



Thabazimbi Local Municipality

Draft Property Rates Policy

2020/21

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PROPERTY RATES POLICY

1. LEGISLATIVE CONTEXT

1.1. This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.

1.2. In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.

1.3. In terms of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) a municipality in accordance with-

- a. Section 2(1), may levy a rate on property in its area; and
- b. Section 2(3), must exercise its power to levy a rate on property subject to-
 - i. Section 229 and any other applicable provisions of the Constitution;
 - ii. the provisions of the Property Rates Act and any regulations promulgated in terms thereof; and
 - iii. the rates policy.

1.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.

1.5 In terms of Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy.

1.6 This policy must be read together with, and is subject to the stipulations of the Local *Draft Rates Policy*

Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and any regulations promulgated in terms thereof from time to time.

- 1.7 In terms of section 13 of the Local Government: Municipal Systems Act no.32 of 2000 as amended; the Bushbuckridge Local Municipal (“the municipality”) hereby published the Property Rates By-laws set forth hereinafter, which have been made by the Municipality in terms of section 6 of the Local Government: Municipal Property Rates Act 6 of 2004

PREAMBLE

Whereas:

- I It is enshrined in Section 229 of the Constitution (Act 108 Of 1996) that a municipality may impose rates on property within a regulatory framework.
- II The Municipal Property Rates Act, 2004 (Act no. 6 of 2004) (MPRA) provides the regulatory framework to which the municipality must comply with when imposing rates on the property, which includes but is not limited to:
 - 1.II.1 The adoption of a rates policy will be implemented and made effective by way of a Rates By-Law;
 - 1.II.2 Criteria for determination of categories of properties and differential rates for each category of properties;
 - 1.II.3 Criteria to be applied for granting rates relief measures;
 - 1.II.4 Levying of rates in sectional title schemes;
 - 1.II.5 Appointment of a municipal valuer for preparation of a general valuation roll and supplementary valuation roll(s).
- III In terms of section 4(1)(c)(ii) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), read with section 2 of the said Local Government Municipal Property Rates Act, the municipality has the right to finance the affairs of the municipality by imposing,

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inter-alia, rates on property. In terms of section 4(2) of the Local Government: Municipal Systems Act, 2000 (32 of 2000), council of a municipality, within the municipality's financial and administrative capacity and having regard to practical considerations, has the duty to-

- 1.III.1 Exercise the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the local community;
 - 1.III.2 Provide, without favour or prejudice, democratic and accountable government;
 - 1.III.3 Encourage the involvement of the local community;
 - 1.III.4 Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner;
 - 1.III.5 Consult the local community about-
 - 1.III.5.1 The level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider; and
 - 1.III.5.2 The available options for service delivery.
 - 1.III.6 Give members of the local community equitable access to the municipal services to which they are entitled;
 - 1.III.7 Promote and undertake development in the municipality;
 - 1.III.8 Promote gender equity in the exercise of the municipality's executive and legislative authority;
 - 1.III.9 Promote a safe and healthy environment in the municipality;
 - 1.III.10 Contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution; and
- IV Further, a municipality must in the exercise of its executive and legislative authority respect the rights of citizens and those of other persons protected by the Bill of Rights.

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- V In terms of section 62 of the Local Government: Municipal Finance Act, 2003 (Act 56 of 2003), the Municipal Manager must ensure that the municipality has and implements a rates policy embodied in a by-law as per section 6 of the said Local Government: Municipal Property Rates Act.

2. DEFINITIONS

Definitions, words and expressions as used in the Act are applicable to this policy document wherever it is used;

- 2.1 “**Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) as amended
- 2.2 “**Agricultural Property**” means a property that is used primarily for agricultural purposes but, without derogating from section 9 of the Act, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of ecotourism or for the trading in or hunting of game (*Amended by s1 of Act 29 of 2014*); In relation to Agricultural Property as per the rates policy read in conjunction with the MPRA agricultural property will be rated as per the Rate Ratio promulgated under Government Notice R. 363 published in Government Gazette No. 32061, Vol 525 of 27 March 2009, as amended by Government Notice No. R. 195 published in Government Gazette No. 33016, Vol. 537 of 12 March 2010

Agricultural property” means farm property that is used for gain for the purpose of the cultivation of soils for the purposes of planting and gathering of crops; forestry in the context of planting and growing of trees in a managed and structured fashion; the rearing of livestock and the propagation and harvesting of fish, excluding property used for the purposes of eco-tourism or for the accommodation of members of the public for gain; and it excludes property on which game is reared, traded or hunted and any portion on such property used for the accommodation of visitors.

