

**MAKHADO  
LOCAL MUNICIPALITY**

**SECOND DRAFT**

**PROPERTY RATES POLICY**

**24 NOVEMBER 2005**

## INDEX

	<u>Page</u>
A. INTERPRETATION .....	2
1. PURPOSE OF THE POLICY .....	2
2. LEGAL REQUIREMENTS .....	2
3. IMPOSITION OF PROPERTY RATES .....	3
4. CATEGORIES OF RATEABLE PROPERTIES .....	3
5. EXEMPTIONS, REBATES AND REDUCTIONS ON RATES .....	5
6. PHASING IN OF RATES .....	8
7. SPECIAL RATING AREAS .....	8
8. LIABILITY FOR AND RECOVERY OF RATES .....	10
9. GENERAL VALUATION OF RATEABLE PROPERTY .....	10
10. METHOD AND TIME OF PAYMENT .....	10
11. RECOVERY OF RATES IN ARREARS FROM TENANTS, OCCUPIERS OR AGENTS..	11
12. CORRECTION OF ERRORS AND OMISSIONS .....	12
13. GENERAL .....	12

**MAKHADO LOCAL MUNICIPALITY**  
**PROPERTY RATES POLICY**

**A. INTERPRETATION**

**Definitions**

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

“**Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004)

**1. PURPOSE OF THE POLICY**

1.1 The purpose of this policy is to give effect to the stipulations of the Act, specifically to the stipulations of section 3. In terms of this section the municipality is obliged to formulate a policy on the levying of rates on rateable property in the municipal area that is consistent with the Act.

1.2 It is furthermore the purpose of this policy to formulate objective, fair and transparent policy principles in respect of all the discretionary powers refer to in the Act in such a manner that it will contribute to effective and economic service delivery to the entire community, taking into account the historical imbalances within communities, as well as the burden of rates on the poor.

**2. LEGAL REQUIREMENTS**

2.1 This policy has been compiled in accordance with section 3 of the Municipal Property Rates Act 2004, Act 6 of 2004, including any regulations promulgated in terms of the Act with due observance of all other relevant legislation;

2.2 Where this policy contradicts legislation, such legislation has preference over this policy.

2.3 All discretionary powers created in terms of this policy shall be exercised diligently and strictly in accordance with policy principles. Such powers can only be delegated as provided for in the delegation policy of the municipality and the contents of this policy.

2.4 Public participation in the compilation and maintenance of this policy is regarded as essential and shall be applied in a responsible, transparent and all-inclusive manner.

### **3. IMPOSITION OF PROPERTY RATES**

- 3.1 The municipality shall, as part of its annual operating budget process, impose a Cent amount in the Rand on the market value of all rateable immovable property recorded in the valuation roll and supplementary valuation roll/(s) of the municipality.
- 3.2 In determining the tariff referred to in 3.1 the municipality shall take into account the following:-
- 3.2.1 The estimated income and expenditure for the particular financial year;
  - 3.2.2 The overall financial situation of the municipality;
  - 3.2.3 The cost of rendering and maintaining services;
  - 3.2.4 The services that do not generate income or that are being rendered at a loss;
  - 3.2.5 The impact of the proposed tariff on indigent members of the community;
  - 3.2.6 The limitation on increases permissible in terms of section 20 of the Act;
  - 3.2.7 The current inflation level; and
  - 3.2.8 Inputs and/or comments of the public on the proposed tariff.

