



PROPERTY RATES POLICY

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SECTION A: PREAMBLE

Whereas:

- 1.1 Section 229 of the Constitution of the Republic of South Africa (Act 108 of 1996) provides that a municipality may impose rates on property;
- 1.2 The Local Government: Municipal Property Rates Act (Act 6 of 2004) regulates the power of a municipality to impose rates on property;
- 1.3 In terms of the Municipal Property Rates Act a municipality:
 - 1.3.1 may levy a rate on property in its area; and
 - 1.3.2 must exercise its power to levy a rate on property, subject to:
 - (a) section 229 and any other applicable provisions of the Constitution;
 - (b) the provisions of the Municipal Property Rates Act; and
 - (c) its rates policy;
- 1.4 The Umzumbe Municipal Council has resolved to levy rates on the market value of all rateable properties within its area of jurisdiction;
- 1.5 The municipality must, with regard to section 3(1) of the Municipal Property Rates Act, No. 6 of 2004 adopt a rates policy consistent with the provisions of the said Act on the levying of rates in the municipality;
- 1.6 In terms of section 3(2) of the Municipal Property Rates Act, No. 6 of 2004, a rates policy adopted in terms of subsection (1) must takes effect on the effective date of the first valuation roll prepared by the municipality in terms of the this Act, and must accompany the municipality's budget for the financial year concerned when the budget is tabled in the municipal council in terms of section 16(2) of the Municipal Finance Management Act, No. 56 of 2003.
- 1.7 In terms of section 4 of the Local Government: Municipal Systems Act (Act 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter-alia, rates on property; and

- 1.8 In terms of section 62 of the Local Government: Municipal Finance Management Act (Act 56 of 2003), the Municipal Manager must ensure that the municipality has and implements a rates policy.

DEFINITIONS

“Act” means the Local Government Municipal Property Rates Act, 2004 (Act No.6 of 2004)

"agricultural property" means property that is used primarily for agricultural purposes but, without derogating from **section 9 of the Act**, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

"Agricultural smallholdings" are properties located outside of a formal township, and the dominant use is that of small scale, yet intensive, commercial farming operation. Smallholdings where limited farming is taking place and where the property's dominant use is that of a residence or lifestyle property, are not included under this category. As a general rule, the properties are up to 30 hectares in extent, but are not necessarily limited to this extent. They are therefore categorised in terms of Section 8(2) (f) (i) of the Municipal Property Rates Act 6 of 2004

"annually" means once every financial year;

"appeal board" means a valuation appeal board established in terms of section 56;

"assistant municipal valuer" means a person designated as an assistant municipal valuer in terms of section 35(1) or (2);

“Business or Commercial property” means_

(a) Property used for the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming or, inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms;

b) Property on which the administration of the business of private or public entities takes place;

(c) Property used for the provision of commercial accommodation;

(d) Property used for education purposes;

(e) Property used by the State or any organ of State; or

(f) Property excluded from any other category of property, as stated in (a) above.

“Bed and breakfast property” Means a commercial accommodation establishment with less than or equal to 4 bedrooms available to guests.

“Category” means_

- (a) In relation to property, means a category of properties determined in terms of section 8 of the Municipal Property Rates Act and
- (b) In relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Municipal Property Rates Act.

“Child headed households” Means a household recognized as in terms of section 137 of the Children’s Amendment Act, 41 of 2007.

“Commercial accommodation” Means lodging or board and lodging, together with domestic goods and services, in any house, flat, apartment, room, hotel, motel, inn, guesthouse, bed & breakfast, boarding house, residential establishment, holiday accommodation, student accommodation, unit, chalet, tent, caravan, camping site or similar establishment which is regularly or systematically supplied but excludes a dwelling supplied in terms of an agreement for letting and hiring thereof.

“Communal Property” Means a property where there is a single registered cadastral holding and where the property is held or developed predominately for Rural Residential purposes and which may be used for multiple purposes including agricultural property, state occupied property, residential, rural residential and non-residential property, which, in the case of a property used for multiple purposes, the use will be assigned to a category of property, the value apportioned and rates levied accordingly, as contemplated in section 9 (2) of the Act. The Communal property’s land extent can vary and be adjusted according to deductions or the reinstatement of separate recognized property for rating due to the apportionment of values and adjustment of property.