Farm properties outside of the meaning of ‘**agricultural property**’ as defined above shall be rated according to the rates policy as far as it applies to those categories of property (i.e. Residential, business & commercial, industrial)

- 2.3. “**Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) as amended
- 2.4. “**Bona fide Farmer**” refers to the active pursuit by a person /institution for primary income generation from agricultural activities on a specific property or a group of agricultural properties forming part of the specific farming activity.
- 2.5. “**Category**” (a) in relation to property, means a category of properties determined in terms of section 8: and (b) in relation to owners of properties, means a category of owners determined in section 15(2) of the Municipal Property Rates Act
- 2.6. “**Market value**”, in relation to a property, means the value of the property determined in accordance with section 46;
- 2.7. “**Municipal Council**” means elected members of the local legislature in terms of Chapter 4: Municipal Structures Act no 117 of 1998;
- 2.8. “**Municipality**” means the municipality of Bushbuckridge Local Municipality MP325;
- 2.9. **Mining property**’ means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002)
- 2.10. **Multiple-use properties** refer to property where there is a combination of different categories of property on the same registered property and where the market value of each is apportioned on the valuation roll;
- 2.11. **MPRA** the Municipal Property Rates Act as amended
- 2.12. “**Permitted Use**”, in relation to a property, means the limited purposes for which 30
the property may be used in terms of -
a) any restrictions imposed by -

- i) a condition of title;
- ii) a provision of a town planning or land use scheme; or
- iii) any legislation applicable to any specific property or properties;

2.13. “**Privately owned towns serviced by the owner**” means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all services inclusive of water, electricity, sewerage and refuse removal and roads development are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

2.14. “**Ratio**”, in relation to section 19, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties:

2.15. “**Residential property**” means improved property that:

- a) is used predominantly for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.
- b) is a unit registered in terms of the Sectional Title Act and used predominantly for
- c) residential purposes.
- d) Is owned by a share-block company and used solely for residential purposes.
- e) Is a residence used for residential purposes situated on property used for or
- f) related to educational purposes.
- g) And specifically exclude vacant land irrespective of its zoning or intended use.
- h) Residential property shall include smallholdings and farms used as residential unless the owner can provide sufficient proof to the Chief Financial Officer that

he/she/it is conducting bona fide and sustainable farming activities on such property; provided that the keeping of animals or plants for sports and / or recreational activities shall not be deemed to be bona fide use for agricultural purposes; provided further any such activities that are merely incidental to the primary use of the property shall not be taken into account. In its exercising as to whether proof is provided the Chief Financial Officer shall inter alia take the following into account in exercising its' discretion:

- i) Income and expenditure statements
 - ii) The actual primary use of the property
 - iii) Provision of an income Tax Clearance Certificate issued by the South African Receiver of Revenue in respect of such agricultural activities.
- i) Where an uncompleted residential property has being erected or in progress of being erected a supplementary valuation will be done from time to time based on the value of the uncompleted structure. On completion or on issuing of occupation certificate whichever comes 1st a further supplementary will be done to ensure a market related value is rated according to the correct category. Rating of these uncompleted residential properties will be done rated according to the zoning of the property as per 6.1 of this policy and the Act 8. (1) (a), (b) & (c)

2.16. **“Surveyed Property”** means properties which appears on the maps of the Surveyor General but are not yet registered with the South African Deeds Office.

2.17. **“Organ of State”** means an organ of state as defined in section 239 of the Constitution;

2.18. **“Vacant Land”** as a property category for the levying of different rates, means any land, other than farm property and / or smallholding, where no immovable improvements have been erected,

3. POLICY PRINCIPLES

- 3.1. Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.
- 3.2. As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in clause 7 and 8 of this policy. Some categories of property and categories of owners are granted relief from rates as contemplated in clause 11 to 13 of this policy. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.
- 3.3. There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 16 of this policy.
- 3.4. In accordance with section 3(3) of the Act, the rates policy for the municipality is based on the following principles:

(a) Equity

The municipality will treat all ratepayers with similar properties the same.

(b) Affordability

The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions or rebates.

(c) Sustainability

Rating of property will be implemented in a way that:

- ii) it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
- iii) Supports local social economic development.

(d) Cost efficiency

Rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account surpluses generated on trading (water, electricity) and economic (refuse removal, sewerage removal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

3.5. The use of property rates

It must be understood that property rates is a tax and is not in relation to any specific service to be rendered. Municipalities collect the property tax revenue to fund public health, public safety. Other examples of the use of rates are installing and maintaining the streets sidewalks, lighting and storm water drainage and building and operating clinics, parks and recreational activities. It is also used to fund municipal administration, such as computer equipment, stationery, and cost of governance, such as community and council meetings. Property rates are used to fund services that benefit the community as a whole as opposed to individual metered and individual households.

4. SCOPE OF THE POLICY

- 4.1. This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the applications of the various property rates are published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

5. APPLICATION OF THE POLICY

- 5.1 Council shall as part of each annual operating budget component, impose a rate in the rand on the market value of all rateable properties as recorded in the Municipality's Valuation Roll and Supplementary Valuation Rolls.
- 5.2 The Municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

- 5.3 Rateable property shall include property on which a municipality may in terms of section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the MPRA

6. DIFFERENTIAL RATES

- 6.1. In terms of section 19 of the MPRA the municipality may levy different rates for different categories of rateable property as determined in subsection (2) and (3) of the Act, which categories **must** be determined according to the-

- (a) use of the property;
- (b) permitted use of the property/approved Zoning; or
- (c) **a combination of (a) and (b)**

7. CATEGORIES OF PROPERTY

- 7.1 Different rates may be levied in respect of the following categories of rateable properties as prescribed in **section 8 of the Act**

Categories of rateable property for purposes of levying differential rates

- (a) Residential properties
- (b) Business and commercial properties
- (c) Industrial properties
- (d) Mining properties
- (e) State-owned properties use for public service purposes
- (f) Public Service Infrastructure properties
- (g) Agricultural properties

- (h) Agricultural properties use for eco-tourism or hunting / trading and rearing of game
- (i) Properties used for multiple purposes
- (j) Public Benefit Organisation
- (k) Vacant Land
- (l) Private Open Space
- (m) Religious use

As per section 9.2 of the Act the following criteria will apply to the valuation and rating of multiple use properties within the Municipality:

- a) Apportionment of the market value of a property to the different purpose for which the property is used and;
- b) Application of the relevant rate to each of the components of the property, based on its value.

