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MAKANA MUNICIPALITY

PROPERTY RATES POLICY

POLICY NUMBER:	(F) 1
POLICY NAME	Property Rates Policy
POLICY STATUS	Amended
VERSION	No. 1
DATE OF APPROVAL	26 May 2016
DATE OF FIRST IMPLEMENTATION	1 July 2016
DATE OF LAST AMENDMENT	12 May 2016
DATE OF NEXT REVIEW	June 2017
PURPOSE	See Policy
AIMS AND OBJECTIVES	This document describes the Property Rates Policy that will be applicable to the Makana Municipality, with effect from 01 July 2016.
POLICY CUSTODIAN	Directorate: Budget And Treasury
RELATED POLICIES AND LEGISLATION	<ul style="list-style-type: none">• Constitution of the Republic of South Africa 1996, Act 108 of 1996,• Municipal Property Rates Act No.6 Of 2004;• Municipal Systems Act No.32 Of 2000• Municipal Finance Management Act No. 56 Of 2003
APPROVING AUTHORITY	Council

Makana Municipality Rates Policy

APPLICABILITY	This policy applies to the rates payers of the municipality.
POLICY BENCHMARK AND REFERENCES	
STAKEHOLDERS CONSULTED	Yes

RATES POLICY

The policy was adopted by Council on XX XXX 2016 and will be effective from 1 July 2016.

Signature: _____

Date: _____

Municipal Manager (Accounting Officer)

Signature: _____

Date: _____

Executive Mayor

MAKANA MUNICIPALITY PROPERTY RATES POLICY

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1. PREAMBLE

WHEREAS Section 3 of Local Government: Municipal Property Rates Act No. 6 of 2004 determines that a municipality must adopt a rates policy in accordance with the provisions of the Act.

NOW THEREFORE the Council adopts the following policy on the levying of property rates and taxes:

2. LEGISLATIVE CONTEXT

- 2.1 In terms of Section 229 of the Constitution, a municipality may impose property rates on property.
- 2.2 In terms of Section 4(1)(c) of the Municipal Systems Act, Act 32 of 2000, a municipality has the right to finance the affairs of the municipality by imposing, inter alia, property rates on property.
- 2.3 In terms of Section 2(1) of the Municipal Property Rates Act, a local municipality may levy a rate on property in its area in accordance with the other provisions of this Act.
- 2.4 This Policy must be read together with, and is subject to the provisions of the Municipal Property Rates Act and the Property Rates By-Law.
- 2.5 In terms of Section 8(1) of the Municipal Property Rates Act, the Municipality is levying property rates on the use of the property as determined on the valuation roll in terms of Section 48 of this Act.
- 2.6 In terms of Section 26 of the Municipal Property Rates Act - Method and time of payment – (1) A municipality may recover a rate –p
 - a) On a monthly basis or less often as may be prescribed in terms of the Municipal Finance Management Act; or
 - b) Annually, as may be agreed to with the owner of the property.
- (2)
 - (a) if a rate is payable in a single amount annually it must be paid on or before a date determined by the municipality.
 - (b) If a rate is payable in instalments it must be paid on or before a date in each period determined by the municipality.
- (3) Payment of a rate may be deferred but only in special circumstances.

2.7 In terms of Section 12 of the Municipal Property Rates Act – Period for which property rates may be levied **(1)** When levying property rates, a municipality must levy the property rate for a financial year. A property rate lapses at the end of the financial year for which it was levied.

3. DEFINITIONS

In addition to the definitions contained in the Municipal Property Rates Act and the Property Rates By-Law, the following words and phrases bear the meanings assigned to them below:

“Accommodation Establishment” in relation to a property means the supply of overnight facilities to guests and tourists.

“Actual use” means actual activities that are taking place on the property

“Agricultural Property” Means a property used for bona fide agricultural purposes in which the property owner is deriving his principle source of income from the produce of the land on such property. Agricultural/farming property not used for bona fida agricultural/farming purposes shall be rated according to the actual use thereof.

“Agricultural use” means a farm or a smallholding used for the production of goods or products through farming or forestry activities.

“Category” in relation to:

- Property, means a category of properties determined in terms of Section 8 of the Act, and
- Owners of properties, means a category of owners determined in terms of Section 15(2) of the Act.