### **4. CATEGORIES OF RATEABLE PROPERTIES**

- 4.1 Different rates can be levied in respect of the following categories of rateable properties and will be determined on annual basis during the compilation of the annual budget:-
- 4.1.1 Residential properties 1, 2 and 3;
  - 4.1.2 Industrial properties;
  - 4.1.3 Business/office properties;
  - 4.1.4 Business/commercial properties;
  - 4.1.5 Farm properties (including small holdings) used for:-
    - Agricultural purposes only;
    - Commercial purposes;
    - Industrial purposes;

- Residential purposes;
  - Recreational purposes such as sport farms and/or resorts or game farms;
  - Mining purposes;
  - A combination of above purposes;
- 4.1.6 Farm properties not used for any purpose;
- 4.1.7 State owned properties;
- 4.1.8 Municipal properties;
- 4.1.9 Public service infrastructure referred to in the Act;
- 4.1.10 Privately owned towns serviced by the owner;
- 4.1.11 Informal settlements;
- 4.1.12 State trust land;
- 4.1.13 Communal land as defined in section 1 of the Communal Land Rights Act of 2004;
- 4.1.14 Properties-
- acquired through the Provision of the Land and Assistance Act, 1993(Act 126 of 1993), or the Restitution of Land Rights Act, 1994 (Act 22 of 1994); or
  - Properties subject to the Communal Property Associations Act, 1996 (Act 28 of 1996);
- 4.1.15 Protected areas;
- 4.1.16 Properties on which national monuments are proclaimed;
- 4.1.17 Properties owned by Public Benefit Societies;
- 4.1.18 Properties used for multiple purposes.
- 4.2 In determining the category of a property referred to in 4.1 the municipality shall take into consideration the following criteria or a combination thereof:-
- The formal zoning of the property;

- Township establishment approvals;
- The lawful use of the property;
- Permitted use of the property; and
- The geographical area in which the property is situated.

4.3 In order to create certainty and to ensure consistency the criteria mentioned in 4.2 shall be applied as indicated below in order of priority and no deviation is permissible:

4.3.1 Properties shall first of all be categorised in accordance with their formal zoning. Town planning schemes, town establishment schemes and town planning regulations may be used to determine the formal zoning.

4.3.2 If, for whatever reason, the status or zoning of a property cannot be determined in terms of 4.3.1 the lawful use shall then be determined in order to appropriately categorise such property. All relevant information, including circumstantial evidence, may be taken into consideration in an attempt to determine for what purpose the property is being used. A physical inspection may be done to acquire the necessary information.

4.3.3 If the lawful use and the permitted use differ the latter shall prevail. This normally occurs when the zoning or status of the land is enhanced and naturally its value as well.

4.3.4 The geographical area in which a property is situated may be used to assist in the categorisation of a property when the provisions of 4.3.1 can not be applied. However, the geographical area as a criterion should not be used in isolation.

4.4 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act, which is a purpose corresponding with the dominant use of the property.

## **5. EXEMPTIONS, REBATES AND REDUCTIONS ON RATES**

5.1 Property owners owing a residential property and classified as indigent in terms of the municipal indigent policy shall be exempted from the payment of rates in terms of Section 15 of the Act.

5.2 Property owners, set out below, may qualify for rebates that will be determined on annual basis during the compilation of the annual budget determined on annual basis.

5.2.1 Registered public benefit societies involved in the care of abandoned, homeless, abused, neglected or orphaned kids.

- 5.2.2 Registered public benefit societies involved in the care of old aged people in need of support.
- 5.2.3 Registered public benefit societies involved in the care of mentally or physically disabled, abused or traumatised persons.
- 5.2.4 Public schools.
- 5.2.5 Private schools.
- 5.2.6 Other government owned properties.
- 5.2.7 Indigent property owners.
- 5.2.8 Other low income property owners.
- 5.2.9 Farm property owners who are *bona fide* farmers.

The following conditions shall apply in respect of the rebates mentioned in 5.2:

- 5.3.1 The property owners referred to in 5.2.1, 5.2.2 and 5.2.3 shall not qualify automatically for the rebate. Written proof of their registration as public benefit societies must be submitted to the Chief Financial Officer whereupon the rebate will be implemented with effect from the ensuing month. No rebate will be implemented retrospectively.
  - 5.3.2 The indigent property owners referred to in 5.2.7 include those property owners formally registered as indigents in terms of the municipal indigent policy.
  - 5.3.3 The low income property owners referred to in 5.2.8 are those who do not qualify as indigents referred to in 5.3.2 but whose total household income is less than an amount to be determined by the Municipality on annual basis. Annual proof of income will be required in respect of these property owners.
- 5.4 The rebates referred to in 5.2 will be reviewed annually. The following shall always be taken into account whenever rebates are considered by the municipality:
- 5.4.1 The financial sustainability of the municipality and the cost of services to be provided from assessment rates income.

