

# MERAFONG CITY LOCAL MUNICIPALITY



## DRAFT RATES POLICY 2018/2019

**FORMULATED IN TERMS OF SECTION 3 OF THE MUNICIPAL PROPERTY RATES ACT, NO. 6 OF 2004 AS AMENDED.**

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## 1. LEGISLATIVE CONTEXT

- 1.1 This policy is mandated by Section 3 of the 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 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 Municipal Systems Act, 2000 (No. 32 of 2000), the 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 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

**“Act”**, means the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) as amended;

**“agent”**, in relation to the owner of a property- to receive rental or other payments in respect of the property on behalf of the owner; or to make payments in respect of the property on behalf of the owner;

**“agricultural property”**, means a property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of (a) the property for the purpose of ecotourism or for the trading in or hunting of game;

**“annually”**, means once every financial year;

**“appeal board”**, means a valuation board established in terms of section 56 of the Act;

**“business and commercial”**, means a property on which the activity of buying, selling or trading in goods and services occurs, but excludes a property that forms part of the mixed-use property category. It includes any office or other accommodation on the same erf, the use of which is incidental to the business, but excludes the business of mining. Further includes, any vacant property which is being used for storage or parking which is in line with the zoning of the property;

**“category”** – in relation to property, means a category of properties determined in terms of section 8; in relation to owners of properties, means a category of owners determined in terms of section 15 (2);

**“category of properties”**, means a category of properties determined according to the zoning, use of the property, permitted use of the property, or the geographical area in which the property is situated;

**“Council”** means the highest legislative body of the Merafong City Local Municipality as referred to in section 157 (1) of the Constitution and section 18 (3) of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

**“date of valuation”**, means the date determined by a municipality in terms of section 31 (1), “day” means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and including the last day, unless the last day falls on a Saturday, Sunday or any public

holiday, in which case the number of days must be reckoned by excluding the first day and also any such Saturday, Sunday or public holiday;

**district municipality**” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

**“economic services”**, means services for which the tariffs are fixed to recover the full costs of the service, like refuse and sewer services;

**“effective date”**- in relation to a valuation roll, means the date on which the valuation roll takes effect, in terms of section 32 (1) of the Act, or in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect and in terms of section 78 (b);

**“exclusion”**, in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17,

**“exemption”**, in relation to the payment of a rate, means an exemption from the payment of rates, granted by a municipality in terms of section 15;

**“financial year”**, means the period starting from 1 July in a year to 30 June the next year;

**“land reform beneficiary”**, in relation to a property, means a person who- acquired the property through- the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994); holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or person who 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 be enacted after this Act has taken effect;

**“land tenure right”**, means a land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act 1991( Act No. 112 of 1991)

**“local community”**, in relation to a municipality-

(a) means that body of persons comprising-

- the residents of the municipality;
- the ratepayers of the municipality;

- any civic organizations and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality; and
  - visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality;
- (b) includes, more specifically, the poor and other disadvantaged sections of such body of persons;

**“local municipality”**, means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

**“market value”**, in relation to a property, means the value of the property determined in accordance with section 46;

**“MEC for local Government”**, means the member of the Executive Council of a province who is responsible for local government in that province;

**“mine”**, means any property (including any mine dump), or part thereof, of which the use is deemed subject to the Mineral and Petroleum Resources Development Act no 28 of 2002, which will comprise of any operation or activity for the purposes of winning any mineral (as defined in the Mineral Petroleum Resources development Act No 28 Of 2002) 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 purposes”**, in relation to a property, means the use of a property for more than one purpose subject to section 9;

**“Municipal Manager”**, means a person appointed in terms of section 82 of the Municipal Structures Act, 1998;

**“municipality”**, means the Merafong City Local Municipality;

**“Municipal Finance Management Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

**“municipal valuer”**, or “valuer of a municipality” means a person designated as a municipal valuer in terms of section 33(1) of the Act;

**“newly rateable property”**, means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which the Property Rates Act took effect, excluding: a property which was incorrectly omitted from valuation roll and for that reason was not rated before that date; and