8. CATEGORIES OF OWNERS

8.1 For the purpose of granting exemptions, reductions and rebates in terms of clause 11, 12 and 13 of this policy, the categories of owners of properties are determined as follows:

8.1.1 **Indigent** - owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality;

8.1.2 Owners of property temporarily without income

8.1.3 Owners of residential properties.

8.1.4 Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

8.1.5 Pensioners

8.1.6 State Owned

8.1.7 Educational

8.1.8 Municipal Owned

8.1.9 Privately Owned Towns

8.1.10 Owners of Agricultural Property used for Residential Purposes

8.2 Properties eligible to Rate Ratios

8.2.1 Agricultural Properties

The rate applicable on agricultural property as contained in the definition of farm property, and as prescribed by the Municipal Property Rates Regulations which took effect from 1 July 2009:

The ratio in relation to residential property is:

Residential property 1:1 Agricultural property 1:0.25

8.2.2 Public Benefit Organisation properties

The rate applicable on property registered as Public Benefit Organisation, as prescribed by the Municipal Property Rates Regulations published in Government Notice No. 33016 of 12 March 2010 that took effect on 1 July 2010, may not exceed the ratio to the rate on residential properties where: The ratio in relation to residential property is:

Residential property 1:1 Public Benefit Organisation property 1:0.25

Tax certificate required every year to confirm status.

9. DIFFERENTIAL RATING

9.1 Criteria for differential rating on different categories of properties will be according to:

9.1.1 The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.

9.1.2 The promotion of social and economic development of the municipality.

9.2 Differential rating among the various property categories will be done by way of setting a different cent amount in the rand for each property category; and

9.3 by way of reductions and rebates as provided for in this policy document.

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10. EXEMPTIONS

10.1 The following categories of property are exempted from rates: -

(a) Municipal properties

Municipal **properties used by the municipality** are exempted from paying rates.

(b) Residential properties

All residential properties with a market value of less than **R15 000** are exempted from paying rates.

The impermissible rates contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality.

Exemptions will automatically apply, and no application is thus required.

10.2 The following categories of owners are exempted from rates;

a) Indigent owners are exempted from rates on condition that: -

Owners who qualify and are registered as indigents in terms of the adopted municipal indigent policy, will be exempted from rates.

10.3 Impermissible Rates: In terms of section 17(1) of the Property Rates Act the municipality may, inter alia, not levy a rate: -

a) On those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which

are not developed or used for commercial, business, residential or agricultural purposes.

- b) On mineral rights within the meaning of paragraph (b) of the definition of “property” in section 1 of the Act.
- c) On a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses **ten years** (10) from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds.
- d) **On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.**
- e) On the first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality for residential properties; and for properties used for multiple purposes, only on the component of the property that is used for residential purposes.

Note:

*93A. Transitional arrangement: **Public service infrastructure** (Added by s35 of Act 29 of 2014)
(1) The prohibition on the levying of rates on public service infrastructure referred in section 17(1) (aA) must be phased in over a period of five municipal financial years, with effect from the date of commencement of this Act. (Added by s35 of Act 29 of 2014)*

The percentage rebates granted to different gross monthly household income levels will be determined according to the schedule attached in annexure “c”

11. REDUCTIONS

11.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad-hoc* basis in the event of the following:

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11.1.1 Partial to total destruction of a property to such an extent that it is totally uninhabitable.

11.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

11.2 The following conditions shall be applicable in respect of 11.1:

11.2.1 The owner referred to in 11.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the municipality that his property has been totally or partially destroyed. He/ she will also have to indicate to what extent the property can still be used and the impact on the value of the property.

11.2.2 Property owners will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).

11.2.3 A maximum reduction, to be determined on an annual basis, will be allowed in respect of both 11.1.1 and 11.1.2.

11.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.