“Constitution” means a body of fundamental principles or established precedents according to which our State is governed and as embodied and promulgated per Act 108 of 1996.

“Data Collector” means a person designated as a data-collector in terms of Section 36 of the Municipal Property Rates Act.

“Date of valuation” means the date determined by a municipality in terms of section 31(1) of the Municipal Property Rates Act”

“dominant use” In relation to a property means a property used for more than one purpose subject to **section 9 (1) (b) of the Act** and the following criteria applies -

- (a) A dominant use approach may be applied to developed property located within the area of an approved town planning scheme granted in terms of any planning law;
- (b) The dominant use is the highest percentage use of all actual uses determined by predominant use and as determined by the Municipal valuer.
- (c) The dominant use category of property will then be applied to the levying of rates.

“Effective date”

- (a) In relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1) of the Municipal Property Rates Act; or
- (b) In relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b) of the Municipal Property Rates Act.

“Equitable treatment of ratepayers” Means the fair, just and impartial treatment of all ratepayers.

“Exclusion” in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17 of the Municipal Property Rates Act.

“Exemption” in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Municipality Property Rates Act.

“Financial year” means the period starting from 1 July in a year to 30 June the next year.

“Guest house” Means a commercial accommodation establishment with between 5 and 10 bedrooms available to guests.

“Income Tax” means the Income Tax Act, 1962 (Act No.58 of 1962);

“Indigent Owner” Means an owner of low-cost property at a value determine by the municipality who has permanent occupation of a property and qualifies for indigent relief in terms of the Council’s Indigent policy.

“Industrial Property” means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw material or fabricated parts in respect of which capital and labour are involved, and includes –

- (a) The production of raw products on the property;
- (b) The storage and warehousing of products; and
- (c) Any office or other accommodation on the same property the use of which is incidental to such activity.

“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);
 - (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); or
- (c) Hold 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 to be enacted after the Municipal Property Rates 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 1990) which reads as follows-“(vii) *“land tenure right” means any leasehold, deed of grant, quitrent or any other right to the occupation of land created by or under any law and, in relation to tribal land, includes any right to the occupation of such land under indigenous law or customs of the tribe in question.*”

“Local community” in relation to a municipality-

- (a) Means a body of persons comprising-
 - (i) The residents of the municipality;
 - (ii) The ratepayers of the municipality;
 - (iii) Any civic organizations and non-governmental, private sector or labour organization or bodies which are involved in local affairs within the municipality; and
 - (iv) 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; and
- (b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons;

“Market value”, in relation to a property, means the value of the property determined in accordance with section 4 of the Municipal Property Rates Act

"mining property" means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002);

“Municipal Council” or Council means a Municipal Council of Umzumbe

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

“Municipality” –

- (a) As a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and
- (b) As a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

“Municipal manager” means a person appointed in terms of section 82 of the Municipal Structures Act

“Municipal Property Rates Act” means the Local Government: Municipal Property rates Act, 2004 (Act No. 6 of 2004)

“Municipal Structures Act” means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)

“Municipal Systems Act” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)

“Municipal Valuer or valuer of a municipality” means a person designated as a municipal valuer in terms of section 3391) of the Municipal Property Rates Act.

“Municipal Valuation” means a valuation of a rateable property within the municipal area by the Municipal valuer in terms of the Act.

“Municipal leases” means property owned by the municipality and leased to another party. The municipality reserves the right to recover municipal rates against all properties registered in the name of the municipality over which a portion or all of its property is leased either through an existing lease agreement where rates are exclusive or through the provisions of the Act. Rates payable will be based on the rates category and market value as contained in the Valuation Roll.

“Municipal properties” means those properties of which the municipality is the owner.

“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 this Act took effect, excluding a property that was incorrectly omitted from a valuation roll and for that reason was not rated that date; excluding-

- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
- (b) 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;

“Organ of state” means an organ of state as defined in section 239 of the Constitution.

“Office bearer” in relation to places of public worship, means the primary person who officiates at service at the place of worship

“Official residence” in relation to places of worship-

- (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 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 the office bearer.

