

# MASILONYANA LOCAL MUNICIPALITY

## PROPERTY RATES POLICY



**(FINAL)**

(FOR IMPLEMENTATION ON 1 JULY 2015)

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**MASILONYANA LOCAL MUNICIPALITY**

**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 local 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 the 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 Council of a 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 Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and any regulations promulgated in terms thereof.

## 2. DEFINITIONS

- 2.1 “**Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and any amendment thereof;
- 2.2 “**Agent**”, in relation to the owner of a property, means a person appointed by the owner of the property-
- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
  - (b) to make payments in respect of the property on behalf of the owner;
- 2.3 “**Agricultural purpose**” means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism and in respect of property on which game is reared, traded or hunted, it excludes any portion that is used for commercial or business purposes;
- 2.4 “**Annually**” means once every financial year;
- 2.5 “**Business and commercial property**” – means -
- (a) property used for the activity of storage, buying, selling or trading in commodities or services, or property held as an investment activity such as office blocks or blocks of flats which are not held under Sectional Title, and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
  - (b) property on which the administration of the business of private or public entities take place;
- 2.6 “**Category**”
- (a) in relation to property, means a category of properties determined in terms of Section 7 of this policy; and
  - (b) in relation to owners of properties, means a category of owners determined in terms of Section 8 of this policy.
- 2.7 “**Child-headed household**” means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.

- 2.8 **“Definitions, words and expressions”** as used in the Act are applicable to this policy document where ever it is used, unless specified otherwise in context of this policy,
- 2.9 **“Exclusion”** – in relation to a municipality’s rating power, means a restriction of that power as provided for in sections 16 and 17 of the Act;
- 2.10 **“Exemption”** - in respect of the calculation of a rate means an exemption granted in terms of section 15(1)(a) of the Act;
- 2.11 **“Farm property not used for any purpose”** – means agricultural property which is not used for agricultural purposes in any form, but upon which a dwelling has been constructed and the entire property is used exclusively for residential purposes only. Such property will be classified as ‘residential’.
- 2.12 **“Financial year”** – the period starting from 1 July in a year to 30 June the following year;
- 2.13 **“Industrial property”** – means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;
- 2.14 **“Land reform beneficiary”**, in relation to a property, means a person who -
- (a) acquired the property through -
    - (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
    - (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
  - (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);
  - (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution (Act No.108 of 1996) be enacted after this Act has taken effect;
- 2.15 **“Land tenure right”** means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004 (Act No.11 of 2004);

- 2.16 **“Mining property”** means property upon which any operation or activity for the purpose of winning 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;
- 2.17 **“Mining right and mining permit”** means an official document issued in terms of Section 23(1) or 27(6) of the Mineral and Petroleum Resources Development Act 28 of 2002, indicating *inter alia* the name of the owner, the property to which it relates, the mineral that may be exploited and the duration of the right or permit.
- 2.18 **“Mining surface right permit”** means old order surface right permits which were granted in terms of old order legislation as defined in clause 9(1) of Schedule II, Transitional Arrangements, of the Mineral and Petroleum Resources Development Act 28 of 2002, and which was duly re-registered in the Mining Titles Office in terms of Section 9(2) of the Schedule.
- 2.19 **“Municipality”** means the Local Municipality of Masilonyana;
- 2.20 **“Occupier”** – in respect of a property means a person in actual occupation of a property, whether or not that person has a right to occupy the property;
- 2.21 **“Open space”** - means land that is used as a park, garden, for passive leisure or maintained in its natural state;
- 2.22 **“Owner”-**
- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
  - (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
  - (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
  - (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”,

provided that a person mentioned below may for the purposes of this Policy be regarded by a municipality as the owner of a property in the following cases:-

- (i) a trustee, in the case of a property in a trust excluding state trust land;
- (ii) an executor or administrator, in the case of a property in a deceased estate;
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in
- (iv) a judicial manager, in the case of a property in the estate of a person under
- (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it;
- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;
- (ix) a tenant or occupier as prescribed in terms of sect 28 of the Act, or
- (x) an agent as prescribed in sect 29 of the Act

2.23 **“Private open space”** means land that is privately owned and used for practising of sport, play- or leisure facilities or used as a botanical garden, cemetery or nature area;

2.24 **“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 rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

2.25 **“Property”** means -

- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure.