“Dominant use” means 60% or more of the use of a property (as determined by the valuer).

“CFO” means the Chief Financial Officer of the Municipality, being a person designated in terms of Section 80(2)(a) of the MFMA, or his/her nominee.

“Gross monthly household income” means the gross monthly income from all sources, including but not limited to salaries, wages, dividends, pensions, grants, rentals, board and lodging, interest received, donations and any other form of financial support or investment income, received by every person residing on the property.

“Homeless people’s shelters” means a *bona fide* non-profit organisation (NPO) which operates a shelter used primarily for the accommodation of homeless people and which has applied in writing for and been registered as such shelter by Council.

“Interest” means a charge levied on arrear property rates, sewerage and availability fees calculated at a rate of 1% higher than the prime interest rate.

“MFMA” means the Local Government: Municipal Finance Management Act, 56 of 2003.

“MPRA” means the Local Government: Municipal Property Rates Act, 6 of 2004.

“MPRA Rate Ratio Regulations” means the Municipal Property Rates Regulations on the Rate Ratio between Residential and Non-Residential Properties promulgated in terms of the MPRA published under Government Notice R195, Government Gazette 32991, on 1 March 2010.

“Non-Residential Property” means all properties other than those defined as residential.

“Multiple Properties” means property that is utilised for more than one determined category and where differential property rates will be made by setting different rates in the rand for each category.

“Municipality” means the Makana Municipality. **“owner”**-

- (a) the person in whose name the property is legally vested;
- (b) in the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, usufructuarius, servitude holder or any other legal representative;
- (c) in the case where the council is unable to establish the identity of such person, the person who is entitled to derive benefit from the property or any buildings thereon;
- (d) in the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- (e) regarding:
 - (i) a portion of land allotted on a Sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 of 1986), without limiting it to the developer or managing body to the communal property;
 - (ii) a portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a “sectional title, including the legally appointed representative of such person;

- (f) any legal entity including but not limited to :
- (i) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust *inter vivos*, trust *mortis causa*, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984), and any voluntary organization;
 - (ii) any provincial or national government department, local authority;
 - (iii) any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
 - (iv) any embassy or other foreign entity.
- (g) In respect of a property owned by council and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and
- (h) In respect of a property owned by or under the control or management of council while held under a lease or any express or tacit extension thereof or under any other contract or under servitude or right analogous thereto, the person so holding the immovable property.

"Private Open Space (POS)" means vacant land belonging to private owners.

"Public benefit organisation (PBO)" means properties owned by public benefit organisations and used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act;

"Public Open Space Municipality (POSM)" means vacant land owned by the Municipality

"Public Open Space Private (POSP)" means small pieces of vacant land *in private complexes used for playgrounds, parking, gardening, etc.*

"Public Service Infrastructure (PSI)" means publicly controlled infrastructure such as, national, provincial or other public roads, railway lines, etc. (full definition included under MPRA above)

"Public Service Infrastructure Private (PSIP)" properties, mostly found in private owned complexes used for streets, right of way, pavements, etc.

"Ratepayer" means a person or entity that is liable, in terms of the MPRA, for the payment of property rates on property levied by the Municipality;

"Property Rates By-law" means the Municipality: Property Rates By-law promulgated in the Provincial Gazette No. 6917 of 14 October 2011.

“Residential Property” means a property as defined in the MPRA and which includes the following:

- used predominantly (60% or more) for residential purposes.
- a unit registered in terms of the Sectional Titles Act, 95 of 1986, used predominantly (60% or more) for residential purposes, and includes any unit in the same Sectional title scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker’s quarters. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or
- owned by a share block company and used predominantly (60% or more) for residential purposes but will be considered as one Residential property as set out in 5.1 below; or
- a retirement scheme or life right scheme used predominantly (60% or more) for residential purposes; or an old age home used predominantly (60% or more) for residential purposes; or
- a block of flats used predominantly (60% or more) for residential purposes, but will be considered as one Residential property as set out in 5.1 below.

“Systems Act” means the Local Government: Municipal Systems Act, 32 of 2000.

“Valuation Roll” means a valuation roll made in terms of Section 30 of the MPRA or a supplementary valuation roll made in terms of Section 78 of the MPRA.

