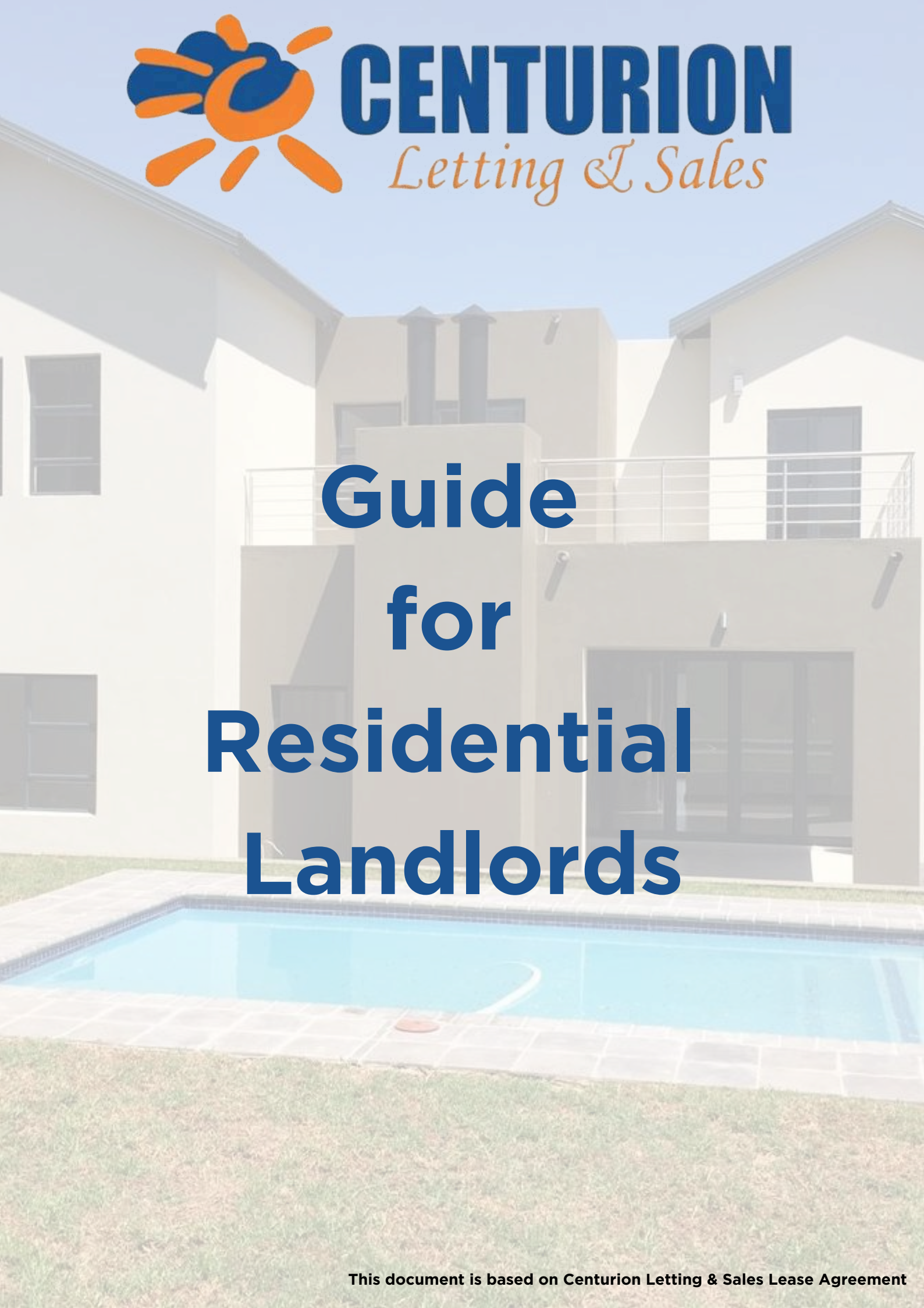
CENTURION
Letting & Sales



Guide for Residential Landlords

This document is based on Centurion Letting & Sales Lease Agreement

INDEX

1 Starting Your Journey as a First-Time Landlord

2 Choosing the Ideal Tenant

3 Managing your rental property

4 Understanding the Rental Deposit

5 Understanding Breach of Contract

6 Handling Disputes with Tenants

7 Dealing with Late Rent Payments and Evictions

8 Negotiating Rental Increases

9 Terminating the lease

10 Tax on rental income



1

Starting Your Journey as a First-Time Landlord

Six Key Factors Every New Landlord Should Consider:

1. Plan for Long-Term Returns

Investing in rental property is a long-term commitment, not a quick way to wealth. Property values tend to appreciate over time, and rental income can provide a steady cash flow. However, initial costs may not always be fully covered by rent. While the property may eventually pay for itself—whether through market growth or once the bond is paid off—landlords should be prepared for upfront expenses in the early stages of ownership.

2. Do the Math

The bond repayment is just one of several monthly expenses landlords need to account for. Owning a rental property involves more than just covering the mortgage—there are additional costs to consider. These may include property insurance, rates and taxes, utilities, legal fees, collection costs, rental agent commissions (if using an agent for tenant screening, rent collection, and property management), and ongoing maintenance.

3. Build an Emergency Fund

Having a financial cushion is essential for handling unexpected expenses. A contingency fund can cover unforeseen costs such as repairs not included in home insurance or legal fees if a tenant defaults on rent. Planning ahead ensures financial stability and minimizes risks associated with rental property ownership.



4. Choosing the Right Tenant is Essential

Thorough screening of prospective tenants is key to protecting your investment. This Agency can be invaluable in this process, offering professional vetting services. Important factors to consider include the tenant's rental history, reason for moving, employment details, and monthly income. This Agency always verify the information provided by contacting references to ensure a reliable and responsible tenant. (See page 4 for more details.)

5. Establish Clear and Detailed Contracts

A well-structured lease agreement is essential for preventing misunderstandings and ensuring both parties understand their responsibilities. The more comprehensive the contract, the smoother the rental process will be. Every detail should be explicitly outlined, including tenant conduct, breakage costs, payment methods, and due dates. Nothing should be left open to interpretation.
A separate agreement is also in place with the landlord. This mandate clearly define the terms, including the commission structure and the agent's responsibilities. (See page 7 for more details.)

6. Use Checklists for Rental Inspections

Before and after a tenant moves in, This Agency uses a checklist to assess the property's condition. This helps identify any maintenance issues early and ensures both parties agree on a snag list, preventing disputes down the line.



2

Choosing the Ideal Tenant

Choosing a reliable tenant is crucial to the success of your rental investment. This Agency simplifies the process and provide professional screening. However, if you prefer to handle it yourself, follow these steps to ensure you select the best tenant:

Step 1:

Before advertising your rental property, define the terms of the rental agreement, including policies on pets, smoking, etc.

Step 2:

In your advertisement, clearly state that all prospective tenants will undergo a vetting process. This helps filter out unsuitable applicants early, saving time and ensuring a better match.

Step 3:

Require potential tenants to complete a detailed application form. Request key information such as employment details, contactable references, and supporting documents like a copy of their ID and a recent salary slip to confirm affordability.

Step 4:

Once applications are received, conduct credit checks are completed. Contact the provided references to verify the applicant's details and rental history.

Step 5:

After selecting a suitable tenant, draft a comprehensive, legally sound lease agreement outlining all terms and conditions. Both parties must review and sign the agreement before finalizing the rental arrangement.



4

Understanding the Rental Deposit

Under Section 5 of the Rental Housing Act, No. 50 of 1999, landlords are legally allowed to request a deposit from tenants. The specific amount of the deposit will be outlined in the lease agreement. Typically, the deposit ranges from one to three months' rent.