- i. a property identified by the Minister by notice in the *Gazette* where the phasing-in of a rate is not justified;

**“occupier”**, in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

**“office bearer”** in relation to places of worship, means the primary person who officiates at services at that place of worship;

**“official residence”** in relation to places of worship, means

- (a) a portion of the property used for residential purposes; or
- (b) one residential property; if the residential property is not located on the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for an office bearer;

**“owner”-**

(a) in relation to a property, means a person in whose name ownership of the property is registered;

(b) in relation to a right means a person in whose name the right is registered;

((bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act,1983 (act no 75 of 1983), means the management association contemplated in the regulations ,made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

(bB) in relation to a share block company, the share block company as defined in the Share Block Control Act,1980 (Act No. 59 of 1980);

(bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit; and

(c) in relation to a land tenure right 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, 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 Act be regarded by a municipality as the owner of a property in the following cases:

- 1 A trustee, in the case of a property in a trust excluding state trust land;
- 2 an executor or administrator, in the case of a property in a deceased estate;
- 3 a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- 4 a judicial manager, in the case of a property in the estate of a person under judicial management;
- 5 a curator, in the case of a property in the estate of a person under judicial management;
- 6 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;
- 7 a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- 8 a lessee, in the case of a property to which a land tenure right applies and which is leased by the holder of such right; or
- 9 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;

**“permitted use”**, relation to a property, means the limited purposes for which the property may be used in terms of-

- (a) any restrictions imposed by-



- a condition of title;
- a provision of a town planning or land use scheme; or
- any legislation applicable to any specific property or properties; or

(b) any alleviation of any such restrictions;

**“place of worship”** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium; Provided that the property is –

(a) registered in the name of a religious community;

(b) registered in the name of a trust established for the sole benefit of a religious community; or

(c) subject to a land tenure;

**“property”**, means-

- 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;
- a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- a land tenure right registered in the name of a person or granted to a persons in terms of legislation; or
- public service infrastructure;

**“property register”**, means a register of properties referred to in section 23 of the Act;

**“protected area”**, refers to nature reserves, botanical gardens or national parks provided that the specific area/s is declared as a “Protected area” referred to in section 10 of the Protected Areas Act;

**“Protected Areas Act”** means the National Environmental Management: Protected Areas Act, 2003;

**“publicly controlled”**, means owned by or otherwise under the control of an organ of state including-

- a public entity listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999),
- a municipality; or
- a municipal entity as defined in the Municipal Systems Act;

**“public service infrastructure”**, means publicly controlled infrastructure of the following kinds:

1. national, provincial or other public road on which goods, services or labour move across a municipal boundary;
2. 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;
3. power stations, power substations or power lines forming part of an electricity scheme serving the public;
4. gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
5. railway lines forming part of national railway system;
6. communication towers masts, exchanges or lines forming part of a communications system serving the public;
7. runways or aprons at national or provincial airports;
8. breakwater, sea walls, channels, basin, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewage or similar services of ports, or navigational aids comprising light houses, radio navigational aids, buoys, or any other device or system used to assist the safe and efficient navigation of vessels;
9. any other publicly controlled infrastructure as may be prescribed; or
10. a right registered against immovable property in connection with infrastructure mentioned in paragraphs (a) to (i)

**“public service purposes”**, in relation to use of a property, means property owned and used by an organ of state as-

- (a) hospitals and clinics;
- (b) schools, pre-schools, early childhood development centres or further education and training colleges;
- (c) national and provincial libraries and archives;
- (d) police stations;
- (e) correctional facilities; or
- (f) courts of law,

but excludes property contemplated in the definition of “public service infrastructure”;

“**rate**”, in relation to section 19, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: provided that the two relevant cents amount in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;

“**rateable property**”, means property on which a municipality may levy a rate, excluding property fully excluded from the levying of rates;

“**rebate**”, in relation to a rate payable on a property, means a discount granted in terms of the amount of the rate payable on the property;

“**reduction**”, in relation to a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of the property at that lower amount;