2.26 **“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, 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) runways or aprons at national or provincial airports;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i).

2.27 **“Public service purposes”** in relation to the use of a property, means property owned and used by an organ of state for the rendering of the following services directly to the public.

- (a) hospitals and public clinics
- (b) schools, including pre-schools, early childhood development centres and further education and training colleges.
- (c) libraries
- (d) police stations
- (e) prisons
- (f) courts of law

But excludes property contemplated in the definition of “public service infrastructure”.

2.28 **Rebate** in relation to a rate payable on a property, means a discount granted in terms of Section 15 of the Act on the amount of the rate payable on the property.

2.29 **Reduction** in relation to a rate payable on a property means the lowering of the amount for which the property was valued in terms of Section 15 of the Act and the rating of the property at that lower amount.

2.30 **“Residential property”** means improved urban property that:-

- (a) is used predominantly (80% or more) 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 is used predominantly for residential purposes; including any further unit or exclusive use area registered in the name of the same owner and used together with such residential unit as if it were one property. Any such grouping shall be regarded as one residential unit for rate rebate or valuation reduction purposes;
- (c) is owned by a share-block company and is used predominantly for residential purposes;
- (d) is a residence used for residential purposes situated on a property used for educational purposes;
- (e) are retirement schemes and life right schemes used predominantly (80% or more) for residential purposes;
- (f) farm property used exclusively for residential purposes, as defined separately in this policy;

Vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

2.31 **“Rural communal settlements”** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

2.32 **“Smallholding”** - means

- (a) all agricultural zoned land units situated within an urban region with an area of between one and three hectares; or

- (b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

2.33 “**State owned property**” – excludes any property included in the valuation roll under the category ‘residential property’ or ‘vacant land’.

2.34 “**state trust land**” means land owned by the state-

- (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
- (b) over which land tenure rights were registered or granted; or
- (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).

### 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 rolls.

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.

3.3 There would be no phasing in of rates based on the new valuation roll.

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, rebates and cross subsidy from the equitable share allocation.

(c) Sustainability

Rating of property will be implemented in a way that it:-

- i. Supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality;
  - ii. Supports local, social and economic development; and
  - iii. Secures the economic sustainability of every category of ratepayer.
- (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 profits generated on trading (water, electricity) and economic (refuse removal, sewerage disposal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

#### **4. SCOPE OF THE POLICY**

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

4.2 In determining the rates, exemptions, rebates and reductions, the Council will consider the following:

- (a) the impact of rates on the community;
- (b) the impact of rates on business;
- (c) the Integrated Development Plan (IDP) of Council;
- (d) the impact of rates on the Local Economic Development (LED) strategy of the Council;
- (e) the impact of the rating system on poor residential households and agricultural communities;
- (f) in developing or amending this policy, the Council commits itself to a process of community participation as envisaged in Section 4 of the Act and Chapter 4 of the Municipal Systems Act, 2000, Act 32 of 2000.

4.3 The key objectives of the policy are to:

- (a) ensure that all owners of rateable property are informed about their liability to pay assessment rates;
- (b) specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates contemplated in Section 15 of the Act;
- (c) set out the criteria to be applied by the Council if it increases rates and levies differential rates on different categories of property;
- (d) empower the Council to specify a threshold at which rating in respect of residential properties may commence as provided for in Section 15 of the Act read with Section 17(1)(h), which it is hereby authorised to do;
- (e) provide for categories of public benefit organisations, approved in terms of the applicable Income Tax Act, which ratepayers are eligible for exemptions, reductions and rebates and therefore may apply to the Council for relief from rates;
- (f) recognise the state, organs of state and owners of public service infrastructure as property owners;
- (g) encourage the development of property;
- (h) ensure that all persons liable for rates are treated equitably as required by the Act;
- (i) to determine the level of increases in rates, the criteria to be applied may include but is not necessarily limited to the following:
  - i. the financing of additional depreciation charges included in the operating budget of the Council;
  - ii. the inflation rate as indicated by the consumer price index excluding mortgage bonds;
  - iii. the financing of increased operating expenditure;
  - iv. the financing of additional maintenance expenditure;

- v. the additional cost of servicing debt included in the operating budget of the Council;
- vi. the augmentation of any revenue shortfall;
- vii. the financing from the annual operating budget of expenditure related to anything to the Council is lawfully empowered to do for which provision has to be made in the budget;
- viii. the taking into consideration of the medium term budget growth factors as determined by National Treasury.

