefore, it is vital for taxpayers to claim their capital allowances correctly. Doing so will enable taxpayers to optimise their claims and to mitigate making errors that could jeopardise their whole tax return.

Different types of expenditure will attract different types of capital allowances, which attract different rates of tax relief.

■ *Naidoo is a director at Capital Allowances Specialists*