“**residential property**”, means a property included on a valuation roll in terms of section 48(2) (b) of the Act in respect of which the primary use or permitted use is for residential purposes without derogating from section 9;;

“**sectional titles unit**”, means a unit defined in section 1 of the Sectional Titles Act; 1986 (Act No. 95 of 1986);

“**specified public benefit activity**”, means an activity listed as welfare and humanitarian, health care and education and development in Part 1 of the Ninth Schedule to the Income Tax Act;

“**state trust land**”, means land owned by the state in trust for persons communally inhabiting the land in terms of a traditional system of land tenure, land owned by

the state over which land tenure rights were registered or granted or land owned by the state which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);

“**trading services**”, means services for which the tariffs are fixed to yield a trading profit, like electricity and water services;

“**vacant land**”, means a property without any buildings or structures that could be used for residential or other purposes;

Vacant land, which includes land without a zoning, deproclaimed mining land and any undeveloped land/ erf within a proclaimed township or a land development area contemplated in the Development Facilitation Act, 1995 (Act No. 67 of 1995) not transferred by a developer or an applicant under that Act, is considered to be vacant land and shall not benefit from any exemption, reduction or rebate. Property will continue to be rated as vacant until such time as the Council issues a Certificate of Occupancy.

(ii) Property laid out or developed as a sporting facility, including allied training facilities and parking space for such facility shall not be considered as vacant land.

(iii) The tariff applicable to vacant land will take precedence over the tariff applicable to the property category where such land is vacant.

### **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 Phasing in of rates will be based on the new valuation roll and in terms of Section 21 of the Municipal Property Rates Act (Act No. 6 of 2004)

3.4 The rates policy for the municipality is based on the following principles:

#### 3.4.1 Equity

The municipality will treat all 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.

□ 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 and social economic development with consideration and compliance with the LED strategy of the municipality.

□ Cost efficiency

Rates will be based on the value of all rateable properties and the amount required by the municipality to balance the operating budget after taking into account profits generated on trading services (water, electricity) and economic services (refuse removal, sewerage removal) 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**

This policy guides the annual setting (or revision) of property rates. 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 respective categories of properties and owners as allowed for in this policy.

#### **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 Mayoral Committee of the Council, make provision for the following classification of services: -

6.1.1 Trading services

- I. Water
- ii. Electricity

### 6.1.2 Economic services

- i. Refuse removal.
- ii. Sewerage disposal.

### 6.1.3 Community services

- I. Fire fighting services
- II. Local tourism
- III. Municipal planning
- IV. Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned or authorised to them under the Constitution or any other law.
- V. Stormwater management system in built-up areas.
  - o Trading regulations
  - o Fixed billboards and the display of advertisements in public places
  - o Cemeteries
  - o Township development
  - o Facilities for accommodation, care and burial of animals
  - o Fencing and fences
  - o Licensing of dogs
  - o Licensing and control of undertakings that sell food to the public
  - o Local amenities
  - o Local sport facilities
  - o Municipal parks and recreation
  - o Street trading/street lighting
  - o Traffic and parking
  - o Building control
  - o Licensing of motor vehicles and transport permits

### 6.1.4 Subsidised services

- i. Health and ambulance.
- ii. Libraries and museums.

6.2 Trading and economic services must be ring fenced and financed from service charges while community and subsidised services will be financed from rates.

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

- (a) Salaries, wages and allowances
- (b) Bulk purchases
- (c) General expenditure
- Repairs and maintenance
- Capital charges (interest, redemption and depreciation)
- Contribution to fixed assets
- Contribution to funds-
  - bad debts.
  - working capital; and
  - statutory funds.
- Contribution to reserves.
- Gross expenditure. (a to h)
- Net expenditure. (i – j)
- Income.
- Surplus/Deficit – (Difference between (k) and (l))

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/services; and
- (c) by Division/services.
  - a. The subjective classification of expenditure each with a unique vote must 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-

- (a) use of the property;

7.2 Categories of property for the municipality include- **rating category list**:

1. Residential properties;
2. Industrial properties;
3. Business and commercial;
4. Agricultural properties;

5. Mining properties;
6. Properties owned by an organ of state and used for public service purposes;
7. Public Service Infrastructure properties;
8. Properties owned by public benefit organizations and used for specified public benefit activities;
9. Properties used for multiple purposes, subject to section 9;
10. Vacant Land

## 8. CATEGORIES OF OWNERS

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 including farming next to informal settlements and within a radius of 5 (five) kilometres.;
- (d) owners of residential properties with a market value below a determined threshold; or
- 13 owners of agricultural properties who are *bona fide* farmers.