- 5.4.2 The inability of residential property owners to carry the burden of rates, as opposed to the ability of owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with the goods which they produce or services that they render.
- 5.4.3 The need to accommodate indigents and less affluent pensioners.
- 5.4.4 The extent of services provided to the community.
- 5.4.5 The value of agricultural activities to the local economy coupled with the limited municipal services extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities.
- 5.5 Contingency rebates will be considered on an *ad-hoc* basis in the event of the following:
  - 5.5.1 Partial or total destruction of a property
  - 5.5.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).
- 5.6 The following conditions shall be applicable in respect of 5.5:-
  - 5.6.1 The owner referred to in 5.5.1 shall apply in writing for a rebate 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.
  - 5.6.2 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).
  - 5.6.3 A maximum rebate of 50% will be allowed in respect of both 5.5.1 and 5.5.2.
  - 5.6.4 A contingency rebate will normally not be given for a period in excess of 6 months. However, the municipality may give extension on application.
- 5.7 The municipal manager shall ensure that the revenues forgone in respect of the foregoing rebates are appropriately disclosed in each annual operating budget and in the annual financial statements and annual report, and that such rebates are also indicated on the rate accounts submitted to each property owner.



- 5.8 All exemptions, rebates and reductions, granted in terms of this policy, projected for a financial year must be reflected in the municipality's budget for that year as:-
- 5.8.1 Income on the revenue side; and
- 5.8.2 Expenditure on the expenditure side.
- 5.9 Only rebates as provided for in this policy document shall be considered and no other application for a rebate shall be entertained.
- 5.10 As mentioned in 5.1 no property owner will be exempted by the municipality from his liability to pay rates. However, the exemptions referred to in section 17 of the Act are obligatory of nature and the municipality is bound to adhere thereto. The financial impact of these exemptions will be closely monitored though and should it prove to be substantial the necessary application will be submitted to the Minister as provided for in section 18 of the Act.

## **6. PHASING IN OF RATES**

- 6.1 The rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.
- 6.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:
- First year : 75% of the relevant rate;
  - Second year : 50% of the relevant rate; and
  - Third year : 25% of the relevant rate.
- 6.3 No rates shall be levied on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, during the first year. Thereafter, the phasing-in discount on these properties shall be as indicated in paragraph 6.2 above.

## **7. SPECIAL RATING AREAS**

- 7.1 The municipality will, whenever deemed necessary, by means of a formal Council resolution determine special rating areas in consultation with the relevant communities as provided for in section 22 of the Act.

- 7.2 The following matters shall be attended to in consultation with the committee referred to in clause 7.3 whenever special rating is being considered:
- 7.2.1 Proposed boundaries of the special rating area;
  - 7.2.2 Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;
  - 7.2.3 Proposed improvements clearly indicating the estimated costs of each individual improvement;
  - 7.2.4 Proposed financing of the improvements or projects;
  - 7.2.5 Priority of projects if more than one;
  - 7.2.6 Social economic factors of the relevant community;
  - 7.2.7 Different categories of property;
  - 7.2.8 The amount of the proposed special rating;
  - 7.2.9 Details regarding the implementation of the special rating;
  - 7.2.10 The additional income that will be generated by means of this special rating.
- 7.3 A committee consisting of 6 members of the community of whom 3 shall be women will be established to advise and consult the municipality in regard to the proposed special rating referred to above. This committee will be elected by the inhabitants of the area concerned who are 18 years of age or older. No person under the age of 18 may be elected to serve on the committee. The election of the committee will happen under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no decisive powers.
- 7.4 The required consent of the relevant community shall be obtained in writing or by means of a formal voting process under the chairmanship of the Municipal Manager. A majority shall be regarded as 50% plus one of the households affected. Each relevant household, i.e. every receiver of a monthly municipal account, will have 1 vote only.
- 7.5 In determining the special additional rates the municipality shall differentiate between different categories as referred to in paragraph 4.