Why does this Agency ask for a deposit?
This Agency require a deposit primarily to protect the owner from the financial impact of defaulting tenants and the costly, time-consuming eviction process. Under the Prevention of Illegal Eviction from Unlawful Occupation of Land Act (PIE Act), evictions can take between 8 to 10 weeks, during which time the landlord loses rental income and incurs legal fees. An unopposed eviction may cost between R12,000 and R20,000 in legal costs, with opposed evictions being even more expensive. This is why agencies ask for a deposit to cover potential losses in case of a worst-case scenario.

Where Does the Deposit Go?
According to the Rental Housing Act, when a tenant pays a deposit, the landlord must place the funds in an interest-bearing account with a financial institution, however, at this Agency we secure the deposit in a trust account where it occurs interest. The tenant has the right to request a statement of the interest earned on the deposit at any point during the tenancy. While the deposit is paid to the Agency, it remains the tenant's money, held as security in case the tenant defaults or breaches the rental agreement. If the tenancy ends as scheduled, the deposit, along with any interest earned, must be returned to the tenant within seven days of the lease's expiration.

What Deductions Are Allowed?
The Agency can deduct from the rental deposit any costs associated with repairing damage to the property that occurred during the tenancy. The remaining deposit must be refunded to the tenant within 14 days after the property has been restored, as required by the Act. If repairs are made, the tenant has the right to request receipts to verify that the funds were used for the necessary repairs. The deposit cannot be used for general property maintenance or upkeep. If no damage is found, the full deposit, along with any interest, must be returned to the tenant within seven days of the lease's expiration.



3

Managing Your Rental Property

Managing Your Rental Property
The rental agreement is essential as it defines the responsibilities of both the landlord and tenant, as well as the procedures for managing the property. Hiring this Agency is the most secure and efficient option for setting up the agreement and handling property management. We consider the following key factors:

Setting Up the Agreement:
The rental agreement includes a pre-occupation inspection report and cover important details such as the deposit, rental amount, maintenance responsibilities, and upkeep. It's essential to for this Agency to specify timeframes for each clause and outline penalties for any breach of conditions.

Understand Your Responsibilities
Even with a signed lease agreement, the landlord is ultimately responsible for the property. If a utility bill goes unpaid, the landlord will be required to cover the outstanding balance. It's important to stay on top of your property's management and ensure that all accounts are current and paid on time. To minimize the risk of a defaulting tenant, consider options like prepaid electricity and water meters. If that's not feasible, you can negotiate a deposit for utilities in advance.

Perform Regular Inspections
While it is important to respect tenant privacy and rights, conducting property inspections every six months or annually remains essential. These inspections should be scheduled at mutually convenient times to promptly address any issues or lease violations. The cost of an annual inspection can be incorporated into the administration fees paid by the tenant upon lease renewal. However, if inspections are conducted more frequently, the associated costs should be covered by the landlord.

What Does this Agency Do?
For a percentage of the rental income, a qualified and trustworthy property management agent ensures your property is well-managed. This Agency assist with tenant selection, conduct reference and credit checks, and oversee the daily operations of the property. Additionally, we stay updated on the latest legal and regulatory changes to safeguard both landlords and tenants. If needed, this Agency have the legal expertise and resources to handle any issues effectively. With proper, ongoing management, many potential problems can be avoided, ensuring a smoother rental experience.



5

Understanding Breach of Contract

A breach of contract occurs when one or more parties fail to fulfill their obligations as outlined in a legally binding agreement. This can happen when a party either fails to perform their duties or performs them late, violating the terms of the contract.

Examples of Tenant Breach of Contract
Common examples of breach of contract by tenants include failing to make payments, making unauthorized structural changes to the property, or keeping pets when the lease specifically prohibits them.

Examples of Breach of Contract by Landlord
An example of a landlord breaching the contract is failing to maintain aspects of the property as specified in the lease agreement. In such cases, it is the tenant's responsibility to prove that the landlord has not upheld their obligations under the contract.

What Can Landlords Do?
For minor breaches, landlords must give tenants 20 working days to rectify the breach. If the tenant fails to do so, the landlord can cancel the lease. For major breaches, the lease can be immediately terminated, and the tenant must move out.

