



MIDVAAL LOCAL MUNICIPALITY

DRAFT RATES POLICY IN TERMS OF THE LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATES ACT 6 OF 2004

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SECTION A: INTRODUCTION, DEFINITIONS AND PRINCIPLES

1. INTRODUCTION

The Local Government: Municipal Property Rates Act (2004) requires municipalities to develop and adopt rates policies in consistent with the Act on the levying of rates on ratable properties in the municipality. Herewith the proposed draft Rates Policy of *Midvaal Local Municipality* to which residents/members of the community were invited to make suggestions/recommendations to the municipality by 2nd January 2007.

The municipality needs a reliable source of revenue to provide basic services and perform its function in service delivery. Property rates are the most important source of general revenue for the municipality. 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, storm drainage, building and operating clinics, parks, and recreational facilities. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, 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. Revenue from property rates is spent within a municipality, where the residents and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development Plans (IDPs) and budget processes.

2. DEFINITIONS

"Act" means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);

"Agricultural Purposes" in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game,

"Business" means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.

"Illegal use" means any use that is inconsistent with or in contravention of the permitted use of the property.

"Improved" Any building where an occupation certificate was issued. Any equipment or machinery which, in relation to the property concerned, is immovable.

"Industrial" means a branch of trade or manufacturing, production assembling or processing of finished or partially finished products from raw materials or fabricated part, on so large scale that capital and labour are significantly involved.

"Mining" means any operation or activity for the purpose of extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto;

"Multiple use properties" means properties that cannot be assigned to a single category due to different uses.

"Municipal properties" means properties owned and exclusively used by the municipality.

"Newly ratable property" means any ratable property on which property rates were not levied by 30 June 2005, excluding a property that was incorrectly omitted from a valuation roll and for that reason was not rated before that date.

"Protected area" means an area that is or has to be listed in a register in terms of section 10 of the National Environmental Management : Protected Areas Act, 2003.

"Public Benefits Organisation" means property owned by public benefit organizations and used for any specified public benefit activity listed in item 1,2 and 4 of part 1 of the Ninth Schedule to the Income Tax Act .

"Public Service Infrastructure" means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams and water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a national railway system;
- (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) any other publicly used land as may be prescribed; or
- (h) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (g);

“Public worship” means a property registered into the name of and used primarily as a place of worship by a religious community, including a residence registered in the name of this community which is occupied by an office bearer of the community.

"Residential" means a suite of rooms which forms a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, commune, boardinghouse or hostel.

"State-owned properties" means properties owned by the State, which are not included in the definition of public service infrastructure in the Act. These properties will be taxed according to the zoning/use.

"Vacant land" means a land where no immovable improvements have been erected.

3. PRINCIPLES

The following principles will ensure that the municipality treats persons liable for rates equitably:

- Equity
The municipality will treat ratepayers with similar properties the same.
- 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.

SECTION B: CATEGORIES OF PROPERTIES

4. Criteria for categories of properties for the purpose of levying different rates

The municipality has determined categories of properties based on the use of the property.

Determined categories are:

- Residential properties
- Residential properties not used for any purpose
- Business and commercial properties
- Business and commercial properties not used for any purpose
- Industrial properties
- Industrial properties not used for any purpose
- Public service infrastructure
- Public Benefits Organisation
- Public worship and/or vicarage
- Sport grounds used for amateur sports
- Communal land
- Privately owned township serviced by the owner
- Farm properties used for Agricultural purposes(larger than 16ha)
- Farm properties used for business and Commercial purposes
- Farm properties used for Industrial purposes
- Farm properties used for Residential purposes(smaller than 16ha)
- Farm properties not used for any purposes(smaller than 16ha)
- Agricultural Holdings used for agricultural purposes(larger than 16ha)
- Agricultural properties used for Industrial purposes
- Agricultural properties used for Business and Commercial purposes

- Agricultural properties used for residential purposes(smaller than 16ha)
- Agricultural properties not used for any purpose (smaller than 16ha)
- State-owned properties:
- Municipal properties
- Protected areas
- Servitudes
- Properties used for multiple purposes