## **5. APPLICATION OF THE POLICY**

- 5.1 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. PRINCIPLES APPLICABLE TO FINANCING OF SERVICES**

- 6.1 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and the Executive 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 and subsidised services

These include all those services ordinarily being rendered by the municipality excluding those mentioned in 6.1 (a) and (b).

- 6.2 Trading and economic services as referred to in clauses (a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in clause (c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

## **7. CATEGORIES OF PROPERTY**

- 7.1 In terms of Section 19 of the Act, Masilonyana Municipality will, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable properties, which may include categories determined according to the: –

- (a) use of the property;
- (b) permitted use of the property; or
- (c) geographical area in which the property is situated.

- 7.2 Categories of rateable property that are determined in terms of paragraph 7.1 are the following: –

- (a) residential (improved property);
- (b) vacant residential (empty stands with zoning or proposed use earmarked for residential use);
- (c) business and commercial;
- (d) industrial;
- (e) vacant business, commercial and industrial (empty stands with zoning or proposed use earmarked for business, commercial and industrial use);
- (f) Agricultural properties used for –
  - i. agricultural purposes;
  - ii. business, commercial or industrial purposes;
  - iii. residential purposes; or
  - iv. purposes other than those specified in subparagraphs (i) to (iii);
- (g) smallholdings used for –

- i. agricultural purposes;
  - ii. business, commercial or industrial purposes;
  - iii. residential purposes;
  - iv. purposes other than those specified in subparagraphs (i) to (iii).
- (h) state-owned property used for government purposes;
- (i) municipal property used for municipal purposes;
- (j) public services infrastructure;
- (k) properties used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act, 1962 (Act No 58 of 1962);
- (l) mining properties which will be valued as a single entry in the valuation roll unless the owner or holder of the mining right / permit can show good cause why the value must be split between freehold and surface right permits for rating purposes. Such cause may be different ownership or contractual obligations. The onus is on the applicant to provide the municipality with this information.
- (m) rights registered against a property; and
- (n) such other categories as may be determined by the council from time to time.

7.3 In determining the category of a property referred to in 7.2 the municipality shall take into consideration the dominant use, by value, of the property, regardless the formal zoning of the property.

## **8. CATEGORIES OF OWNERS**

8.1 For the purpose of granting exemptions, reductions and rebates in terms of clauses 11 and 12 of this policy the following categories of owners of properties are determined:-

- (a) Municipal properties



- (b) Residential properties
- (c) Public service infrastructure
- (d) Rights registered against a property
- (e) Public benefit organisations
- (f) Indigent owners of property
- (g) Child headed families
- (h) Retired and disabled persons
- (i) Owners of properties situated in areas proclaimed as a disaster area.
- (j) Owners of properties situated within an area affected by any serious adverse or social or economic conditions.
- (k) Owners of properties situated in 'privately owned townships' serviced by the owner as referred to in clause 12 of this policy.
- (l) Owners of agricultural properties meeting additional criteria for rebate as set out in clause 12 of this policy.
- (m) Sporting bodies.
- (n) Private schools, universities and colleges.

**9. PROPERTIES USED FOR MULTIPLE PURPOSES AND MULTIPLE PROPERTIES UTILIZED AS A SINGLE ECONOMIC UNIT**

- 9.1 Rates on properties used for multiple purposes will be levied in accordance with the dominant use of the property, based on value forming attributes.
- 9.2 Where improvements encroach over common boundaries of properties or where the utility of property achieve its highest and best use jointly with other property, the Municipal Valuer will

nominate one of those properties as the "Parent" property. The other property/ies will be linked to this property in the Valuation Roll and will be referred to as "Children". This economical unit will be valued as a single property, in conformity to the realities of the market. The other property/ies will be linked to this property in the Valuation Roll and will be referred to as "Children". To accommodate the municipal billing system, the total value will then be split as follow:

- (a) A nominal value of not less than R10 and not more than the individual land value only, will be entered on each "Child" property;
- (b) The sum of all the "Child" nominal values will be subtracted from the total value;
- (c) The balance will be entered against the "Parent" property;
- (d) The category classification of "child/ren" will follow that of the "parent" property regardless of actual use.