## 9. PROPERTIES USED FOR MULTIPLE PURPOSES

Rates on properties used for multiple purposes will be levied on properties used for-

- (a) a purpose corresponding with the dominant use of the property.

This category of property shall be rated according to the highest tariff applicable to the dominant use thereof. Where a property has been sectionalized in terms of the Sectional Titles Act, 95 of 1986, the rating of each section will be in accordance with the dominant use of that individual section. The owner of such property shall be required to apply to the Council in writing for the levying of property rates at a tariff lower than that applied to the business, commercial and industrial category. The Council has the right to call for documentary evidence and/ or conduct a physical inspection of the property in terms of such application.

Any use that is incidental to the main permitted use of a property shall not constitute use for multiple purposes, examples of which include but are not limited to a caretaker provided with accommodation at an office suite or a security kiosk on the property. Where a property is zoned institutional but the actual usage is residential, the owner of such property shall be required to apply to the Council in writing for the levying of property rates at a tariff lower than that applied to the business, commercial and industrial category. The Council has the right to call for documentary evidence and/ or conduct a physical inspection of the property in terms of such application.



Where the actual usage is primarily residential, the scale of residential property value reductions and rebates will be applicable to such property.

## 10. DIFFERENTIAL RATING

10.1 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.

10.2 Differential rating among the various property categories will be done by way of the set rate for each property category

## 11. EXEMPTIONS

11.1 The following categories of property are exempted from rates:

### 11.1.1 Municipal properties

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

- (a) rateable properties registered in the name of the municipality and is let to the employees of the municipality for residential purposes,
  - (b) rateable property registered in the name of another municipality if such property is used in connection with the supply of electricity, water, gas or sewerage services, or
  - (c) rateable property registered in the name of the municipality and which is let by the municipality for not more than a nominal rent as determined by the municipality.
- except**
- (d) If any property belonging to a municipality is disposed off to any person, he shall be considered to be the owner liable for the payment of rates from the date of signature on the sale agreement.

### 11.1.2 Residential properties

As per Sec 17(1)(h) of the MPRAA the first R15000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality for residential properties, with an additional R50 000.00 exemption of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality for residential properties with a total exemption of R65 000. Approved indigents are exempted from paying rates.

#### 11.1.4 Public Benefit Organisations

The following Public Benefit Organisations may apply for the exemption of property rates subject to submitting 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):

Welfare institutions

Properties used exclusively as an orphanage, non-profit retirement villages, old age home or benevolent institution, including workshops used by the residents, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.

Charitable institutions

Property belonging to not-for-gain institutions or organisations that perform charitable work.

#### 11.1.5 Public Service Infrastructure

Public service infrastructure as defined by the Act shall be exempt from rates.

#### 11.1.6 Cemeteries and Crematoriums

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

#### 11.2 Exemptions will be subject to the following conditions:

- 11.2.1 all applications must be addressed in writing to the municipality in the prescribed manner or application form;
- 11.2.2 a SARS tax exemption certificate must be attached to all applications;
- 11.2.3 the municipal manager or his/her nominee must approve all applications;
- 11.2.4 applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought;

The municipality reserves the right to refuse exemptions if the details supplied in the application form are incomplete, incorrect or false; and for each new valuation roll, application for exemptions must be made 30 days after the general valuation roll has been opened for inspection.

## **12. REDUCTIONS**

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

12.1.1 a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or

12.1.2 any other serious adverse social or economic conditions

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

12.3 All categories of owners can apply for a reduction in the rate.

## **13. REBATES**

13.1. Categories of property

### 13.1.1 Business, commercial and industrial properties

1. 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. The following criteria will apply:

- a. job creation in the municipal area;
- b. social upliftment of the local community; and
- c. creation of infrastructure for the benefit of the local community.

