CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Metropolitan Spatial Planning

Urban Development Zone (UDZ)

Frequently Asked Questions

July 2025

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?**

Applications between 2006 and December 2025	
Total number of applications received:	2 057
Value of new constructions:	R 747 million
Value of new acquisitions:	R 2,801 billion
Value of refurbishment:	R 2,296 billion
Value of extensions:	R 238 million
Value of improvements by developers:	R 612 million
Total Value of claims	R 6,690 billion

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 m²;
   - 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 2030.

   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. To qualify for a deduction under section 13quat, a person must have:

   - erected an entirely new commercial or residential building;
   - extended, added to or improved an existing commercial or residential building or part of such a building representing a floor area of at least 1 000 m2; or
   - purchased a building or part of a building directly from a developer that –
     - has erected, extended, added to or improved either an entire building or a part of a building representing a floor area of at least 1 000 m2;
     - has not previously claimed any UDZ deduction on the building or part of a building; and
     - in the case of the improvement of a building or part of a building, has incurred expenditure on these improvements which is equal to at least 20% of the purchase price paid by the purchaser for the building or part of the building.

3. 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.

4. What is the lifespan of the UDZ SARS incentive?

The entire UDZ has been extended and is eligible until 31 March 2030.

Visit the Urban Development Zones webpage for further details - including maps and a press releases.