11.2.5 If rates were paid in advance prior to granting of a reduction the municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

12. CATEGORIES OF OWNERS REBATES

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a) Privately owned towns serviced by the owner

The municipality grants an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in clause 2.4 of this policy. (if applicable)

b) Agricultural property

The ratio referred to in Gazette no. 32061 and 32062 issued on 27th of March 2009 as amended by regulation 9242 on 12 March 2010 makes provision that Public Service Infrastructure and Agricultural property per the approved ratio and will the property rates payable by owners of bone fide farming properties pay 25 % of the tariff charged to residential ratepayers. (No additional rebate will be given as the ratio relates to a 75% rebate in relation the residential rate charged.)

c) **Pensioners,**

Pensioners may receive a rebate as determined by the Council, subject to the following conditions: The applicant\s must be:

- i) Be registered owners of the property;
- ii) Must be 60 years or more of age upon application;
- iii) The property concerned must consist of one dwelling and no part thereof is sub-let, be occupied only by the applicant and his/her spouse, if any, and dependents without income;
- iv) Must submit proof of his/her age and a valid identity document;
- v) Must submit proof of monthly income from all sources (including the income of the spouse of the owner) and collectively should not exceed an amount of R XXXX per month as determined by Council (not exceeding XXXX per annum);
- vi) The applicant's account must be paid in full, or if not, an arrangement

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to pay the debt should be in place; and

- vii) The property must be categorised as “residential”.
- viii) Not be in receipt of an indigent assessment rate rebate;

Required proof and applications in approved format to be submitted to the delegated official of the municipality,

- d) **Disability grantees and/or Medical boarded** persons;

Disability grantees and/or Medical boarded persons may receive a rebate as determined by the Council, subject to the following conditions:

- i) Be registered owners of the property;
- ii) Provide medical proof of disability and/or certification by a medical Officer of Health;
- iii) The property concerned must consist of one dwelling and no part thereof is sub-let, be occupied only by the applicant and his/her spouse, if any, and dependents without income;
- iv) Must submit proof of his/her age and a valid identity document;
- v) Must submit proof of monthly income from all sources (including the income of the spouse of the owner) and collectively should not exceed an amount of R XXXX as determined by Council (not exceeding R XXXXX per annum);
- vi) The applicant’s account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
- vii) The property must be categorised as “residential”.

viii) Not be in receipt of an indigent assessment rate rebate; These rebates will lapse: \

1.viii.1 On death of applicant;

1.viii.2 On alienation of the property;

1.viii.3 When applicant ceases to reside permanently on the property;

1.viii.4 On 30 June of each year;

Required proof and applications in approved format to be submitted to the delegated official of the municipality,

e) Owners of Agricultural Property used for Residential Purposes

Rebate as per Annexure

13. PAYMENT OF RATES

13.1. The rates levied on the properties shall be payable:

a) on a monthly basis; or

13.2. The municipality shall determine the due dates for payments in monthly instalments.

13.3. Interest on arrears rates shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.

13.4. If a property owner who is responsible for the payment of property rates in terms of this policy, fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control, Debt Collection and Indigent policy of the Municipality.

13.5. Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act as follows:

13.5.1. If an amount, due for rates levied on a property, is not paid by the owner by the due date as shown on the account and no reaction is forthcoming from the owner

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after two written reminders have been issued, the municipality shall recover the amount in full or partially as follows:

- 13.5.2. From the agent who is lawfully responsible to collect commission or rental in respect of the property concerned;
 - 13.5.2.1. From a tenant or occupier of the property, only after an attempt was made to collect it from an agent refer to in 13.5.1.1 but such attempt was unsuccessful or no such agent exists or only a part of the outstanding amount could successfully be recovered.
 - 13.5.3. The amount recoverable is limited to the amount as stipulated in the Act and it may only be recovered after written notice has been served on the party concerned (tenant, occupier or agent) of the rates due and payable, but not yet paid by the owner of the property.
 - 13.5.4. The notice referred to in 13.5.2 shall give the party concerned at least 14 calendar days to pay the outstanding rates.
- 13.6. Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.
- 13.7. In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

14. ACCOUNTS TO BE FURNISHED

- 14.1. The municipality will furnish each person liable for the payment of rates with a written account, which will specify:
 - (i) the amount due for rates payable;

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- (ii) the date on or before which the amount is payable;
- (iii) how the amount was calculated;
- (iv) the market value of the property; and
- (v) rebates, exemptions, reductions or phasing-in, if applicable.

14.2. A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.

14.3. In the case of joint ownership, the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

15. FREQUENCY OF VALUATION

15.1. The municipality shall prepare a new valuation roll every 5 (four) years, with the option to extend the validity of the valuation roll to 6 (five) years with the approval of the MEC for Local Government and Housing in the province.

15.2. Supplementary valuations will be done on a continual basis to ensure that the valuation roll is properly maintained.

16. COMMUNITY PARTICIPATION

16.1. Before the municipality adopts the rates policy, the municipal manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:

- 16.1.1. Conspicuously display the draft rates policy for a period of at least 30 days at the municipality's head and satellite offices and libraries (and on the website).
- 16.1.2. Advertise in the media a notice stating that the draft rates policy has been prepared for submission to council and that such policy is available at the various municipal offices and on the website for public inspection (property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a prescribed fee per copy). Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.
- 16.1.3. Council will consider all comments and/or representations received when considering the finalisation of the rates policy.

17. REGISTERS OF PROPERTIES

- 17.1. As per Section 23 of the MPRA the municipality must draw up and maintain a register in respect of **all** properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.
- 17.2. Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.
- 17.3. Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:
 - i. Exemption from rates in terms of section 15 of the Property Rates Act,
 - ii. Rebate or reduction in terms of section 15,
 - iii. Phasing-in of rates in terms of section 21, and
 - iv. Exclusions as referred to in section 17.
- 17.4. The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality.
- 17.5. The municipality will update Part A and part B will be updated on a continuous basis.