“Vacant Land” means a property without any buildings or structures that could be used for residential or other purposes.

4. GUIDING PRINCIPLES

4.1 The Municipality’s Property Rates Policy is based on the following guiding principles:

- equity;
- affordability;
- poverty alleviation;
- social and economic development;
- financial sustainability; and
- cost efficiency.

- 4.2 Property Rates are levied in accordance with the MPRA as a cent-in- the-rand based on the property value contained in the Municipality’s General Valuation Roll of and Supplementary Valuation Rolls.
- 4.3 As allowed for in the MPRA, the Municipality has chosen to differentiate between various categories of property and owners of property. Some categories of property and categories of owners are granted relief from property rates. However, the Municipality does not grant relief in respect of payments for property 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.
- 4.4 The following categories are applicable to the Municipality:
- Accommodation establishments
 - Additional Residential Units
 - Businesses and Commercial Properties
 - Central Business District
 - Farm Properties used for
 - Agricultural purposes
 - accommodation purposes
 - residential purposes
 - business and commercial purposes
 - multipurpose
 - Government
 - Industrial
 - Municipal Properties
 - National Monuments
 - Place of Worship – Church
 - Place of Worship – Parsonages
 - • Private Open Space
 - • Protected Area
 - • Public Benefit Organisations
 - • Public Open Space
 - • Public open space Private
 - • Public Service Infrastructure
 - • Public Service Infrastructure Private
 - • Residential

- 4.5 The rate charged as a cent-in-the-rand for Industry/Commercial Properties as per the definitions (above) is the base rate and the rates charged in respect of all other categories of properties are reflected as ratios to the Industry/Commercial rate as set out below.

PROPERTY RATES TARIFF STRUCTURE

PROPERTY TYPE	CENT IN RAND (RANDAGE/TARRIF)
1. Businesses	0.013872
2. Government Properties (e.g Public Schools, Government Buildings, etc)	0.017836
3. Schools (Private and Public)	0.004672
4. Residential Properties	0.004672
5. Tertiary Institutions (e.g University)	0.009202
6. Domestic Farmers (bona fide farmers)	0.001168
7. Public Service Infrastructure (PSI)	0.001168
8. Industrial Properties	0.006936
9. Tourism/Game	0.001168
10. Sectional Titles	0.004672
11. B&B Properties	0.005096
12. Public Benefit Organisations (PBO)	0.001168
13. Museum Properties	Exempt
14. Sporting Bodies	Exempt
15. Public open space	Exempt
16. Cemeteries	Exempt
17. Place of Worship	Exempt
Please note that the municipality does not levy property rates on places of worship (churches) as in line with the Property Rates Act and the Council’s Property Rates Policy. Also note that rebates as per Council Resolution, as well as rebates as per the Municipal Property Rates Act No. 6 of 2004 for all the qualifying rateable properties are available on application, which must be completed on or before 31 March each year.	

5. APPLICATION OF THE POLICY

5.1 Residential Property

- 5.1.1. (a) The first R15 000 of the market value as per the Valuation Roll on Residential Properties as set out in Section 17(1)(h) of the MPRA is exempted from paying property rates.

5.2 Public Service Infrastructure (PSI)

- 5.2.1 For Public Service Infrastructure (as defined in the MPRA) the first 30% of its market value in terms of Section 17(1)(a) of the MPRA is exempted from paying property rates.
- 5.2.2 The Municipality grants a 75% property rates rebate for the categories of PSI's (public service infrastructure), as defined in paragraph 4.4 above. These categories of properties and/or owners of properties are deemed to contribute services or benefits to the community.

5.3 Agricultural Use

- 5.5.1 A farm is an area of land, including various structures thereon, devoted primarily to the practice of producing and managing food (produce, grains or livestock) or forestry products. The farming activity must be intense, must not be a mere hobby and must contribute to the local economy.
- 5.5.2 In terms of the MPRA, the definition of agricultural purpose excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game.
- 5.5.3 If agricultural properties are not used solely for agricultural purposes and where the municipal valuator considers it reasonable to apply the category of multiple-use properties, the apportionment of value for each distinct use of the property will be calculated by the municipal valuator and used for billing at the applicable rate of the specific property rates category.