“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;
- ‘(bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1993 (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 in a block company, the share block company as defined in the Share Blocks 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;

- (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”
 - (i) 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:
 - (ii) A trustee, in the case of a property in a trust excluding state trust land;
 - (iii) An executor or administrator, in the case of a property in a deceased estate;
 - (iv) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - (v) A judicial manager, in the case of a property in the estate of a person under judicial management;
 - (vi) A curator, in the case of a property in the estate of a person under curatorship;
 - (vii) 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;
 - (viii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or
 - (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.

“Pensioner” means a person that:

- (a) must be 60 years of age;
- (b) who is the sole owner of the property, or owner jointly with his/her spouse;
- (c) does not own another property within the municipality

“Permitted use”, in relation to a property, means the limited purposed for which the property may be used in terms of –

- (a) any restrictions imposed by-
 - (i) a condition of title;
 - (ii) a provision of a town planning or land use scheme; or
 - (iii) any legislation applicable to any specific property or properties; or
 - (iv) any alleviation of such restrictions.

“Place of Public Worship” means property which is registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community, which is occupied by an office bearer of that community who officiates at services of that place of worship.

“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

“Protected area” means an area that is or has to be listed in the register referred to in Section 10 of the National Environmental Management: Protected Areas Act, 2003;

“Public benefit organization” means a property where the dominant activity is 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.

“Public Service Infrastructure” means publicly controlled infrastructure of the

Following kinds:

- (a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) Water or sewer pipes, ducts or other conduits, dams and water supply reservoirs, Water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) Railway lines forming part of a national railway system;
- (f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) Runways or aprons at national or provincial airports;
- (h) Breakwater, sea walls, channels, basin, 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 light houses, 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 as may be prescribed;
- (j) a right registered against immovable property in connection with infrastructure mentioned in paragraphs (a) to (i);

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

- (a) hospitals or clinics;
- (b) schools, pre-schools, early childhood development centers 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;”

“Rateable property” means a municipal rate or property on which a municipality may in terms of section 2 of the Municipality Property Rates Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Municipal Property Rates Act

“Rate randage” means a rate levied on rateable properties to determine the amount of rates due to the municipality.

“Ratio”, 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 cent amounts in the Rand are inclusive of any relied measures that amount to rebates of a general application to all properties within a property category.

“Rebate”, in relation to a rate payable on a property, means a discount granted in terms of section 15 of the Municipal Property Rates Act of the amount for which the property was valued and the rating of the property at that lower amount.

“Reduction”, in relation to a rate payable on a property, means the lowering in terms of section 15 of the Municipal Property Rates Act of the amount for which the property was valued and the rating of the property at that lower amount.

“Register”

- (a) means to record in a register in terms of –
 - (i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or
 - (ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and
- (b) includes any other formal act in terms of any other legislation to record-
 - (i) a right to use land for or in connection with mining purposes; or
 - (ii) a land tenure right

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

“State-owned properties” means properties owned by the state, which are not included in the definition of public service infrastructure in the Act. These state-owned properties are classified as follows:

- (a) States properties that provide local services.
- (b) State properties that provide regional/municipal district-wide/metro-wide service.
- (c) State properties that provide provincial/national service.

“Threshold value” With reference to impermissible rates and Section (17) (1) (h) of the MPRA a municipality may not levy a rate on the first R15, 000 of the market value of a property with a category residential and a Council may increase this value to a higher market value in terms its annual budget and policy review, which is referred to as the threshold value.

SECTION B: ESTABLISHMENT AND IMPLEMENTATION OF RATES POLICY

The Rates Policy took effect from 1 July 2008 being the effective date of the first valuation roll prepared by the municipality in terms of the Municipal Property.

Rates Act, 2004 (Act No. 6 of 2004) and must accompany the municipality's budget for the financial year;

1. Legal requirements

This policy is subject to the requirements of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and the Municipal Systems Act, 2000 (Act No. 31 of 2000)

2. Objective

2.1 In developing and adopting this rates policy, the Council has sought to give effect to the sentiments expressed in the preamble of the Municipal Property Rates Act, 2004 namely that;

- (a)** the Constitution enjoins a local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;
- (b)** there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities;
- (c)** revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and
- (d)** it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor.

2.2 In applying its rates policy, the Council shall adhere to all the requirements of the Municipal Property Rates Act 2004, including any regulations promulgated in terms of that Act.

3. Background

The Municipality needs a reliable source of revenue to provide basic services and perform its functions.