## **10. DIFFERENTIAL RATING**

10.1 Differential rating among the various property categories will be done by way of:-

- (a) Setting different cent amount in the rand for each property category; and
- (b) By way of reductions and rebates as provided for in this policy document.

## **11. EXEMPTIONS, IMPERMISSIBLE RATES, REDUCTIONS AND REBATES ON CATEGORIES OF PROPERTIES**

**Exemptions:** The following categories of property are exempted from rates:-

11.1 Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2015/16 financial year this cut-off value is determined at R75 000.** The impermissible rates of R15 000 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. The remaining R60 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

This rebate does not apply to vacant / unimproved residential properties.

## 11.2 Municipal properties

Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal properties are leased, the lessee will be responsible for the payment of determined assessment rates in accordance with the lease agreement.

## 11.3 Public Service Infrastructure

The following public service infrastructure is exempted from paying rates as allowed for in the Act:

- (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, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) Railway lines forming part of a national railway system;
- (d) Runways, aprons on the air traffic control unit at national or provincial airports including the vacant land known as the obstacle free zone surrounding these, which must be vacant for the air navigation purpose.

The following public service infrastructure is not exempted from paying rates but the municipality may not levy a rate on the first 30% of the market value of:

- (e) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (f) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (g) Communication towers, masts, exchanges or lines forming part of a communication system serving the public;
- (h) A right registered against immovable property in connection with infrastructure mentioned above.

Exemptions in (e) to (h) will automatically apply and no application is required by the owners of such property.

## 11.4 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 National Environmental Management: Protected Areas Act, 2003 (Act No. 57 of 2003) 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, or residential agricultural purposes.
- (b) On mining rights or a mining permit within the meaning of the Mineral and Petroleum Resources Development Act no 28 of 2002.
- (c) On a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse 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 or upon alienation of the property by the land reform beneficiary or his or her heirs, dependants or spouse.
- (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.

#### 11.5 Reductions

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

- (a) Partial or total destruction of a property.
- (b) Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

The following conditions shall be applicable in these instances:-

- (c) The owner referred to in clause 11.5 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.
- (d) 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).

- (e) A maximum reduction to be determined on an annual basis shall be allowed in respect of both clauses (a) and (b) for the 2015/2016 financial year the maximum reduction is determined at 80%.
- (f) An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.
- (g) 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.

## 11.6 Rebates

The following categories of property may receive rebates:

### (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. The following criteria will apply:-
  - job creation in the municipal area;
  - social upliftment of the local community; and
  - creation of infrastructure for the benefit of the community.
- ii. A maximum rebate as annually determined by the municipality will be granted on approval, subject to:-
  - a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
  - a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and
  - an assessment by the municipal manager or his/her nominee indicating that the company qualifies.
- iii. Council will consider all LED requests on an individual basis according to merits.

(b) Privately owned towns serviced by the owner

The municipality grants a rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in clause 2.24 of this policy.

All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved. For the 2015/2016 financial year the rebate is determined as 50%.

(c) State owned property used for Government purposes

Properties owned and used for public service purposes rendering the following services directly to the public:

- i. hospitals and public clinics;
- ii. schools including pre-schools, early childhood development centres and further education and training colleges;
- iii. libraries;
- iv. police stations;
- v. prisons; and
- vi. courts of law

will receive a 25% rebate on assessed rates.

11.7 Agricultural property rebate

(a) When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the municipality must take into account:-

- i. the extent of rates related services rendered by the municipality in respect of such properties.

