



MIDVAAL LOCAL MUNICIPALITY

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

TABLE OF CONTENTS

SECTION A:	2
<i>Introduction, Definitions and Principles</i>	
SECTION B:	8
<i>Categories of Property</i>	
SECTION C:	10
<i>Differential Rating</i>	
SECTION D:	11
<i>Relief Measures Related to Categories of Properties and Categories of Owners of Property</i>	
SECTION E:	20
<i>Rates Increase / Decrease</i>	
SECTION F:	20
<i>Liability for Rates</i>	
ADDENDUM:	25
<i>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</i>	

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.

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 (IDP's) 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 (IDP's) 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.

"Private schools" means schools not administered by Government.

"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 an organization conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities.

"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 1 properties
- Residential 2 properties
- Residential 3 properties
- Residential 4 properties
- Sectional schemes: Residential
- Sectional schemes: Business
- Sectional schemes: Exclusive use/common land separately registered
- Sectional schemes: Rights for further development
- Township serviced by the owner
- Properties used for multiple purposes
- Business 1 properties
- Business 2 properties
- Business 3 properties
- Business 4 properties
- Industrial 1 properties
- Industrial 2 properties
- Industrial 3 properties
- Mining properties
- Public service infrastructure
- Public Benefits Organisation
- Public worship
- Sport grounds use for amateur sport

- Communal land
- Cemeteries
- Agricultural properties used for agricultural purposes
- Agricultural properties used for eco-tourism or conservation
- Agricultural properties used for business purposes
- Agricultural properties used for residential purposes
- State-owned properties:
- Municipal properties
- Protected areas
- Private schools
- Servitudes
- Roads/Right of ways owned by private persons
- Residential vacant land

5. Criteria for rating multiple use property

- Apportioning the market value of the property to the different purposes for which the property is being used
- Applying the relevant cent amount in the Rand to the corresponding apportioned market value.

SECTION C: DIFFERENTIAL RATING

6. 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

7. 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.

8. 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.

9. 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:

- The first R30 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).
- Properties owned and occupied by persons dependent on pensions or social grants to the amount of two times the amount of a government pension.

10. 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.

11. Effect of rates on public service infrastructure

Public Service Infrastructure will be rated as prescribed by the Property Rates Regulations if any, otherwise as determined by Council. National Roads are exempted from rates.

12. 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 does not erect buildings.
- Municipal properties that are not leased or rented out by the municipality

13. 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.

14. 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

15. 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

16. 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.

17. Amount due for rates

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

18. Annual review of rates policy

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

19. 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.