The categories of property specified above are further circumscribed as follows:

No	Category	Clarification
1.	Residential properties	All properties including farm, small holdings 16 hectares and less as well as sectional title properties that are used for residential purposes
2.	Residential vacant land	All properties zoned or the permitted use is for residential purposes but is undeveloped properties within a proclaimed township or a land development area.
3.	Sectional Schemes: Rights for further development	In accordance with the Sectional Title Schemes Act a developer has the right to reserve a

		<p>portion of the common property for future development, usually within a specified period of time. These units can either be horizontal or vertical extension of an existing building, or the erection of further units on the property. This is a typical scenario where the development is done in phases.</p>
4.	Township serviced by the owner	<p>Unproclaimed farmland where there is a township layout for which services are provided by the owner.</p>
5.	Properties used for multiple purposes	<p>Apportioning the market value of the property to the different purposes for which the property is being used.</p>
6.	Business and commercial properties	<p>All properties including farm, small holdings as well as sectional title properties used for business and or commercial purposes.</p>
7.	Business and	<p>All properties</p>

	commercial vacant properties	zoned or the permitted use is for business and commercial purposes but is undeveloped properties within a proclaimed township or a land development area.
8.	Industrial properties	All properties including farm, small holdings as well as sectional title properties used for Industrial purposes.
9.	Industrial vacant properties	All properties zoned or the permitted use is for industrial purposes but is undeveloped properties within a proclaimed township or a land development area.

10. Public Service Infrastructure All properties as defined per definition in the Act.

11.	Properties owned by Public benefit Organisations [Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962)	These categories of properties and or owners of properties are deemed to be not-for-gain institutions or organisations registered in the name of an institution or organization and
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		contribute services or benefits to the community. These institutions or organisations must either be registered as NPO's under the NPO Act, 71 of 1997, as amended or qualify for tax exemption as contemplated in Part 1, item 1, 2 and 4 of the Ninth Schedule of the Income Tax Act, 58 of 1962, as amended.
12.	Public worship and/or vicarage	Properties registered in the name of and used primarily as a place of 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 service at that place of worship. Property used for parking facility, camping sites not operating for gain. With approval of the Chief Financial officer properties

		registered in a name other than that of the religious organisation if it can be proven that the registration is merely to facilitate transfer of property into name of the religious community,
13.	Sports grounds used for amateur sport	A property registered in the communities name and used for amateur sport.
14.	Communal land	Exempt from rates on a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds.
15.	Agricultural properties used for agricultural purposes	All properties used for bona fida farming and agricultural purposes with the property owner deriving the principal source of income from the product of the land.
16.	Agricultural	This category will

	properties used for eco-tourism or conservation	have to be defined, we could not find a definition.
17.	State-owned properties	All properties owned by the State or an organ of state. Excluding all properties fall under Public Benefit Organisation Properties refer to Government Gazette No 33016 of 12 March 2010.
18.	Municipal properties	The following types of property owned by or vested in the Council are not rateable: (i) Public service (ii) infrastructure owned by the Council or a service provider, including Public service infrastructure vested in the Council by virtue of the provisions of Section 63 of the Local Government Ordinance, (Ordinance 17 of 1939) as amended; (ii) Refuse tip sites; (iii) Municipal burial grounds and

		<p>adjacent public open space within the burial ground precinct and municipal crematoria;</p> <p>(iv) Property used for the provision of public parks and zoned as Public open space and includes undeveloped municipal property which is for the purposes of this Policy deemed to be public open space;</p> <p>(v) Property used for culture, sporting and recreational facilities other than property subject to a registered lease in terms of the formalities in respect of Leases of Land Act, 1969 (Act No. 18 of 1969), in which case the area subject to the lease is separately rated;</p> <p>(vi) Municipal housing schemes Municipal properties rateable:</p> <p>The following types of property owned by</p>
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		<p>or vested in the Council are subject to rating:</p> <p>(i) Property leased to third parties in terms of a lease registered in terms of the Formalities in respect of easements of Land Act, 1969; and</p> <p>(iii) Municipal property used for purposes other than those specified.</p>
19.	Protected areas	All properties that are or have to be listed in the register referred to in Section 10 of the Protected Areas Act.
20.	Servitudes	Right belonging to one person, in property of another, entitling the former either to exercise some right of benefit in the property, or to prohibit the latter from exercising one or other of his normal rights of ownership.
21.	Township title properties	Be dealt together with unregistered erven,

		properties of which the certificate of registered title has not been issued and is not rateable.
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The following rate ratios shall be applicable on the **general property** rate tariff set by Council **for the 2011/2015 financial years:**

