



PROPERTY RATES POLICY

**FORMULATED IN TERMS OF SECTION 3 OF
THE LOCAL GOVERNMENT:
MUNICIPAL PROPERTY RATES ACT, NO. 6
OF 2004**

Date of Implementation: 01 July 2010

***OUR VISION: "A UNITED, INTEGRATED, PROSPEROUS MUNICIPALITY
PROGRESSIVELY FREE OF POVERTY AND DEPENDENCY***

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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
 - 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 alias*, 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.

2. DEFINITIONS

- 2.1 **Act** means the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004).
- 2.2 **Municipality** means the municipal council for the municipal area of Witzenberg.
- 2.3 **All other terms** are used within the context of the definitions contained in the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004).

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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. Some categories of property and categories of owners are granted relief from rates. 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, other than by way of an exemption, rebate or reduction provided for in this policy.
- 3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation.
- 3.4 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:
 - i. it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
 - ii. supports local social economic development
 - (d) Cost efficiency
Rates will be based on the value of all rateable property and the amount required by the municipality to balance the operating budget after taking into account profits 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.

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4. SCOPE OF THE POLICY

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

In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

6. CLASSIFICATION OF SERVICES AND EXPENDITURE

6.1 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and Executive Mayor or Committee of the municipality, make provision for the following classification of services:-

- (a) Trading services
 - i. Water
 - ii. Electricity

- (b) Economic services
 - i. Refuse removal.
 - ii. Sewerage disposal.

- (c) Community services
 - i. Air pollution
 - ii. Fire fighting services
 - iii. Local tourism
 - iv. Municipal planning

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- v. Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
- vi. Storm water management system in built-up areas.
- vii. Trading regulations
- viii. Fixed billboards and the display of advertisements in public places
- ix. Cemeteries
- x. Control of public nuisances
- xi. Control of undertakings that sell liquor to the public
- xii. Township development
- xiii. Facilities for accommodation, care and burial of animals
- xiv. Fencing and fences
- xv. Licensing of dogs
- xvi. Licensing and control of undertakings that sell food to the public
- xvii. Local amenities
- xviii. Local sport facilities
- xix. Municipal parks and recreation
- xx. Municipal roads
- xxi. Noise pollution
- xxii. Pounds
- xxiii. Public places
- xxiv. Street trading/street lighting
- xxv. Traffic and parking
- xxvi. Building control
- xxvii. Licensing of motor vehicles and transport permits
- xxviii. Nature reserves
- xxix. Forestry

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- (d) Subsidised services
 - i. Health and ambulance.
 - ii. Libraries and museums.
 - iii. Proclaimed roads.

6.2 Trading and economic services must be ring fenced and financed from service charges while community and subsidised services will be financed from profits on trading and economic services, regulatory fees, rates and rates related income.

6.3 **Expenditure** will be classified in the following **categories**:

- (a) Salaries, wages and allowances
- (b) Bulk purchases
- (c) General expenditure
- (d) Repairs and maintenance
- (e) Capital charges (interest and redemption)/depreciation
- (f) Contribution to fixed assets
- (g) Contribution to funds-
 - i. bad debts.
 - ii. working capital; and
 - iii. statutory funds.
- (h) Contribution to reserves.
- (i) Gross expenditure.
- (j) Less charge-out.
- (k) Net expenditure.
- (l) Income.
- (m) Surplus/Deficit

6.4 **Cost centres** will be created to which the costs associated with providing the service can be allocated-

- (a) by Department;
- (b) by Section/service; and

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(c) by Division/service.

6.5 The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

7. CATEGORIES OF PROPERTY

7.1 Criteria for determining categories of properties for the purpose of levying different rates and for the purpose of granting exemptions will be according to the permitted use of the property

7.2 Categories of property for the municipality include-

- a) residential properties
- b) informal settlements
- c) industrial properties
- d) business and commercial properties
- e) agricultural properties
- f) state-owned properties
- g) municipal properties
- h) public service infrastructure; and
- i) urban vacant land

8. CATEGORIES OF OWNERS

8.1 Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to the-

- (a) indigent status of the owner of a property
- (b) sources of income of the owner of a property
- (c) owners of property situated within an area affected by-
 - i. a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - ii. any other serious adverse social or economic conditions;
- (d) owners of residential properties with a market value below a determined threshold; or
- (e) owners of agricultural properties who are *bona fide* farmers

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- 8.2 In determining whether a property forms part of a particular category indicated below, the council shall have regard to the actual zoning to which the relevant property is put. Vacant land is included in its own category, irrespective of the permitted use of the property. A change in zoning may result in a change in the category of the property. In table 1 the different usage is listed against the rating categories.