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18. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY

- 18.1. As required by section 6 of the MPRA the **municipality will adopt By-laws** to give effect to the implementation of the Rates Policy and such By-laws may differentiate between different categories of properties and different categories of owners of properties liable for the payment of rates.

19. REGULAR REVIEW PROCESSES

- 19.1. The rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives, legislation and to ensure that it accommodates and take into account the local economic factors within the jurisdiction of the municipality each year before and during the budget process is finalised.

20. GENERAL REQUIREMENTS

- 20.1. Council pledges to itself to limit each annual increase as far as practicable to the increase in the consumer price index over a period preceding the financial year to which the increase relates and as allowed by the relevant legislation and instruction from National Treasury.

20.2. Handling of errors and omissions:

- a) Where the rate levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use of the property concerned , the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission was detected back to the date on which rates were first levied in terms of the current valuation roll. These adjustments to be done taking into account the legislation in regard to the Municipal Property Rates Act.
- b) Where the error occurred because of false information provided by the property owner or as a result of the contravention of the permitted use of the property

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concerned, clause 20.2(a) will apply and interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation;

ANNEXURES -NOTES (DRAFT POLICY)

As per section :8 of the policy document: Pensioners

Minimum Gross Monthly Household income	Maximum Gross Monthly Household income	% Rebate
R0	R1,800	60%
R1,801	R3,500	50%
R3,501	R5,000	40%
R5,001	R6,500	30%
R6,501	R8,500	10%
R8,501	R10,000	5%

Section 23 Act: NOTED

Part 5: Municipal register of properties

23. Register of properties

- (1) A municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B.
- (2) Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the municipality prepared in terms of section 78.
- (3) Part B of the register must specify which properties on the valuation roll or any supplementary valuation rolls are subject to-
 - (a) an exemption from the rate in terms of section 15;
 - (b) a rebate on or a reduction in the rate in terms of section 15;
 - (c) a phasing-in of the rate in terms of section 21; or
 - (d) an exclusion referred to in section 17(1) (a), (e), (g), (h) and (i).
- (4) The register must be open for inspection by the public during office hours. If the municipality has an official website or another website available to it, the register must be displayed on that website.
- (5) A municipality must at regular intervals, but at least annually, update Part B of the register. Part A of the register must be updated in accordance with the provisions of this Act relating to the updating and supplementing of valuation rolls.

Property categories explained:

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Property Categories:

Extract MPRA as Amended (NOTED)

8. Differential rates

- (1) Subject to section 19, a municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property, determined in subsection (2) and (3), which must be ~~[may include categories]~~ determined according to the- *(Amended by s6 of Act 29 of 2014)*
- (a) use of the property;
 - (b) permitted use of the property; or
 - (c) ~~[geographical area in which the property is situated.] a combination of (a) and (b).~~ *(Amended by s6 of Act 29 of 2014)*
- (2) A municipality must determine the following categories of rateable property ~~[that may be determined]~~ in terms of subsection (1): Provided such property category exists within the municipal jurisdiction ~~[include the following]:~~
- (a) Residential properties;
 - (b) industrial properties;
 - (c) business and commercial properties;
 - ~~(d) agricultural properties;~~
 - ~~(e) mining properties;~~
 - ~~(f) properties owned by an organ of state and used for public service purposes;~~
 - ~~(g) public service infrastructure properties;~~
 - ~~(h) properties owned by public benefit organisations and used for specified public benefit activities;~~
 - ~~(i) properties used for multiple purposes, subject to section 9; or~~
 - ~~(j) any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by Notice in the Gazette.~~ *(Amended by s6 of Act 29 of 2014)*
- (3) In addition to the categories of property determined in terms of subsection (2), a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of subsection (2). *(Amended by s6 of Act 29 of 2014)*
- (4)(a) Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in subsection (2), a municipality must apply to the Minister in writing for authorisation to create one or more such sub-categories.
- (b) Such application must-
- (i) be accompanied by a motivation for such sub-categorisation;
 - (ii) demonstrate that such sub-categorisation is not in contravention of section 19;
and

Multi use Properties:

Draft Rates Policy

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Extract MPRA (NOTED)

9. **Properties used for multiple purposes**
- (1) A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for-
- a purpose corresponding with the permitted use of the property ~~if the permitted use of the property is regulated~~; (Amended by s27 of Act 129 of 2008)
 - a purpose corresponding with the dominant use of the property; or
 - multiple purposes in terms of section 8 (2) ~~(i)~~ (i). (Amended by s7 of Act 29 of 2014)
- (2) A rate levied on a property assigned in terms of subsection (1) (c) to a category of properties used for multiple purposes must be determined by-
- apportioning the market value of the property, in a manner as may be prescribed, to the different purposes for which the property is used; and
 - applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments.