13.1.2 Rebates may be granted on application as prescribed to:

- a. a business plan submitted in respect of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
- b. an implementation plan submitted and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the business entity plans to continue to meet the objectives;
- c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies; and
- d. approval of the application by a municipal council resolution.

### 13.1.3 State properties

The municipality may grant a rebate as determined in schedule A to state owned properties.

### 13.1.4 Residential properties

The municipality may grant a rebate as determined in schedule A, which applies to improved residential property that is:

- 13.1.3.1 used predominantly for residential purposes, with not more than two dwelling units per property,
- 13.1.3.2 registered in terms of the Sectional Title Act,
- 13.1.3.3 owned by a share-block company, or
- 13.1.3.4 a rateable residence on property used for or related to educational purposes

#### 13.1.4 Agricultural property rebate

13.1.4.1 Agricultural properties may be granted a rebate subject to the owner providing the municipality with required information in an affidavit received not later than 30 September each year.

13.1.4.2 Qualifying requirements are that the owner should provide proof that he is registered as a *bona fide* farmer with SARS,

or

where the owner is not taxed as a farmer, proof is required that income from farming activities exceeds 40% of the household income.

13.1.4.3 Rebates may be granted on the following as outline in Schedule A:

a. The extent of municipal services provided to agricultural properties

- i. if there are no municipal roads next to the property.
- ii. if there is no municipal sewerage to the property.
- iii. if there is no municipal electricity to the property.
- iv. if water is not supplied by the municipality
- v. if there is no refuse removal that is provided by the municipality.

b. The contribution of agriculture to the local economy

A rebate may be granted as determined in Schedule A to agricultural property that contributes substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g. if they meet minimum standards set by government or if they are in line with the sector's average.

c. Rebates may be granted as determined in Schedule A after submission of proof by the owner, to the extent to which agriculture assists in meeting service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers:

- i. if the owner is providing permanent residential property to the farm workers and such property is registered in the name of these farm workers,
- ii. if such residential properties are provided with potable water.
- iii. if the farmer has electrified such residential properties of his farm workers.
- iv. if the farmer is availing his land/buildings to be used for cemetery, education and recreational purposes of the farm workers and their dependants and the nearby community in general, etc.

#### 13.1.5 Conservation Land

No rebates are granted to privately owned properties whether designated or used for conservation purposes subject to the provision of Section 17(1)(e) of the Act.

- i. Historical or heritage properties

No rebates are granted other than residential rebates if appropriate.

### 13.2 Categories of owners

#### 13.2.1 Retired and Disabled Persons Rate Rebate

13.2.1.1 Retired and Disabled Persons qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:

- a. occupy the property as his/her normal residence;
- b. be at least 60 years of age or in receipt of a disability pension from the Department of Social Development or other approved pension funds;
- c. be in receipt of a total monthly income from all sources (including income of spouses of owner) as per schedule A;
- d. not be the owner of more than one property.

13.2.1.2 Property owners must apply on a prescribed application form for a rebate as determined by the municipality.

13.2.1.3 Applications must be accompanied by-

- a. a certified copy of the bar coded identity document. passport, driver's license, birth certificate or any other proof of the owner's age which is acceptable to the municipality;
- b. sufficient proof of income of the owner and his/her spouse;
- c. an affidavit from the owner;
- d. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and

- e. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
- f. be in receipt of a total monthly income from all sources (including income of spouses of owner) as determined in schedule A;

13.2.1.4 These applications must reach the municipality before the end of September preceding the start of the new municipal financial year for which relief is sought.

13.2.1.5 The municipality reserves the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false.

#### **14. COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY**

14.1 The costs associated with exemptions, reductions, rebates, exclusions and phasing in of rates as reflected in schedule B

14.2 The benefit to the community of granting relief measures may be-

- i. the promotion of local economic development including attracting business investment, for example small business establishment;
- ii. creation of employment for municipal residents;
- iii. promotion of service delivery, for example by farmers;
- iv. poverty alleviation to the indigents;
- v. 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; and
- vi. Improved local economic growth.

