

# Three transfers cost less than one - you must be joking!

Take the following scenario. The seller has found a purchaser for his farm consisting of three portions for a purchase price of R6m. The seller is not registered for VAT. Transfer duty is therefore payable in respect of the transaction.

Attorneys firm A advises the parties to do one contract of sale and transfer the three portions in one deed of transfer. Attorneys firm B advises the parties to rather do three contracts of sale and three deeds of transfer for the three portions.

Which one is the better option?

Here are the relevant transfer duty amounts assuming that the three portions have respective values of R1m, R2m and R3m:

| <b>Purchase price</b> | <b>Transfer duty</b> |
|-----------------------|----------------------|
| R6m                   | R493 000             |
| R1m                   | R3 000               |
| R2m                   | R60 500              |
| R3m                   | R163 000             |

The transfer duty payable in respect of one transfer with a purchase price of R6m is therefore R493 000. The total transfer duty payable in respect of three transfers with a purchase prices of R1m, R2m and R3m on the other hand is R226 500. This represents a saving of R266 500 on the transfer duty amount.

Although the conveyancing fees on three transfers are higher than on one, the total transfer costs, including transfer duty, are still much lower for the three transfers as opposed to the one; i.e. R319 350.03 as opposed to R552 545.01. A saving of R233 194.98!

The same result could probably be achieved by doing one contract with three sales transactions and three purchase prices. It is, however, in our view advisable to rather do three contracts to ensure that no questions are raised by SARS.

Also keep in mind that should the purchaser register for VAT he can claim back a

14% deemed input VAT in respect of the transaction. His claim is therefore not limited to the transfer duty amount he paid. In other words, he can actually claim back more than he paid.

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