Department of Cooperative Governance and Traditional Affairs briefing

NCOP Cooperative Governance & Traditional Affairs

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11 March 2014

Chairperson: Mr H Mokgobi (ANC, Limpopo)

Meeting Summary

Property Rates Amendment Bill: Department of Cooperative Governance and Traditional Affairs briefing

The Department of Cooperative Governance and Traditional Affairs (COGTA) briefed the Committee on the Property Rates Amendment Bill, specifically the changes that had been effected to the original Bill by the National Assembly's Portfolio Committee, following the public engagement process. The first change was the removal of a reference to "game farming" from the revised definition of "agricultural property" so the position reverted to what was currently in the Municipal Property Rates Act (the Act), where the two activities were separately defined. This was done to counter fears that inclusion of game farming may encourage people to try to claim the 75% rebate. Secondly, municipalities would in future be able to add further sub-categories of property in addition to those specified in section 8 of the current Act, for good clause. A fifteen-month requirement would allow for sufficient notice to the Minister and time for the municipality to implement the change within the financial year. A transitional seven-year period was also included. The third change allowed the Minister to limit a property rating if a certain sector was able to persuade the Minister that it was too high, but it was clarified that the rating would not apply retrospectively.

Section 78: NOTED

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78. Supplementary valuations

- (1) A municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any rateable property-
- (a) incorrectly omitted from the valuation roll;
 - (b) included in a municipality after the last general valuation;
 - (c) subdivided or consolidated after the last general valuation;
 - (d) of which the market value has substantially increased or decreased for any reason after the last general valuation;
 - (e) substantially incorrectly valued during the last general valuation; ~~[(e)]~~ *(Deleted by s33 of Act 19 of 2008)*
 - (f) that must be revalued for any other exceptional reason; ~~[(f)]~~ *(Amended by s22 of Act 29 of 2014)*
 - ~~(g) of which the category has changed [-]; or (Amended by s26 of Act 29 of 2014)~~
 - (h) the value of which was incorrectly recorded in the valuation roll as a result of a clerical or typing error. *(Added by s26 of Act 29 of 2014)*
- (4) Rates on a property based on the valuation of that property in a supplementary valuation ~~[roll]~~ become payable with effect from ~~-(Amended by s26 of Act 29 of 2014)~~
- (a) the first day of the month following the posting of the notice contemplated in subsection (5) [the effective date of the supplementary roll,] in the case of a property referred to in subsection (1) (a) ~~[-(e)]~~ or (f); *(Amended by s26 of Act 29 of 2014)*
 - (aA) the first day of the month following the posting of the notice contemplated in subsection (5) in the case of property referred to in subsection 1 (a), (e), (f) or (h): Provided that in the case of a decrease in value in respect of a property referred to in subsection 1(e), the rates become payable on the date the property was incorrectly valued or the clerical or typing error was made; *(Added by s26 of Act 29 of 2014)*
 - (b) the date on which the property was included in the municipality, in the case of a property referred to in subsection (1) (b);
 - (c) the date on which the subdivision or consolidation of the property was registered in the Deeds Office, in the case of a property referred to in subsection (1) (c); ~~[(c)]~~ *(Amended by s33 of Act 19 of 2008)*
 - (d) the date on which the event referred to in subsection (1) (d) has occurred;
 - ~~(e) the date on which the change of category referred to in subsection (1) (g) occurred.~~ *(Amended by s33 of Act 19 of 2008)*

- 81. Provincial monitoring and reporting** *(Amended by s28 of Act 29 of 2014)*
- (1) The MEC for local government in a province must monitor whether municipalities in the province comply with the provisions of this Act.
- (1A) The critical milestones that must guide monitoring by the MEC for local government as contemplated in subsection (1) include, but are not limited to, whether-** *(Added by s28 of Act 29 of 2014)*
- (a) a municipality has determined a date of valuation for its general valuation in terms of section 31; *(Added by s28 of Act 29 of 2014)*
- (b) a municipality without in-house valuation capacity, has advertised for the appointment of a valuer by a date determined by the Minister by notice in the Gazette; *(Added by s28 of Act 29 of 2014)*
- (c) a municipality has designated a municipal valuer by a date determined by the Minister by notice in the Gazette; *(Added by s28 of Act 29 of 2014)*
- (d) the municipal manager has submitted a project plan in terms of subsection (1B); and *(Added by s28 of Act 29 of 2014)*
- (e) the municipal valuer has submitted a certified valuation roll to the municipal manager by the prescribed date. *(Added by s28 of Act 29 of 2014)*
- 33. Designation of municipal valuers**
- (1) A municipality must, before the date of valuation, designate a person as municipal valuer. A municipality may designate either one of its officials or a person in private practice as its municipal valuer.
- (2) If a municipality decides to secure the services of a person in private practice as its municipal valuer, it must-
- (a) follow an open, competitive and transparent process in accordance with Chapter 11 of the Municipal Finance Management Act; and
- (b) designate the successful bidder as its municipal valuer by way of a written contract setting out the terms and conditions of the designation.
- (3) A municipality must issue to the person designated as its municipal valuer an identity card in the prescribed format containing a photograph of that person.
- (4) A municipality may withdraw the designation of a person as its municipal valuer but only on the grounds of-
- (a) misconduct, incapacity or incompetence;
- (b) non-compliance with a provision of this Act;
- (c) under-performance; or
- (d) breach of contract, in the case of a person referred to in subsection (2).

Rating and the MPRA explained:

Why is there a need for the Municipal Property Rates Act?