No.	Category	Ratio in relation to residential property
1.	Residential properties	1:0.53
2.	Residential vacant properties	1:1
3.	Sectional Schemes: Rights for further development	1:1
4.	Township serviced by owner	1:1
5.	Properties used for multiple purposes	-
6.	Business and commercial properties	1:1
7.	Business and commercial vacant properties	1:1
8.	Industrial properties	1:1
9.	Industrial vacant properties	1:1
10.	Public Service Infrastructure	1:0.25
11.	Public benefits organization	1:0.25
12.	Public worship and/or vicarage	-
13.	Sport grounds used for amateur sport	1:0.25
14.	Communal land (after lapse of 10 years after registration)	1:0.25
15.	Agricultural properties used for agricultural purposes	1:0.25
16.	Agricultural properties used for eco-tourism or conservation	1:0.25
17.	State owned properties	1:1
18.	Municipal properties	
19.	Protected areas	-
20.	Servitudes	1:0.25
21.	Township title properties	-

SECTION C: DIFFERENTIAL RATING

5. Criteria for differential rating on different categories of properties

The following has been taken into consideration for the purpose of differential rating:

- The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- Promotion of social and economic development of a municipality.
- Differential rating among the various property categories will be done by way of setting different Cent amount in the Rand for each property category rather than by way of reductions and rebates. This is much simpler for citizens to understand and thus promotes the principle of transparency.

SECTION D: RELIEF MEASURES RELATED TO CATEGORIES OF PROPERTIES AND CATEGORIES OF OWNERS OF PROPERTIES

6. Criteria for exemptions, rebates and reduction

The following will be taken into consideration for the purpose of granting exemptions, rebates and reductions:

- Indigent status of the owner of a property.
- Monthly income of the owner of a property.
- Age of the owner of a property.
- Residing address of the owner (must reside on the property).
- Market value of residential property below a determined threshold
- Social or economic conditions of the area where the owners of property are located e.g. an area declared by the national or provincial government to be a disaster area within the meaning of the Disaster Management Act, 2002.

7. Granting of exemptions, rebates and reductions

The exemptions, rebates and reductions will be considered after an application accompanied by relevant documents (e.g. SARS certificate, proof of pension or social grant, certified copy of ID document, affidavit, etc.) have been lodged with the municipality on an annual basis. These applications must reach the municipality before the end of February preceding the start of the new municipal financial year for which relief is sought.

8. Effect of rates to the poor and municipality's measures to alleviate rates burden

In order to alleviate rates burden on the poor, the following exemptions and rebates are proposed:

Exemptions:

- Properties owned and occupied by persons dependent on pensions or social grants to the amount of two times the amount of a government pension.
- The first R75 000.00 of the market value of all residential properties.

Rebates:

- A percentage of a portion of the value of improved residential property (excluding the exemption).

9. Effect of rates on public benefit organisations

Taking into account the effects of rates on Public Benefit Organisations performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, it is proposed that the following specified public benefits activities be exempted from rating

- Welfare and humanitarian, for example PBOs providing disaster relief.
- Health Care, for example PBOs providing counseling and treatment of persons afflicted with HIV and AIDS including the care of their families and dependents in this regard.
- Education and development, for example PBOs providing early childhood development services for pre-school children.

10. Effect of rates on public service infrastructure

Public Service Infrastructure will be rated as prescribed by the Regulations if any, otherwise as determined by Council.