7.6 The additional rates levied shall be utilised for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.

7.7 The municipality shall establish separate accounting and other record-keeping systems, compliant with GAMAP/GRAP, for the identified area and the households concerned shall be kept informed of progress with projects and financial implications on an annual basis.

## **8. LIABILITY FOR AND RECOVERY OF RATES**

8.1 The liability for the payment of rates is in accordance with sections 24 and 25 of the Act. 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.

## **9. GENERAL VALUATION OF RATEABLE PROPERTY**

9.1 The municipality shall prepare a new valuation roll every 4 (four) years and supplementary valuation rolls every six months.

9.2 The first valuation roll prepared in terms of the Property Rates Act, 2004 (Act 6 of 2004, will take effect from the start of the financial year following completion of the public inspection period.

9.3 If the municipality does not have the human resource capacity to compile its own valuation roll the services of a suitably qualified valuer shall be obtained strictly in accordance with the supply chain management system. In an attempt to save costs in the preparation of the valuation roll the municipality may enter into partnerships with neighbouring municipalities. Such partnerships may be extended to make provision for the designation of a single valuer for the participating municipalities.

## **10. METHOD AND TIME OF PAYMENT**

10.1 Rates levied on properties shall be payable on a monthly basis on or before such date as indicated in the monthly municipal account.

10.2 Any property owner or his duly authorised representative may apply in writing on the prescribed application form to pay his rates annually or sixth-monthly and if approved the due dates for payment will be as follows:-

- On or before 31 December if it is payable annually; or
  - On or before 30 September and 31 March respectively if it is payable every 6 months.
- 10.3 The municipality must furnish each person liable for the payment of a rate with a written account specifying the data as required by section 27 of the Act and in accordance with the Credit Control and Debt Collection policy and by-law of the municipality.
- 10.4 A person is liable for the payment of the rates, whether or not a written account was received. If a person has not received a written account, that person must notify the municipality.

## **11. RECOVERY OF RATES IN ARREARS FROM TENANTS, OCCUPIERS OR AGENTS**

- 11.1 If an amount, due for rates levied on a property, is not paid by the owner by the due date as indicated in paragraph 10 and as shown on the account, the municipality shall recover the amount in full or partially as follows:
- 11.1.1 From the agent who is lawfully responsible to collect commission or rental in respect of the property concerned;
  - 11.1.2 From a tenant or occupier of the property, only after an attempt was made to collect it from an agent refer to in 11.1.1 but such attempt was unsuccessful or no such agent exists or only a part of the outstanding amount could successfully be recovered.
- 11.2 The amount recoverable in terms of 11.1 above 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 owner of the property.
- 11.3 The notice referred to in 11.2 shall give the party concerned at least 14 calendar days to pay the outstanding rates.

## **12. CORRECTION OF ERRORS AND OMISSIONS**

- 12.1 Where the rates levied on a particular property have been incorrectly determined, irrespective of whether it is because of an error or omission on the part of the municipality, 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 concerned.
- 12.2 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.

## **13. GENERAL**

- 13.1 This policy shall be adopted by the municipality upon completion of the public participation process as referred to in section 4 of the Act.
- 13.2 The municipality shall adopt a by-law in order to give effect to its policy as referred to in 13.1 immediately after adoption of the policy itself.
- 13.3 Rates will not be levied retrospectively.
- 13.4 This Policy, as well as the by-law if necessary, shall be reviewed annually and shall remain valid until amended.
- 13.5 The required property register shall be open for inspection in the office of the Chief Financial Officer and the public shall be notified accordingly in the newspaper of record of the municipality.
- 13.6 The municipality shall prepare a new valuation roll every 4 years and a supplementary roll every 6 months.

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