- To regulate the power of a municipality to impose rates on property (in accordance with section 229(2) of the Constitution);
- To provide a uniform framework for regulating the rating of property throughout the country;
- To exclude certain properties from rating in the national interest;
- To make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through rating policies that are a product of collective participation of communities;

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- To make provision for fair and equitable valuation methods of properties;
- To make provision for a fair objections and appeal process regarding valuation of

property;

- To assist in building economically and financially viable municipalities that are enabled to meet the service delivery priorities of their communities.

What are municipal property rates?

Municipal property rates are a Cent amount in the Rand levied on the market value of immovable property (that is, land and buildings).

Municipalities have a long history of rating property in terms of the old Provincial Ordinances (of the former Cape, Natal, Orange Free State and Transvaal provinces), especially in the formerly white urban areas. In addition, the Constitution of the Republic of South Africa gives municipalities the power to value and rate property in their area of jurisdiction. The Municipal Property Rates Act replaces the old system of property valuation and rating based on the old Provincial Ordinances. It does not give municipalities the original power to rate property; it merely seeks to regulate an original power vested in municipalities by the Constitution.

Who is liable for the payment of municipal property rates?

All immovable property owners are liable for the payment of rates. Therefore, all property owners, including commercial, residential (homes), agriculture, government, etc, are included in the definition of property. Land tenure rights such as permission to occupy (PTOs) commonly found in communal areas, are also included in the definition of property. Municipalities must ensure that unit owners in sectional title schemes are registered with them because they will no longer be able to rate the body corporate.

How are municipal property rates determined?

The financial liabilities for municipal property rates are calculated by multiplying the market value of immovable property (for example, land and buildings) by a Cent amount in the Rand that a municipal council has determined. For example:

- If the market value of immovable property (land and buildings) is R 50 000, and o The Cent amount in the Rand is R0.015 (which is 1.5 Cent), then
- Amount due for property rates = $R50\ 000 \times 0.015 = R750$ for the whole year, which means that every month the property owner will pay R62.5 (this is calculated by dividing R750 by 12 as the year has 12 months) to the municipality.

If the immovable property in question is used as a residential property (home) or if it is used for multiple purposes, provided one or more of its components are used for residential purposes

- The Cent amount in the Rand will be applied after deducting the first R15 000 of the market value of such residential property (this is a requirement of law through the Municipal Property Rates Act), which means that the R0.015 will be applied to R35 000 rather than R50 000 (that is, R50 000 less R15 000).
- The rates payable by the homeowner will then be = $R35\ 000 \times 0.015 = R525$ for the whole year, which means that every month the property owner will pay R43.75 to the municipality.

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The Cent amount in the Rand is decided by the municipal council taking into account public comments/submissions/inputs on the municipal council's draft rates policy and budget that is subjected to the process of community participation in line with Chapter 4 of the Municipal Systems Act and the Municipal Finance Management Act.

Does the Municipal Property Rates Act require that both land and buildings be valued and rated?

Yes, the Act mandates that both land and buildings be valued together for the purposes of imposing a single Cent amount in the Rand on them. The practice of some municipalities of valuing and rating land only or valuing land and buildings separately (based on the old Provincial Ordinances) in order to impose different Cent amounts in the Rand on them will no longer be applicable in terms of the Act. This is important to ensure equitable treatment of property owners.

How will the Municipal Property Rates Act affect property owners?

The critical determinant of how much property owners will pay is the amount in the Rand each municipal council will determine for the various property categories.

The Act does not change the total revenue needs of municipalities, nor does it set the Cent amount in the Rand. Each municipality will continue to set and collect property rates in an amount sufficient to meet its needs, taking into account the likely impact of rates on local economic development, ratepayers and their ability to pay such rates.

Each municipality will have to properly manage the transition from its old rating practice to the new system based on the Act. All things being equal, municipalities that have not been rating on the market value of land and buildings combined, should consider reducing the Cent amount in the Rand drastically to ensure that there are no major shocks to ratepayers and economic sectors given that in terms of the Act, they will be raising revenue from an expanded rates base than before. Also, for all municipalities, when new valuations are done, from time to time, the Cent amount in the Rand should be reviewed, and if necessary reduced drastically to avoid creating major shocks to ratepayers.

For example, if the municipality was raising total rates income of R1 650 295 from residential/commercial property category based on rating land, whose rates base was worth R56 204 500 (total market value of all individual properties within the residential/commercial property category), and the new rates base, which is land and buildings, is worth R273 204 500 in market value, the municipality would have to drastically reduce the cent amount in the Rand, from about R0.029 to about R0.006.

2. Does the Municipal Property Rates Act contain checks and balances to protect property owners?

Yes. The act contains checks and balances to protect property owners. The Minister for Provincial and Local Government, with the concurrence of the Minister of Finance, can limit the Cent amount in the Rand that municipalities impose, if such proof can be provided that such a Cent amount in the Rand on specific category of properties is materially and unreasonably prejudicing national economic policies, economic activities across municipal boundaries or the national mobility of goods, services, capital or labour. Any sector of the economy, after consulting the relevant municipality or municipalities and organised local government, may, through its organised structures, request the Minister for Provincial and Local Government to evaluate evidence to the effect that a particular Cent amount in the Rand on any specific category of properties, or a rate on any specific category of properties above a specific Cent amount in the Rand, is materially and unreasonably prejudicing any of the matters mentioned above.