11. Other exemptions

- 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 the church which is occupied by an office-bearer of that church who officiates at services at that place of worship in terms of section 17(1)(i) of the Act. The exemption is applicable also on a property registered in the name of and used primarily as a place of public worship by a religious community that do not erect buildings.
- Municipal properties that are not leased or rented out by the municipality

12. Reductions

Management of shocks

A municipality will limit rates shocks to property owners due to the increase in the market value of their properties as a result of the compilation and implementation of a new valuation roll. This will be done

by setting a lower Cent in the Rand tariff for the first year with a normal yearly tariff increase afterwards.

13. Benefit to the municipality due to exemption, rebates, reductions and exclusions

The following will be the benefit of granting relief measures to the municipality:

- Promote local economic development including attracting business investment, for example small business establishment.
- Promotion of service delivery, for example by farmers.
- Poverty alleviation to the indigents.
- Social development and moral development, for example, by religious institutions, sports institutions, schools and other non governmental organisations which promote health and other benefit to the community.
- Improved local economic growth.

SECTION E: RATES INCREASE/DECREASE

14. Criteria for increasing/decreasing of rates

The following will be taken into account for the purpose of increasing/decreasing rates:

- Priorities of a municipality reflected in its Integrated Development Plan.
- The revenue needs of the municipality.
- A need for management of rates shocks.
- Affordability of rates to ratepayers.

SECTION F: LIABILITY FOR RATES

15. Liability for rates by property owners

(a) A rate levied by a municipality on a property must be paid by the owner of the property.

Joint owners of a property are jointly and severally liable for the amount due for rates on the property.

(b) Method and time of payment

- The municipality will recover rates on a monthly basis.
- Annual rates must be paid in monthly installments to the municipality at the end of each month.
- A municipality makes provision for the recovery of rates on a monthly basis, subject to conditions outlined in the credit control policy of the municipality.

(c) Deferral of payment of rates liabilities

The municipality will consider each and every application for deferral of rates, taking into account the merits and demerits of each in accordance with the credit control policy.

16. Amount due for rates

A rate (Cent amount in a Rand) will be reflected in the budget.

17. Annual review of rates policy

The municipality will annually review, and if necessary amend its rates policy taking into accounts public comments and inputs.

18. The effective date of the Rates Policy

The rates policy takes effect from the start of the relevant municipal financial year.

ADDENDUM

LEGAL REQUIREMENTS THAT ALL MUNICIPALITIES MUST COMPLY WITH IN TERMS OF THE MUNICIPAL PROPERTY RATES ACT, 2004 (ACT NO. 6 OF 2004) WITH REGARD TO RATES POLICY DEVELOPMENT

This addendum does not contain all provisions of the Act that must be complied with in the development of rates policy, but list the key provisions that the municipality deems necessary for residents/ratepayers to be aware of so that they get a full picture of rating issues that will affect them.

1) Impermissible rate

A municipality may not levy a rate on the following in terms of section 17(1) of the Act:

- On the first 30% of the market value of public service infrastructure.
- Protected areas in terms of section 17(1)(e) of the Act.
- Mineral rights in terms of section 17(1)(f) of the Act.
- Properties belonging to land reform beneficiaries in terms of section 17(1)(g) of the Act.
- On the first R15 000.00 of the market value of residential properties in terms of section 17(1)(h) of the Act.
- On the first R15 000.00 of the market value of a property used for multiple purposes, provided one or more components of the property are used for residential purposes
- Religious institutions in terms of section 17(1)(i) of the Act.

2) Compulsory phasing in of certain rates

Rates levied on a newly rateable property must be phased in over a period of three or four years depending on the ownership and use of such a property in terms of section 21 of the Act.

3) Prescribed ratios

The municipality will comply with the ratios set by the Minister of Provincial and Local Government in concurrence with the Minister of Finance in terms of section 19 of the Act.

4) Limits on annual increases of rates

The municipality will comply with the notice issued by the Minister of Provincial and Local Government in concurrence with the Minister of Finance regarding the set upper limit on the percentage by which rates on properties or a rate on a specific property may be increased in terms of section 20 of the Act.