5.4 Multiple-Use Properties

Properties used for multiple purposes which do not fall within the definition of Residential Properties and, accordingly, do not qualify for the residential rate, may be included into the category of multiple-use properties, for which an apportionment of value for each distinct use of the property will be calculated by the municipal valuer and used for billing at the appropriate and applicable rate, in cases where the municipal valuer considers it reasonable to apply this category.

5.5 Municipal Properties

In terms of Section 7 of the MPRA the Municipality will not levy property rates on-

- (i) Properties of which the municipality is the owner;
- (ii) Public Service Infrastructure owned by a municipal entity;

- (iii) Leased Municipal Properties with a nominal value and/or portions of the commonage property where it is not practical to levy property rates.

5.6 Pensioners

5.6.1 Registered owners of Residential Properties who are pensioners qualify for special rebates according to gross monthly household income of all persons permanently residing on that property. To qualify for the rebate a property owner must be a natural person and the registered owner of a property which satisfies the requirements of the definition of Residential Property. This property owner must on 1 July of the financial year:

- occupy the property as his/her primary residence, and
- be at least 60 years of age, or
- has been declared medical unfit even if not yet 60 years of age, and
- be in receipt of a gross monthly household income not exceeding R69 500.00 or less per annum.

5.6.2 The owner must submit the application by 1 July for this rebate to be granted for the financial year in which the application is submitted. (Application forms can be obtained from the Municipality).

5.6.3 Any owner who, during a financial year, for the first time, meets all the other criteria above may apply to receive the rebate. From the date the Municipality receives the application until the end of that financial year a pro-rata rebate will be calculated, where after all the criteria set out above will apply to applications for rebates in subsequent financial years.

5.7 Religious Institutions

5.7.1 In terms of Section 17(1)(i) of the MPRA, the Municipality may not levy a rate on 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.

5.8 Public Benefit Organisations (PBO) / Non-Profit Organisations (NPO)

5.8.1 The Municipality grants a 75% property rates rebate for the categories of NPOs or public benefit organisations (PBOs) if they comply with the conditions in 5.10.2 and 5.10.3 below. These categories of properties and/or owners of properties are deemed to contribute services or benefits to the community.

5.8.2 In order to be considered, the organisations must either be registered as NPOs under the Non-Profit Organisations Act, 71 of 1997, or be PBOs that qualify for tax exemption as contemplated by Part 1 of Section 30 of the Ninth Schedule of the Income Tax Act. Such registration must be supplied upon request.

5.8.3 In exceptional circumstances the CFO may accept that a property registered in a name other than that of the organisation be regarded as the property of the organisation if it can be proven that the registration is merely to facilitate transfer of the property into the name of the organisation.

6. GENERAL

6.1 Persons who have submitted false information and/or false affidavits and/or failed to notify the CFO of any amended use of properties owned or used by them will have the exemptions, rebates or reductions withdrawn with effect from the date of the incident in question and interest raised as provided for in the Municipality's Credit Control and Debt Collection Policy and By-Law. The Municipality may also take further appropriate action against them.

6.2 All applications for exemptions, rebates or reductions will require the applicant's municipal accounts to have been paid up to date or the conclusion of a suitable arrangement with the Municipality as provided for in the Municipality's Credit Control and Debt Collection By-Law and Policy, which may include water and electricity saving measures. Should there be a default on the arrangements, all the rebates, exemptions or reductions granted may be reversed with effect from the date on which the default took place.

6.3. Any late applications or deviations from the ownership, registration or usage

requirements of this Policy must be motivated in writing to the CFO and will be dealt with in the sole discretion of the CFO, taking into account any factors which he/she deems to be relevant, including, but not limited to considerations of fairness and equity.

7. REGULAR REVIEW PROCESSES

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

8. LIABILITY FOR AND PAYMENT OF PROPERTY RATES

Liability for and payment of property rates is further governed by the MPRA and the Municipality's Credit Control and Debt Collection By-Law and Policy.

9. DUE DATES

The due date for payment of property rates in terms of Sections 26(2)(a) and (b) and 78(4) of the MPRA means the date reflected on a municipal invoice as the final date on which payment is due and payable.