The Act also provides for the Minister for Provincial and Local Government, with the concurrence of the Minister of Finance, to set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased.

The Act provides for the MEC for Local Government in a province to monitor whether municipalities in a province comply with the provisions of the Act, including Ministerial decisions on the issues mentioned above.

What is property rates revenue used for?

Municipalities need a reliable source of revenue to provide basic services and perform their functions. Property rates are the most important source of general revenue for municipalities, especially in developed areas. Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities; and building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

Municipal property rates are set, collected, and used locally. National and provincial governments do not have the power to levy rates, nor do they share in the revenue collected. Revenue from property rates is spent within a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development Plans (IDPs) and budget processes, which municipalities invite communities to input prior municipal council adoption of the budget.

Does the Municipal Property Rates Act provide for any exclusions from rating?

Section 229(2) of the Constitution provides for national legislation to regulate municipalities' power to levy property rates. In terms of the Act, certain exclusions from rating are made. These include:

- The first R 15 000 of the market value of residential property;
- Land reform beneficiaries' property, for 10 years, provided that the property does

not change hands;

- The first 30% of the market value of publicly controlled service infrastructure as defined in the Act;
- The right to prospect for minerals;

3.

- Property registered in the name of and used primarily as a place of public worship by a religious community, including the associated official residence occupied by an office-bearer of that community who officiate at services at that place of worship;
- Parts of special nature reserves, national parks, nature reserves or botanical gardens within the meaning of the relevant legislation, except where commercial activities take place within them;
- Any island of which the State is the owner.

Does the Municipal Property Rates Act make provision for municipalities to grant exemptions, rebates and reductions?

In terms of the Act municipalities may provide for exemptions, rebates, and reductions in their rates policies based on local conditions and circumstances. The cost of such locally determined exemptions, rebates, and reductions must be considered by the municipal council in relation to the benefit received by the local community from such relief measures. For purposes of granting

exemptions, rebates, and reductions in respect of owners of categories of properties, such categories must include the following:

- Indigent owners;
- Owners dependent on pensions or social grants for their livelihood;
- Owners temporarily without income;
- Owners of property situated within an area affected by –
 - (i) a disaster within the meaning of the Disaster Management Act (2002); or
 - (ii) any other serious adverse social or economic conditions;

- Owners of residential properties with a market value lower than an amount determined by the municipality; or
- Owners of agricultural properties who are bona fide farmers

What must municipalities do to implement the Municipal Property Rates Act?

Municipalities are required to:
Develop rates policies

Strengthen internal capacity to conduct valuations Prepare general property valuation rolls
Consult the community on their draft rates policies

4. Adopt rates policies

- Adopt by-laws to give effect to the adopted rates policies
 - Gazette the property valuation rolls for public inspection outlining also the process of raising objections
 - Outline to the public the appeal process regarding outcome of objections
- What must ratepayers do to effectively participate in the implementation of the

Municipal Property Rates Act?

- Chapter 4 of the Municipal Systems Act requires a culture of community participation in the affairs of the municipality to be developed.
- Ratepayers have got a responsibility to engage with their municipalities when municipalities invite public comments/submissions/inputs on their proposed rates policies and budgets. The rates policies deal with issues such as the Cent amount in the Rand that the municipal council propose imposing, relief measures to ratepayers such as granting of exemptions, rebates, and reductions in respect of owners of categories of properties, for example, to

Indigent owners;

Owners dependent on pensions or social grants for their livelihood;

Owners temporarily without income;

Owners of property situated within an area affected by –

- – a disaster within the meaning of the Disaster Management Act (2002); or
- – Any other serious adverse social or economic conditions;

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- Ratepayers should comply with municipal requests within the stipulated timeframes that municipalities will publicly announce regarding inspections of property valuation rolls and if necessary lodging objections in respect of market values of specific individual properties.
- Raising concerns after municipal councils have already approved municipal rates policies and budgets or after expiry of the objections period will not achieve meaningful results. Communities need to proactively and constructively engage with their municipalities on valuation and rating issues.

How to lodge objections regarding the determined market value of the property

- After a municipality has completed its valuation of immovable properties within its jurisdiction and produced a property valuation roll, the municipality invites members of the public to inspect the property valuation roll within a stipulated timeframe, and to raise objections within a stipulated timeframe.
- The municipality also forward each immovable property owner with an extract of the property valuation roll pertaining to that owner's property.
- Should the immovable property owner be not satisfied with the market value of his/her property reflected in the property valuation roll, such immovable property owner should approach his/her municipality to lodge objections citing reasons behind such objections.

5. The law requires that the objector continue paying rates while his/her objections are being processed and finalised. On finalisation of the consideration of objections, if there is evidence that the market value reflected on the property valuation roll is wrong, the law requires the municipality to correct the situation, and where such correction results in rates refunds to the ratepayer, the municipality is obliged to refund the ratepayer. In a case where the ratepayer's property was undervalued, the ratepayer is obliged to pay the additional rates to the municipality.