Table 1

Rating categories	Use codes
Residential Property	GEN RES
	GROUPHOUSE
	RES
	RES1
	RES2
	RES3
	RES4
	SIN RES
	RESORT2
	AGR1/ROS2
Informal Settlements	INF RES
Business/Commercial Property	BUS
	BUS1
	BUS2
	BUS4
	BUS5
	CEMETERY
	COM
	EDUC
	CEMETERY
	COM
	EDUC
	INST
	INST1
	INST2
	INST3
	LOC BUS
	OPEN S1
	OPEN S2
	OPEN S3
	PARKING
	RES5
RESORT1	
ROS1/OS3	

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Table 1 continue

Rating categories	Use codes
Industrial property	Ind
	Ind1
	Ind3
Agricultural Properties:	
Bona fida Agricultural	AGR1.RES1
	AGR1/RES2
	AGR1/SERVT
	AGRI
	AGR1/OS2
	AGR1/OS3
	AGRI1
AUT	
Agricultural / Business / Residential	A1BUS2RES5
	A1ROS1RES5
	AGR1/BUS2
	AGR1/RES5
Agricultural / Industrial	AGR1/AGR2
	AGR1/IND1
	AGR1/IND2
	AGR1/INST
	AGR11
	AGR12
	AGRI 11
	AGRI 11
	AGRI2

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Table 1 continue

Rating categories	Use codes
State Owned Property	AGRI1
	AUT
	BUS
	EDUC
	GEN RES
	INST
	INST1
	INST2
	INST3
	LOC BUS
	OPEN S1
	OPEN S2
	OPEN S3
	P O S
	RES
	RES1
	SERV
	SIN RES
	SPORT
	TRANS
TRANS1	
TRANS2	
TRANS3	
UNDET	

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Table 1 continue

Rating categories	Use codes
Municipal Property	AGRI1
	AUT
	BUS
	EDUC
	GEN RES
	INST
	INST1
	INST2
	INST3
	LOC BUS
	OPEN S1
	OPEN S2
	OPEN S3
	P O S
	RES
	RES1
	SERV
	SIN RES
	SPORT
	TRANS
TRANS1	
TRANS2	
TRANS3	
UNDET	
Vacant Land - Urban	VACANT
	P O S
Public Service Infrastructure	SERV STAT
	TRANS
	TRANS1
	TRANS2
	UNDET

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9. DIFFERENTIAL RATING

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

- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- (b) 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 different cent amount in the rand for each property category

9.3 Rates ratios to be applied

The rates ratio in relation to residential properties to be applied on non-residential properties is set in the table 2 below:

Table 2:

Categories	Ratio in relation to residential Property
Residential Property:	
Bona fida residential	1:1
Informal settlements	1:0.8
Business / Commercial property:	1:1.74
Industrial Property	1:2.2
Agricultural Properties:	
Bona fida Agricultural	1:0.25
Agricultural/Business/Residential	1:1.5
Agricultural / Industrial	1:1.4
State owned Property	1:1.74
Vacant Land – Urban	1:1.5
Public Service Infrastructure	1:0.25
Building clauses	1:1.25

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10. EXEMPTIONS

10.1 The following categories of property are exempted from rates:

(a) Municipal properties

Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers.

(b) Public Benefit Organisations

The following Public Benefit Organisations may apply for the exemption of property rates subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962):

i. Welfare organisations

Properties owned by not for gain institutions or public benefit organisations and are solely use for the benefit of the institution and or for charitable purposes and performs welfare and humanitarian work as contemplated by part 1 of the ninth Schedule of the Income Tax Act (Act 58 of 1962). Council may grant a rebate as of 100% in the case of Inst. 2 uses and 50% in the case Of Inst 3 users.

ii. Animal welfare

Property owned or used by institutions/organisations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis.