10. CLEARANCE CERTIFICATES

All monies collected by the Municipality including in respect of Special Rating Areas (including City Improvement Districts) and any estimated amounts for the duration of the validation period of a certificate in terms of Section 118(1a) of the Systems Act or Section 89 of the Insolvency Act, 24 of 1936, are for the purpose of Section 118 of the Systems Act, deemed to be due and must be paid in order to facilitate the transfer of immovable property:

- 10.1 all amounts that are due must be paid in full prior to the issuing of any clearance certificate in terms of section 118, of the systems act;
- 10.2 no interest shall be paid by the municipality to the registered seller in respect of these payments which are deemed to be due; and
- 10.3 all payments will be allocated to the registered seller's municipal accounts and all refunds will be made to the transferring attorney.

11. EFFECTS OF OBJECTIONS AND APPEALS ON LIABILITY FOR PAYMENT

In terms of the MPRA:

- 11.1 the lodging of an objection or an appeal in terms of Sections 50 and 54 of the MPRA does not defer liability for the payment of property rates beyond the dates determined for payment in terms of this Policy;
- 11.2 the review of the municipal valuers' decision in terms of Section 52 of the MPRA does not defer liability for the payment of property rates beyond the dates determined for payment in terms of this Policy.

12. INDIGENCY

In terms of Section 3(3)(f) and Section 15 of the MPRA all indigents, for rating purposes, will qualify in respect of their Residential Properties for the benefits as set out in paragraph 5.1 of this Policy.

13. INTEREST

Interest shall be raised on overdue accounts as determined in the Credit Control and Debt Collection By-Law and Policy.

14. ADJUSTMENT OF PROPERTY RATES PRIOR TO SUPPLEMENTARY VALUATION (SV)

- 14.1 In circumstances where a valuation has been carried out by the municipal valuator in pursuance of a SV in terms of Section 78(1)(c), 78(1)(d), 78(1)(f), or 78(1)(g) of the MPRA as a result, for example, of a demolition having taken place on a property or a fire having destroyed buildings on a property, but the Municipality has not yet included such valuation of the relevant property in a SV, such valuation shall be submitted to the CFO for approval to levy property rates on the property in accordance with such valuation, with effect from the date of the occurrence of the event which caused a SV to be required.
- 14.2 If the owner of a property which has been subdivided or consolidated after the last general valuation wishes to sell the consolidated erf, or one or more of the erven which have been subdivided off the parent erf, as the case may be, applies to the Municipality for a clearance certificate in terms of Section 118 of the Systems Act and if the Municipality has not yet included such valuation of the relevant property(ies) in a SV:
 - 14.2.1 the municipal valuator shall conduct a valuation of the relevant property(ies) for purposes of a Supplementary Valuation; and

14.2.2 the valuation shall be submitted to the CFO for approval of the levying of property rates on such property(ies) in accordance with such valuation, with effect from the date on which the relevant subdivision or consolidation (as the case may be) was registered in the Deeds Office.

14.3 Any valuations performed in terms of paragraph 15 shall be included in the next SV prepared by the Municipality without any amendments to the valuation and any objections to such valuation may only be lodged once such SV is made public in terms of Section 49 of the MPRA.

18. Corrections on Property Rates can only be done via Supplementary valuations and according to Section 78 of the MPRA.

15. FREQUENCY OF VALUATIONS

The Municipality shall prepare a new valuation roll every 4 (four) years and supplementary valuation every twelve (12) and/or six (6) months.

16. CORRECTION OF ERRORS AND OMISSIONS

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 approximately 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.

17. RATES INCREASES

17.1 The Municipality may consider increasing rates annually during the budget process using the guidelines issued by National Treasury from time to time as a guide.

17.2 Rate increases will be used to finance the increase in operating costs of community and subsidised services.

17.3 Affordability of rates to ratepayers.

17.4 All increases in property rates will be communicated to the local community in terms of the Municipality's policy on community participation meetings, local newspapers, community libraries and municipal websites participation.

17.5 A rates tariff in a financial year shall be determined as a proportion of the amount

required to finance the difference between the total budget and the amount raised through the trading services.

18. NOTIFICATION OF RATES

18.1 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.

18.2 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 at places provided for that purpose.