#### **15. RATES INCREASES**

15.1 The municipality may consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time.

- a. Rate increases will be used to finance the increase in operating costs of community and subsidised services.
- b. 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 as well as increases of Section 56 and 57 managers
- 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.
- 15.2 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.
- 15.3 Affordability of rates to ratepayers.
- 15.4 All increases in property rates will be communicated to the local community in terms of the municipality's policy on community participation.

## **16. NOTIFICATION OF RATES**

- 16.1 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.
- 16.2 A notice stating the extent of the municipality's resolution and the date on which the new rates become operational will be displayed by the municipality for a period of at least 30 days at places provided for that purpose as well as in the Provincial gazette as required in terms of Section 14(2) of the Act.

## **17. PAYMENT OF RATES**

- 17.1 Ratepayers may choose between paying rates annually in one instalment on or before 30 September or in twelve equal instalments on or before the seventh day of the month following on the month in which it becomes payable.
- 17.2 If the owner of property that is rateable, notifies the municipal manager or his/her nominee not later than 31 May 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 subsequent financial year and each subsequent financial year in twelve instalments until such notice is withdrawn by him/her in a similar manner.
- 17.3 Interest on arrears of rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the interest rate as determined in the credit control policy.
- 17.4 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.

- 17.5 Arrears of rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act.
- 17.5.1 (a) If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the municipality will recover the amount in whole or in part from the tenant or occupier of the property, despite any contractual obligation between the tenant and the owner. The municipality will only recover the outstanding rates from the tenant or occupier after a written notice has been served to the tenant or occupier.
- (b) The amount that the municipality will recover from the tenant or occupier will be limited to the amount of the rent or other money due and payable, but not yet paid by the tenant or occupier to the owner of the property. The tenant or occupier must set off any amount recovered from them by the municipality against any money owed to the owner.
- (c) The tenant or occupier of a property will on request of the municipality, furnish the municipality with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period as may be determined by the municipality.
- 17.5.2 (a) If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the municipality will recover the amount in whole or in part from the agent of the owner. The municipality will only recover the outstanding rates from the agent after a written notice has been served to the agent.
- (b) The amount that the municipality will recover from the agent will be limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.
- (c) The agent, will on request of the municipality, furnish the municipality with a written statement specifying all payments for rent on the property and any money received by the agent on behalf of the owner during a period as may be determined by the municipality.

## **18 PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEME**

- 18.1 A rate on a property, which is subject to a sectional title scheme, will be levied on the individual sectional title units in the scheme and not on the property as a whole
- 18.2 The rate levied on a sectional title unit will be payable by the owner of the unit. The municipality will not recover the rate on such sectional title unit, or any part of such rates, from the body corporate controlling the sectional title unit, **except** when the body corporate itself is the owner of any specific sectional title unit.

## **19 ACCOUNTS TO BE FURNISHED**

The municipality will furnish each person liable for the payment of rates with a written account, which will specify:



- (i) the amount due for rates payable,
- (ii) the date on or before which the amount is payable,
- (iii) how the amount was calculated,
- (iv) the market value of the property, and
- (v) rebates, exemptions, reductions or phasing-in, if applicable.

A person liable for payment of rates remains liable for such payment, whether or not such 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.

## **20 CORRECTION OF ERRORS AND OMISSIONS**

20.1 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.

20.2 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

## **21 FREQUENCY OF VALUATION**

The municipality shall prepare a new valuation roll every 4 (four) years, with the option to extend the validity of the valuation roll to 5 (five) years with the approval of the MEC for Local Government and Housing in the province.

Supplementary valuations will be done on a continuous basis but at least once in an annual basis to ensure that the valuation roll is properly maintained.

## **22 COMMUNITY PARTICIPATION**

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:

The municipal manager will:

- 23.1 Conspicuously display the draft rates policy for a period of at least 30 days at the municipality's head and satellite offices and libraries and on the website.