- ii. the contribution of agriculture to the local economy.
  - iii. the extent to which agriculture assists in meeting the service delivery and developmental objectives of the municipality; and
  - iv. the contribution of agriculture to the social and economic welfare of farm workers.
- (b) In terms of section 84 of the Act the Minister for Provincial and Local Government, in concurrence with the Minister of Finance as required through Section 19 of the Act, may determine a rate levied by the Council on a category of non-residential property as a ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1.0 to 0.25 (75% rebate on the tariff for residential properties). During the 2008/2009 financial year the minister has promulgated a ratio of 1.0 to 0.25 which remains unchanged for the 2015/2016 financial year.
- (c) An additional rebate (based on the total property value) to a maximum of a further 10% will be granted by the municipality in respect of the following:-
- i. 2,5% for the provision of accommodation in a permanent structure to farm workers and their dependants.
  - ii. 2,5% if these residential properties are provided with potable water.
  - iii. 2,5% if the farmer for the farm workers electrifies these residential properties.
  - iv. 2,5% for the provision of land for burial to own farm workers or educational or recreational purposes to own farm workers as well as people from surrounding farms.
- (d) The granting of additional rebates is subject to the following:-
- i. All applications must be addressed in writing to the municipality indicating how service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers were met. This application will be required as a once-off requirement.
  - ii. Any new applications must be addressed in writing to the municipality by 31 August of the financial year in respect of which the application is made. If the rebate applied for is granted the rebate will apply for the full financial year and such application will again be regarded as a once-off requirement. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved.
  - iii. Council reserves the right to send officials or its representatives on an annual basis to premises/households receiving relief for the purposes of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original applications.

- iv. The municipality retains the right to refuse applications for rebates if the details supplied in the application form were incomplete, incorrect or false.
- v. No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in clause 11.1 of this policy.

11.8 Farm properties and smallholdings used for residential purposes only

The municipality annually grants an additional rebate to owners of farm properties and smallholdings that are used for residential purposes. Such a rebate is in relation to the extent of rate-funded services that the municipality renders in respect of such properties. For the 2015/2016 financial year the rebate is determined as 10%.

11.9 Farm properties and smallholdings used for industrial, commercial and business purposes

The municipality annually grants a rebate to owners of farm properties and smallholdings that are used for industrial, commercial and business purposes. Such a rebate is in relation to the extent of rate-funded services that the municipality renders in respect of such properties. For the 2015/2016 financial year the rebate is determined as 10%.

**12. EXEMPTIONS, IMPERMISSIBLE RATES, REDUCTIONS AND REBATES ON CATEGORIES OF OWNERS OF PROPERTIES**

12.1 Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

All possible benefiting organisations must apply annually, by 31 August, for exemption for the financial year in respect of which the application is made. If the exemption applied for is approved the exemption will be valid for the full financial year. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved.

A rate-exemption certificate as issued by the South African Revenue Service (SARS), as contemplated in terms of Part 1 of the Ninth Schedule to the Income Tax Act, 1962 (Act No 58 of 1962), must be submitted together with the application.



The municipality retains the right to refuse the application for exemption if the details supplied in the application were incomplete, incorrect or false.

#### 12.2 Indigent owners

Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality. If qualifying in terms of the indigent policy this 100% rebate will automatically apply and no further application is thus required.

#### 12.3 Child headed families

(a) Families headed by children will receive a 100% rebate for paying residential property tax, according to monthly household income. To qualify for this rebate the head of the family must:-

- i. occupy the property as his/her normal residence;
- ii. not be older than 18 years of age;
- iii. still be a scholar or jobless; and
- iv. be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality. For the 2015/2016 financial year this amount is determined as R3 000 per month.

(b) The family head must apply on a prescribed application form for registration as a child headed household and must be assisted by the municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.

#### 12.4 Retired and Disabled Persons Residential Rate Rebate

(a) Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:-

- i. occupy the property as his/her normal residence;
- ii. be at least 60 years of age or in receipt of a disability pension from the Department of Welfare and Population Development;
- iii. be in receipt of a total monthly income from all sources as annually determined by the municipality (including income of spouses of owner);
- iv. not be the owner of more than one residential property as defined in clause 2 of this policy; and
- v. provided that where the owner is unable to occupy the property due to no fault of

his/her own, the spouse or minor children may satisfy the occupancy requirement.