3.1 Property rates are the most important source of general revenue for the municipality.

3.2 Revenue from property rates is used to fund services that benefits the community as a whole as opposed to individual households.

4. Principles

4.1 Equity

The municipality will treat ratepayers with similar properties the same

4.2. Affordability

4.2.1 The ability of a person to pay rates will be taken into account by the municipality

4.2.2 In dealing with the poor/indigent ratepayers, the municipality will provide relief

measures through exemptions, reductions or rebates.

4.2.3 The market values in the new valuation roll will be phased in over the entire period of the valuation cycle.

5. Adoption and contents of rates policy

5.1. The Council must adopt a policy consistent with the Municipal Property Rates Act on the levying of rates on rateable property in the municipality.

5.2. A rates policy adopted in terms of paragraph 5.1 takes effect on the effective date of the first valuation roll prepared by the municipality in terms of the Municipal Property Rates Act and must accompany the municipality's budget for the financial year concerned when the budget is tabled in the municipal council in terms of section 16(2) of the Municipal Finance Management Act.

5.3. A rates policy must -

- (a) treat persons liable for rates equitably;
- (b) determine the criteria to be applied by the municipality if it-
 - (i) levies different rates for different categories of properties;
 - (ii) exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties;
 - (iii) grants to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties; or
 - (iv) increases rates;
- (c) determine, or provide criteria for the determination of -
 - (i) categories of properties for the purpose of levying different rates as contemplated in paragraph (b)(i); and
 - (ii) categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions as contemplated in paragraph (b)(ii) or (iii);
- (d) determine how the municipality's powers in terms of section 9(1) of the Municipal Property Rates Act must be exercised in relation to properties used for multiple purposes;
- (e) identify and quantify in terms of cost to the municipality and any benefit to the local community-
 - (i) exemptions, rebates and reductions;
 - (ii) exclusions referred to in section 17(1)(a), (e), (g), (h), and (i) of the Municipal Property Rates Act and
 - (iii) rates on properties that must be phased in in terms of section 21 of the Municipal Property Rates Act;
- (f) take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;

- (g) take into account the effect of rates on organizations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organizations for those activities.
 - (h) take into account the effect of rates on public service infrastructure;
 - (i) allow the municipality to promote local, social and economic development; and
 - (i) identify on a basis as may be prescribed, all rateable properties in the municipality that are not rated in terms of section 7(2)(a) of the Municipal Property Rates Act.
- 5.4.** When considering the criteria to be applied in respect of any exemptions, rebates and reductions on properties used for agricultural purposes, a municipality must take into account-
- (a) the extent of services provided by the municipality in respect of such properties.
 - (b) the contribution of agriculture to the local economy
 - (c) the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality; and
 - (d) the contribution of agriculture to the social and economic welfare of farm workers.
- 5.5.** Any exemptions, rebates or reductions referred to in paragraph 5.3 and provided for in the rates policy adopted by the Council must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organized local government.
- 5.6.** No municipality may grant relief in respect of the payment of a rate –
- (a) to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in its rates policy and granted in terms of section 15 of the Municipal Property Rates Act.
 - (b) to the owners of properties on an individual basis.

6. Community participation

- 6.1.** Before the Council of Umzumbe adopts the rates policy, the Council must –
- (a) follow a process of community participation in accordance with Chapter 4 of the Municipal Systems Act; and
 - (b) comply with Sections 4 and 5 of the Act
- 6.2.** The municipal manager must –
- 6.2.1** Conspicuously display the draft rates policy for a period of at least 30 days
- (a) at the municipality's head and satellite offices and libraries; and
 - (b) on the municipality's official website,

6.2.2 advertise in the media a notice –

(a) stating –

(i) that a draft rates policy has been prepared for submission to the council; and

(ii) that the draft rates policy is available at the municipality's head and satellite offices and libraries for public inspection during office hours and, on the municipality's official website; and

(b) inviting the local community to submit comments and representations to the municipality within a period specified in the notice which may not be less than 30 days.

7. Annual review of rates policy

(a) The council of Umzumbe must annually review, and if necessary, amend, its rates policy. Any amendments to a rates policy must accompany the municipality's annual budget when it is tabled in the council in terms of section 16(2) of the Municipal Finance Management Act.