Lease Cancellation under The Rental Housing Act
The Rental Housing Act requires that lease cancellations follow fair practices, even if clauses are included to protect the landlord, such as the right to cancel if the tenant fails to pay municipal charges on time. Despite such clauses, this Agency must still adhere to the proper procedures when canceling a lease agreement.

Is Ending the Lease Early a Breach of Contract?
Whether ending the lease early constitutes a breach depends on the cancellation clause in the lease agreement. If the clause does not allow for early termination, it can be difficult to cancel the lease without facing consequences. Even if no cancellation clause is included, either the tenant or landlord could be in breach for prematurely ending the agreement.



6

Handling Disputes with Tenants

Resolving Disputes with the Rental Housing Tribunal (RHT)
The Rental Housing Tribunal (RHT) offers a free platform for landlords and tenants to resolve disputes without incurring significant legal fees. The RHT enforces the Rental Housing Act and helps settle disputes such as lease agreement issues, deposit refunds, rental defaults, property damage, utility disputes, and eviction matters.

How It Works:
Anyone with a vested interest in a rental property can lodge a complaint with the RHT. The service is free for both landlords and tenants, and each party can represent themselves. The RHT will inform all parties about their rights and obligations under the Rental Housing Act, then investigate and mediate the dispute by making recommendations to the relevant parties.

Steps to Lodge a Complaint:
Step 1:
This Agency contact the relevant RHT office in the area where the rental property is located. Complaints must be submitted in writing, and each provincial office has specific forms for this purpose, which can be sent by registered mail or fax. Follow up to ensure the complaint reaches the appropriate person.

Step 2:
Once a case is opened, a reference number is assigned, and a preliminary investigation is conducted. Within 30 days, the investigation will determine if the complaint involves unfair practices. The RHT may request more information from the complainant or respondent, and in some cases, an inspector may visit the property and compile a report.

Step 3:
If the complaint is found to involve unfair practices, both parties will be notified in writing, and mediation will be scheduled. Mediation is an informal, confidential process where both parties meet with a trained mediator to discuss the issues. The mediator remains neutral and helps both parties reach a mutually agreeable solution. If an agreement is reached, it may be made an order of the court. If no agreement is reached during mediation, the case will proceed to a formal hearing for a ruling.



7

Dealing with Late Rent Payments and Evictions

Handling Late Rent Payments and Evictions
This Agency cannot evict tenants without following legal procedures, as tenants are protected by the Prevention of Illegal Eviction from Unlawful Occupation of Land Act, No. 19 of 1998 (PIE Act). This applies to residential properties in landlord-tenant relationships.

Step 1:
Verbal Warning. If the tenant misses the agreed rent payment date, promptly contact them to inform them of the overdue payment. If the tenant is facing financial challenges, you may agree to a new payment date, though this is not required.

Step 2:
Written Notice of Breach, issue a formal written notice stating that the tenant has breached the lease agreement. Ensure your lease complies with the Consumer Protection Act (CPA), which requires landlords to give tenants a 20-business-day notice to rectify the breach.

Step 3:
Interdict or Cancellation, if the tenant does not address the breach within the set timeframe, this Agency can either file a summons or immediately cancel the lease. If this Agency proceeds with the summons and the tenant still does not pay, you have the right to cancel the lease agreement.

Step 4:
Eviction Process Once the lease is canceled, the tenant is no longer protected under the PIE Act and is considered an illegal occupier. At this point, you can start the eviction process. Both the summons and eviction proceedings can be initiated at the same time.

Step 5:
Eviction Notice To evict an illegal occupier, apply to the Magistrate's Court or the High Court. If the tenant does not oppose the eviction, it may take 8-10 weeks for an eviction order to be granted. Typically, tenants are given an additional 14 days to secure alternative housing before the eviction order is enforced.



8

Negotiating Rental Increases

On the lease anniversary, both landlord and tenant must determine two key factors: whether to renew the lease and what rental increase will apply.