(b) Property owners must apply on a prescribed application form for a rebate as determined by the municipality. Applications must be accompanied by-

- i. a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
- ii. sufficient proof of income of the owner and his/her spouse;
- iii. an affidavit from the owner;
- iv. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
- v. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.

(c) All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. For the 2015/2016 financial year the total monthly income per household and corresponding rebate is determined as follows:-

- i. R0 to R3 000 per month - 100%.
- ii. R3 001 to R5 000 per month - 50%.
- iii. R5 001 to R8 000 per month - 20%.

(d) The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

12.5 Properties with a market value above that level being exempted in terms of clause 11.1 of this policy but below a prescribed valuation level, of a value to be determined annually by the Municipality may, instead of a rate being determined on the market value, be rated a uniform fixed amount per property.

12.6 The extent of the rebates granted in terms of clauses 12 must annually be determined by the municipality and specified in the annual budget.

12.7 Sporting bodies may, on application, be granted a rebate as determined by the Council from time to time. Applicants must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in the applicable Income Tax Act.

The rebate will lapse on, the alienation of the property or if any such land or building is used for any purpose other than the purpose so exempted or on expiry of the validity period of the valuation roll.

12.8 The following categories of owners may receive a rebate as determined by Council from time to time –

(a) Public schools which are State funded;

(b) Private schools which are not State funded in terms of Section 34 of the South African Schools Act, Act No 84 of 1996 and are registered as independent schools in terms of that Act;

(c) Universities; and

(d) Technical and other colleges.

### **13. PAYMENT OF RATES**

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

(a) on a monthly basis; or

(b) annually, before 30 September each year.

13.2 Ratepayers may choose paying rates annually in one instalment on or before 30 September each year. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee in writing not later than 30 June in any financial year, or such later date in such financial year as may be determined by the municipality that he/she wishes to pay all rates annually, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him/her in a similar manner.

13.3 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/ tenant/ occupants/agent.

13.4 Rates payable on an annual basis will be subject to a discount of 5% if paid in full on or before 30 September of each year.

- 13.5 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 and Debt Collection Policy of the Municipality.
- 13.6 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 and Debt Collection By-law of the Municipality.
- 13.7 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.
- 13.8 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.
- 13.9 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.
- 13.10 In the event of rates levied emanating from a supplementary valuation, payment thereof will be according to the date determined by the Municipality and payment thereof may not be withheld pending an objection or appeal as determined by section 78(2) of the Act.
- 13.11 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the owner on date of the levy will be held responsible for the settlement of the interim rates account.
- 13.12 Rates Clearance Certificates will be valid for up to 60 days. No extension on a certificate will be granted. If it expires a new application for clearance must be made.

#### **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:-

- (a) the amount due for rates payable,
  - (b) the date on or before which the amount is payable,
  - (c) how the amount was calculated,
  - (d) the market value of the property, and
  - (e) 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 at least every 4 (four) years.
- 15.2 In accordance with the Act the municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.
- 15.3 Supplementary valuations may be done on a continual basis but at least on an annual basis.

## **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:-
- (a) Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities.
  - (b) Conspicuously display the draft rates policy for a period of at least 30 days (municipality to include period decided on) at the municipality's head and satellite offices, libraries and on the website.

- (c) 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.
- (d) Property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.
- (e) Council will consider all comments and/or representations received when considering the finalisation of the rates policy.
- (f) The municipality will communicate the outcomes of the consultation process in accordance with section 17 of the Municipal Systems Act 32 of 2000.

## **17. REGISTER OF PROPERTIES**

- 17.1 The municipality will compile 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:
  - (a) Exemption from rates in terms of section 15 of the Property Rates Act,
  - (b) Rebate or reduction in terms of section 15,
  - (c) Phasing-in of rates in terms of section 21, and
  - (d) 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 of the register during the supplementary valuation process.
- 17.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

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

- 18.1 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 as contained in the Integrated Development Plan and recent legislation.

**20. ENFORCEMENT/IMPLEMENTATION AND ENQUIRIES**

- 20.1 This policy has been approved by the Municipality in terms of Council resolution dated ..... and takes effect on the effective date of the valuation roll on 1 July 2015.