(b) Section 3(3) to (6) of the Municipal Property Rates Act read with the necessary changes as the context may require, apply to any amendment of a rates policy. Community participation in amendments to a rates policy must be effected through the municipality's annual budget process in terms of sections 22 and 23 of the municipal Finance Management Act.

8. Bylaws to give effect to rates policy

(a) The Council of Umzumbe must adopt by-laws to give effect to the implementation of its rates policy.

(b) By-laws in terms of paragraph 8(a) may differentiate between-

(i) different categories of properties; and

(iii) different categories of owners of properties liable for the payment of rates

SECTION C: CATEGORIES OF PROPERTIES

9. Criteria for categories of property for the purpose of levying different rates.

9.1 The municipality has determined categories of properties based on the following criteria:

9.1.1 Use of property

The following are the determined categories of properties by the Municipality:

(I) Communal Properties (Land & Property associations)

(II) Residential Properties

(III) Business/Commercial Properties

(IV) Place of worship

(V) Agricultural (Use Small holding)

(VI) Industrial Properties & Mining Properties

(VII) Public Service Infrastructure & Public Service Property

(VIII) Public Benefits Organizations

(IX) Agricultural properties used for agricultural purposes

(X) Agricultural properties used for eco-tourism or conservation

(XI) Agricultural properties used for the trading in hunting of game

(XII) State-owned properties:

- State properties that provide local services.
- State properties that provide regional/municipal district-wide/metro wide service.
- State properties that provide provincial/national service.
- Municipal use properties.
- Protected area.

(XIII) Vacant land

10. Criteria for rating multiple use property

The following criterion is proposed by the municipality:

10.1 By apportioning the market value of a property to the different purposes for Which the property is used;

10.2 Applying the relevant cent amount in the Rand to the corresponding Apportioned market value.

The municipality has an option of not creating a “multiple use property” category, but to classify all multiple use properties within its jurisdiction in terms of section 9 (1) (a) of the Act, or to classify these properties in terms of section 9 (1) (b) of the Act.

SECTION D:DIFFERENTIAL RATING

11. Criteria for differential rating on different categories of property

The following has been taken into consideration for the purpose of differential rating:

11.1 The nature of the property including its sensitivity to rating, e.g. agricultural Purposes;

11.2 Promotion of social and economic development of a municipality;

11.3 Differential rating the various property categories will be done by way of setting different Cent amount in the rand for each property category rather than by way of reductions and rebates.

SECTION E: RELIEF MEASURES RELATED TO CATEGORIES OF PROPERTIES AND CATEGORIES OF OWNERS OF PROPERTIES

12. Criteria for exemptions, rebates and reduction

The following will be taken into consideration for the purpose of granting exemptions, rebates and reductions:

12.1 indigent status of the owner of a property;

12.2 sources if income of the owner of a property;

12.3 market value of communal property below a determined threshold;

12.4 social and economic conditions of the area where the owner of the property is located e.g. an area declared by the national or provincial government to be a disaster area within the meaning of the Disaster Management Act, 2002, to the extent that it is significantly negativity affected.

- 12.5** The communal properties, built on the land owned by Ingonyama Trust Board.

Granting of exemptions, rebates and reductions

In order to alleviate the rates burden on the poor, the following exemptions and rebates are proposed:

13.1 Exemptions

- 13.1.1** All communal properties, whereby the owner does not own the land, but is owned by Ingonyama Trust Board (i.e owned by Amakhosi or Tribal Authorities) irrespective of the size;
- 13.1.2** Indigent owners (i.e. in accordance with the indigent policy and register of the municipality);
- 13.1.3** Owners dependant on pensions or social grant for their livelihood;
- 13.1.4** All subsistence farmers

13.2 Rebates

Upon levying the rate in respect of any property, the council shall grant the following rebates to the categories of properties and categories of owners indicated below, however, the council reserves the right to amend these rebates if circumstances so dictate.

Any exemptions, rebates or reductions granted and provided for in this policy shall comply and be implemented in accordance with the national framework that may be prescribed after consultation with organized local government.

The municipal shall not grant relief in respect of payment of rates to:-

- A category of owners of properties or to the owners of a category of properties, other than by way of an exemption, rebate or reduction as provided for in its rates policy in compliance with the provisions of Section 15 of the Municipal Property Rates Act, 2004.
- The owners of properties on an individual basis.