Possible reasons for not renewing the lease include:

- Frequent late rental payments
- Excessive and unreasonable demands
- Lack of cooperation with contractor access or inspections
- Complaints from neighbors or within a Sectional Title Scheme
- Dishonesty or failure to maintain the property responsibly

Common Myths About Rental Escalations:

- The maximum allowable increase is always 10%.
- The increase is not negotiable.
- A rent increase means the landlord is required to upgrade the property.

Determining a Rental Increase

This Agency typically base rental escalations on a fair return and market conditions. While the industry standard is around 10% per year, landlords may adjust this based on demand, opting for a lower or higher increase to remain competitive.
However, tenants are not obligated to accept any percentage set by the landlord—they can negotiate for a lower increase. The landlord must then decide whether to accommodate the request or seek a new tenant willing to pay the higher amount. In many cases, retaining a reliable tenant at a slightly lower increase is preferable to risking vacancy or default with a new tenant.



9

TERMINATING THE LEASE

Standard Lease Expiry

Typically, both landlords and tenants must wait until the lease term ends before notifying the other party of their intent not to renew. The required notice period is outlined in the rental agreement under a renewal clause. If a lease expires and the tenant continues occupying the property, they effectively enter into a new lease agreement and must follow proper procedures to terminate it. Both parties must still provide two calendar month's written notice before expiration to avoid a breach of contract.

Early Termination by the Tenant

If the landlord has upheld their responsibilities, the tenant cannot unilaterally break the lease. They must negotiate with this Agency to reach a solution, such as transferring the lease to a new tenant. Any agreement must be documented in writing to prevent disputes.
If a tenant leaves early without making arrangements, this Agency requires them to cover rental payments for the remainder of the lease or compensate for reasonable costs incurred in finding a replacement tenant. These costs could include lost rental income, advertising expenses, and the agent's commissions. While the Consumer Protection Act does not define "reasonable costs," this Agency cannot impose excessive fees or withhold the deposit unless significant damages have occurred.
If the landlord breaches the lease, the tenant may cancel the agreement without penalty, but they must provide proof of the landlord's failure to uphold their obligations.

Early Termination by the Landlord
This Agency cannot terminate the lease early unless both parties reach a written agreement. If the property is sold, the lease agreement remains in effect, transferring to the new owner, who assumes the role of the landlord. The tenant is only required to vacate once the lease term ends.



10

TAX ON RENTAL INCOME

Tax Deductions on Rental Income for Landlords
As a landlord, all rental income must be declared as part of your taxable earnings. However, you can reduce your taxable income by deducting certain non-capital expenses. These are costs incurred while renting out your property, which can lower your tax liability and potentially place you in a lower tax bracket.

Examples of deductible non-capital expenses:

- Property rates, taxes, security, and levies
- Home loan interest (if applicable)
- Costs for advertising the property
- Rental agent's commission or fees for tenant placement
- Homeowner's insurance (excluding contents insurance)
- Gardening services (if applicable)
- Repair costs for the rental area (excluding property improvements)

Avoid Deducting Capital Expenses

It's essential to remember that you cannot deduct capital expenses, such as those related to renovations or property improvements. For example, if your tenant moves out and you make repairs in preparation for selling the property, you cannot deduct those expenses since they weren't incurred while the tenant was occupying the property.

What Happens If You Incur a Net Rental Loss?

If your deductions exceed your rental income, resulting in a net rental loss, the Income Tax Act has a "ring-fencing" provision that may apply. If applicable, you won't be able to offset these rental losses against other income sources.

Reminder: Tax Evasion Is Illegal

Avoiding tax on your rental income can lead to serious consequences. Rental agents are required to report rental income to SARS, making it easy for them to identify discrepancies in your tax return. If you're found guilty of tax evasion, you could face hefty penalties or even imprisonment.

Consult a Tax Professional if You're Unsure

Navigating tax deductions can be tricky. If you're uncertain about your tax return, it's wise to seek advice from a financial adviser or tax consultant who can assist you through the process.