- 23.2 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. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.
- 23.3 Council will consider all comments and/or representations received when considering the finalisation of the rates policy.

## **23 REGISTER OF PROPERTIES**

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.

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.

Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:

Exemption from rates in terms of section 15 of the Property Rates Act,  
Rebate or reduction in terms of section 15,  
Phasing-in of rates in terms of section 21, and  
Exclusions as referred to in section 17.

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.

The municipality will update Part A of the register every 6 months during the supplementary valuation process.

Part B of the register will be updated annually.

## **24 BY-LAWS TO GIVE EFFECT TO THE RATES POLICY**

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.

## **25 REGULAR REVIEW PROCESSES**

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 IDP and with legislation.

## **26 SHORT TITLE**

This policy is the Property Rates Policy of the Merafong City Local Municipality.

## **27 ENFORCEMENT/IMPLEMENTATION**

This draft rates policy will be tabled to Council for public comments and on approval will be implemented with effect from 01 July 2018

## **ADDENDUM**

### **LEGAL REQUIREMENTS THAT ALL MUNICIPALITIES MUST COMPLY WITH INTERMS OF THE MUNICIPAL PROPERTY RATES ACT, 2004 (ACT NO. 6 OF 2004) AS AMENDED 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 just a few provisions key provisions that the municipality deems it necessary for residents/ratepayers to be aware 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.
- Any part of the seashore in terms of section (17(1)(b) of the Act.
- Any part of the territorial waters of the Republic in terms of section 17(1)(c) of the Act.
- Any island of which the state is the owner in terms of section 17(1)(d) of the Act.
- 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 19 17(1)(g) of the Act.
- On the first R15 000.00 of the market value of residential in terms of section 17(1)(h) of the Act. .

- 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.

SCHEDULE A

**SCHEDULE OF REBATES**

Category/Description	Proposed rebate	Council's adopted rebate
State Properties	20%	
Residential Properties if the stand is developed	10%	
Public schools		
Private schools		
Public Service Infrastructure	30%	
<b><u>Rebates on Agricultural Land</u></b>		
iv. No municipal roads next to property	7,5%	
v. No municipal sewerage to the property	7,5%	
vi. No municipal electricity to the property	7,5%	
vii. No water supply to the property by the municipality	15%	
viii. No refuse removal provided by the municipality	7,5%	
ix. Contribution to job creation	5%	
<b><u>Contribution to social and economic welfare of farm workers:</u></b>		
x. Permanent residential property provided to the farm workers	5%	
xi. Residential property provide with potable water	5%	
xii. Residential property provide with potable water	5%	
xiii. Residential property provide with electricity	5%	
xiv. Availing land/buildings for burial, education and recreational purposes for farm workers	10%	
<b><u>Retired and disabled person on residential properties only :</u></b>		
xv. Owner with income between R1 – 80 000	100%	
xvi. Owner with income between R80 001 – 84 000	75%	
xvii. Owner with income between R84 001 – R88 000	50%	
xviii. Owner with income between R88 001– R92 000	25%	
xix. Owner with income above R92 001.	0%	

## SCHEDULE B

### The costs associated with exemptions, reductions, rebates, exclusions and phasing in of rates

		R	c
i.	<u>Exemptions</u>	R	
	Municipal properties	R	
	Residential properties	.....	
	Cemeteries and crematoriums	.....	
	Public service infrastructure	.....	
	Public benefit organisations	.....	
	<u>Reductions</u>		
	Properties affected by disaster		
	Properties affected by serious adverse social or economic conditions	.....	
iii.	<u>Rebates</u>		
	Enterprises that promote local, social and economic development	.....	
	State properties		
	Residential properties	.....	
	Retired and disabled persons	.....	
iv.	<u>Phasing in</u>		
	Newly rateable property		0
	Land reform beneficiaries	.....	
xx.	<u>Exclusions</u>		
	Public service infrastructure	.....	
	Protected areas	.....	
	Land reform beneficiary	.....	
	Residential property (mandated R 65 000 Exemption)	.....	
	Public places of worship		
	<b>Total Cost</b>		