In determining whether a property forms part of a particular category as indicated below, the municipality shall have regard to the actual use of the property in question. In case of vacant land, the permitted use of the property shall determine which category it falls under. The property together with the relevant rating shall be categorized as follows:

<u>CATEGORY OF PROPERTY</u>	<u>REBATE</u>
<u>Communal Property</u>	
• Communal property, whereby the owner does not own the Land 'but is owned by Ingonyama Trust Board (i.e. Amakhosi Or Tribal Authorities)	0%
• Communal properties where the residential component Represents 100% of the property's actual use and the owners Have title deeds	30%
• Communal properties used for multiple purposes, which has title 'deeds	0%
<u>Industrial Property</u>	
• Industrial Properties	0%
<u>Business and Commercial Properties</u>	
• Business and commercial properties	0%
<u>Farm Property (excluding subsistence farmers as they are all exempted)</u>	
• Communal component	30%
• Business and commercial component	0%
• Agricultural component	30%
• No particular usage	0%
<u>State-owned Property</u>	
• Communal	30%
• Public service infrastructure	30%
• Other	0%
<u>uMzumbe Municipality owned property</u>	
• Communal	100%
• Public service infrastructure	100%

- Other (including properties owned by municipal entities) 100%

State Trust Land

- State trust land 0%
- Other trust land 100%

Protected Areas

- Protected Areas 100%

National Monuments

- Properties on which national monuments are situated and where No business or commercial activities are conducted in respect of Such monuments; 100%
- Properties on which national monuments are situated but where Business or commercial activities are conducted in respect of Such monuments. 100%

Public Benefit Organizations

- Properties owned by public benefit organizations and used to further the objectives of such organizations 100%

The Municipality will **NOT** grant relief in respect of the payment of a rate:

- to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction as provided for in this policy and granted in terms of section 15 of the Act; or
- to the owners of properties on an individual basis.

13.3 Effect of rates on Public Benefit Organizations.

Taking into account the effects of rates on Public Benefit Organizations performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, it is proposed that Public Benefit Organizations (POBs) performing the following specified public benefits activities be exempted from rating:

13.3.1 Welfare and humanitarian, e.g. POBs providing disaster relief;

13.3.2 Health Care, for example, POBs providing counselling and treatment of persons afflicted with HIV and AIDS including the care of their families and dependants in this regard.

13.3.2 Education and development, for example, POBs providing early childhood for pre-school children.

13. Effect of rates on Public Service Infrastructure

It is proposed that all components of Public Service Infrastructure be exempted from payments of rates in respect of the first 30% of the market value of the public service infrastructure as they provide essential services to the community.

14. Other exemptions

- On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship in terms of section 17 (1) (i) of the Act. The exemption is applicable also on a property registered in the name of and used primarily as a place of public worship by religious communities that do not erect buildings.

15. Phasing in of certain rates

A rate levied on a newly rateable property shall be phased in over a period of three financial years. Similarly, a rate levied on a property owned by a land reform beneficiary shall, after the exclusion period has elapsed, be phased in over a period of three financial years.

A rate levied on a newly rateable property owned and used by organizations conducting specified public benefit activities shall be phased in over a period of four financial years.

The phasing is discount on a property shall:

- In the first year, be at least 75% of the rate for that year otherwise applicable to that property;
- In the second year, be at least 50% of the rate for that year otherwise applicable to that property, and
- In the third year. Is at least 25% of the rate for that year otherwise applicable to that property.

No rate shall be levied during the first year on newly rateable property owned and used by organizations conducting specified public benefit activities. Thereafter, the phasing in discount shall apply as for other newly rateable expect that the 75% discount shall apply to the second year, the 50% to the third year and the 25% to the fourth year.

The rate levied on newly rateable property shall not be higher than the rate levied on similar property or categories of property in the municipality.

This is only applicable to the initial general valuation roll (as of 1 July 2009). Any new properties after the 1st of July 2009 may be phased as determined by council.

16. Rate Randage

The rate randage will be reviewed on an annual basis taking into consideration applicable prescripts and factors of affordability and sustainably towards providing realistic approach towards recovery of debt.

17. Special rating areas

The municipality may, by resolution of its council, determine an area within that municipality as a special rating area and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area and differentiate between categories of properties when levying such additional rate.

The levying of an additional rate may not be used to reinforce existing inequities in the development of the municipality and any determination of a special rating area must be consistent with the objectives of the municipality's.