(c) Bona fida farmers

In terms of Section 15 of the Local Government: Municipal Property Rates Act the following improvements on rateable land, exclusively used by bona fida farmers for agricultural purposes, will be excluded from paying rates

- i) Structural works, dipping tanks, storage tanks, walls, silos and kraals, if permanently constructed;
- ii) Irrigation works, dams, boreholes, wells, permanent fences, reclamation works, subsoil drainage, plantations, vineyards and orchards;
- iii) Any residential building erected for occupation by *bona fida* farm workers; provided that, if the valuation of any such building exceeds forty thousand rand, such building shall be deemed to be included to the extent to which such valuation exceeds forty

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thousands rand, and for the purpose of the foregoing provision of this paragraph any portion of a building as aforesaid which is designed or adapted for separate occupation for residential purposes shall be deemed to be a separate residential building; provided further that residential buildings referred to in this paragraph shall be excluded from the provisions of this regulation;

iv) School buildings on farms;

- (d) Registered in the name of any private school which is registered in terms of any law;
- (e) In terms of section 17(i) of the MPRA, the council do not levy a rate on the 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.
(The exclusion lapses if not used for the purposes as indicated above.)

10.2 Exemptions will be subject to the following conditions:

- (a) all applications must be addressed in writing to the municipality;
- (b) a SARS tax exemption certificate must be attached to all applications;
- (c) the municipal manager or his/her nominee must approve all applications;
- (d) applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought; and
- (e) the municipality retains the right to refuse exemptions if the details supplied in the application form were incomplete, incorrect or false.

11. REDUCTIONS

11.1 A reduction in the municipal valuation as contemplated in section 15(1)(b) of the Act will be granted where the value of a property is affected by-

- (a) a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
- (b) any other serious adverse social or economic conditions

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11.2 The reduction will be in relation to the certificate issued for this purpose by the municipal valuer

11.3 All categories of owners can apply for a reduction in the rates payable as described above

12. REBATES

12.1. Categories of property

(a) Business, commercial and industrial properties

i. The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction, based on its Local, Social and Economic Development Policy and as included in the council tariff policy.

ii. Rebates will be granted once an application was received.

(b) Conservation Land

No rebates are granted to privately owned properties whether designated or used for conservation purposes.

(c) Historical or heritage properties

No rebates are granted other than residential rebates if appropriate.

(d) Cemeteries.

Privately owned cemeteries received a rebate of 50% and must be exclusively be used for the purpose of a cemetery

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13. RATES INCREASES

- (a) The municipality will consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time.
- (b) Rate increases will be used to finance the increase in operating costs of community and subsidised services.
- (c) Relating to community and subsidised services the following annual adjustments will be made:
 - i. All salary and wage increases as agreed at the South African Local Government Bargaining Council
 - ii. An inflation adjustment for general expenditure, repairs and maintenance and contributions to statutory funds, and
 - iii. Additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.
- (d) Extraordinary expenditure related to community services not foreseen during the previous budget period and approved by the council during a budget review process will be financed by an increase in property rates.
- (e) Affordability of rates to ratepayers.
- (f) All increases in property rates will be communicated to the local community in terms of the municipality's policy on community participation.

14. NOTIFICATION OF RATES

- (a) The municipality will give notice of all rates approved at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days notice will be based on the new rates.
- (b) A notice stating the purport of the municipality's resolution and the date on which the new rates become operational will be displayed by the municipality at places installed for that purpose.

15. PAYMENT OF RATES

- 15.1 Ratepayers may choose between paying rates annually in one instalment on or before 30 September or in twelve equal instalments on or before the 15th day of the month following on the month in which it becomes payable.

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- 15.2 If the owner of property that is subject to rates, notify the municipal manager or his/her nominee not later than 31 August in any financial year, or such later date in such financial year as may be determined by the municipal manager or his/her nominee that he/she wishes to pay all rates in respect of such property in instalments, such owner shall be entitled to pay all rates in the financial year in instalments equal of the remaining number of months and each subsequent financial year in twelve instalments until such notice is withdrawn by him/her in a similar manner.
- 15.3 Interest on arrears rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.
- 15.4 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.
- 15.5 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act.
- 15.6 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.
- 15.7 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.

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16. REGULAR REVIEW PROCESSES

The rates policy will be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives and with legislation.

17. SHORT TITLE

This policy is the Property Rates Policy of the Witzenberg Municipality.

18. ENFORCEMENT/IMPLEMENTATION

This policy has been approved by the Municipality in terms of resolutiondated and comes into effect from 1 July 2009