18. Payments of rates on property in Sectional Title Schemes

The rate levied by the municipality on a sectional title unit is payable by the owner of the unit.

The municipality shall not recover the rate on such sectional title unit or any part of such rate from the body corporate controlling the sectional title scheme, except when the body corporate itself is the owner of any specific sectional title unit.

19. Method and time of payment

The municipality shall recover the rate either on a monthly basis or annually as determined by the municipality.

Whether the rate is payable in a single annual amount or in instalments, it shall be paid on or before the date determined by the municipality.

The municipality will consider each and every application for deferral of rates, taking into account the merits and demerits of each the financial implications thereof in so far as the cash flow of the municipality is concerned.

The following special circumstances qualify persons to apply for deferral of payment of rates in terms of Section 26(3) of the Municipal Property Rates Act:

- Property owners who are over sixty(60) years of age;
- Property owners who are not over sixty years of age but have retired from employment by reason of illness or disability certified by a medical practitioner and are in necessitous circumstances.

Such deferral may be for whole or any portion of such rates, provided that the total amount of all rates so deferred, together with accumulated interest thereon, shall not at any time exceed fifty (50%) of the value of the property concerned, as shown on the valuation roll.

20. Accounts to be furnished

The municipality shall furnish each person liable for the payment of rates with a written account specifying:

- The amount due for rates payable;
- The date on or before which the amount is payable;
- How the amount was calculated;
- The market value of the property;
- If the property is subjected to any compulsory phasing-in discount in terms of Section 17, the amount is discount; and
- If the property is subject to any additional rate in terms of Section 18, the amount due for additional rates.

The person liable for payment of the 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 inquiries from the municipality.

21. Recovery of rates in arrears from tenants and occupiers

If an amount due for rates levied in respect of a property is unpaid by the owner or the property after the date determined for payment by the municipality, the municipality may recover the amount in whole or in part from a tenant or occupier of the property despite any contractual obligation to the contrary on the tenant or occupier.

The amount that the municipality may recover from the tenant or occupier is limited to the amount of the rent or other money due or payable but not yet paid by such tenant or occupier to the owner of the property.

22. Recovery of Rates from agents

The municipality may recover the amount due for the rates on a property in whole or in part from the agent of the owner whenever this is convenient for the municipality but only after the municipality has served a written notice to the agent in this regard.

The amount that the municipality may recover from the agent is 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.

23. General Valuation and preparation of valuation rolls

When the municipality intends to levy a rate it shall cause a general valuation to be made of all properties in the municipality and shall prepare a valuation roll of all properties in terms of such valuation.

All rateable properties in the municipal area shall be valued during such general valuation, including properties fully or partially excluded from rates in terms of Section 17 of the present Act. However, if the municipality does not intend to levy rates on its own property, on public service infrastructure owned by the municipal entity, on rights in properties or on properties in respect of which or is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racial discrimination, the municipality is not obliged to value such properties as part of the valuation process.

The municipality may also apply to the minister for exemption from the obligation to value properties excluded from rates in terms of Section 17 if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity.

Properties which have not been valued because of any of the foregoing considerations shall, nevertheless be included in the valuation roll.

24. General Basis of Valuation

The market value of a property is the amount the property would have realized if sold on the date of the valuation in the open market by a willing buyer.

In determining the market value of a property, the following shall be considered for purposes of valuing the property:-

- The value of any licence or permission or other privilege granted in terms of legislation in relation to the property;
- The value of any immovable improvement on the property that was erected or is being used for the purpose which is inconsistent with or in contravention of the permitted use of the property as if the improvement was erected or is being used for a lawful purpose; and
- The value of the property for a purpose which is inconsistent with or in contravention of the permitted use of the property as if the property is being used for a lawful purpose.

In determining the market value of a property, the following must be disregarded for the purpose of valuing the property:-

- The value of any building or other immovable structure under the surface of the property which is the subject matter of any mining authorization or mining rights defined in the Minerals Act, 1991;
- The value of any equipment or machinery which, in relation to the property concerned, is immovable property, excluding-
 - A lift
 - An escalator
 - An air conditioning plant
 - Fire extinguishers
 - A water pump installation for a swimming pool or for irrigations on domestic purposes; and
 - Any other equipment or machinery that may be prescribed;
- Any unregistered lease in respect of the property.

In determining the market value of a property used for agricultural purposes, the value of any annual of crops or growing timber on the property that have not yet been harvested as at the date of valuation must be disregarded for purposes of valuing the property.

Where the available market-related data is insufficient to determine the market value of public service infrastructure, such public service infrastructure may be valued in accordance with any other method of valuation as may be prescribed.

The above is subject to confirmation by the municipal value.

25. Data valuation

For purposes of a general valuation, the municipal shall determine a date that may not be more than twelve months before the start of the financial year in which the valuation roll is to be first implemented.

The general valuation must reflect the market values of properties in accordance with market conditions with apply as at the date of the valuation and in accordance with any other applicable provisions of the present Act.

26. Valuation of property in Sectional Title Schemes

When valuing a property which is subject to sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme.

27. Right of Appeal

An appeal to the Appeal Board against a decision of the municipal valuer in terms of the Act may be lodged with the municipal manager.

28. Updating of valuation rolls

The municipality shall regularly, but at least, once a year, update its valuation roll by causing –

- A supplementary valuation roll to be prepared in terms of Section 78 of the Municipal Property Rates Act; or
- The valuation roll is to be amended in terms of Section 79 of the Municipal Property Rates Act.

29. Register of Properties

The municipality shall draw up and maintain a register in respect of properties situated within that municipality, consisting of Part A and Part B.

Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls prepared in terms of Section 78 of the Municipal Property Rates Act.

Part B of the register must specify which properties are subject to:-

- An exemption;
- A rebate on or reduction in the rate;
- A phasing-in of the rate;
- Exclusion referred to in section 17.

30. Rates Clearance Certificates

The policy shall apply to this issue of a municipal clearance certificate for the purpose of effecting transfer of a property to a new owner subject to paying for a rates clearance certificate in terms of applicable tariffs.

31. Assessments

An application shall be made in the prescribed format providing the following information in respect of the property in question-

- Present owner of the property
- Property description
- Physical address
- Rates account number

Preferably copy of the account must accompany the application. If the relevant information is not provided, the application will be returned to the conveyancer.

Every effort will be made to issue an assessment within seven (7) days of receipt of the application. However, certain delays may be experienced.

Conveyancers shall be notified of possible delays.

- **Assessment fee**

The tariff fee shall be R200.00 and be reviewed annually.

32. Period of validity

The assessment shall remain valid for a period of one (1) month. If payment has not been received within this period, a re-assessment may be required and payment of a further assessment fee will apply.

The onus rests with the seller to ensure:-

- The premises in question are being utilized in accordance with its zoning;
- That all outstanding debt accruing to Council in respect of the property is fully paid.

Any discrepancies in respect of the above may result in delays with the issuing of a clearance certificate and, in addition, may result in the levying of additional backdated rates and/or penalties.

33. Clearance Certificates

- Every effort will be made to issue a municipal clearance certificate within seven (7) days of receiving payment;
- Only in exceptional circumstances, which must be fully motivated, will an unconditional guarantee be accepted in lieu of payment;
- The guarantee must:-
 - Issue by recognised bank;
 - Unconditional;
 - For the full amount outstanding;
 - For a specified period of time acceptable to Council.

An attorney trust cheque may also be accepted in lieu of cash payment.

There shall be no refunds on cancellation of the sale

34. Cost to municipalities due to exemption, rebates, reductions, exclusions, phasing in and the benefit thereof to the municipalities.

The cost to the municipality of having granted the relief measures (exemptions, rebates and reductions) short of qualifying such costs in Rand and Cent shall be listed accordingly.

The following will be the benefit of granting relief measures to the municipality:

- Promote local economic development including attracting business investment, for example, small business establishment.
- Creation of employment for municipal residents.
- Promotion of service delivery, for example, by farmers.
- Poverty alleviation to the indigents.
- Social development and moral development, for example, by religious institutions, sports institutions, schools and other non-governmental. organizations which promote health and other benefit to the community.
- Improved local economic growth.

SECTION F: RATES INCREASES/DECREASES

35. Criteria for increasing or decreasing of rates

It is proposed that the following be taken into account for the purpose of increasing/decreasing rates:

- Priorities of a municipality reflected in its Integrated Development Plan;
- The revenue needs of the municipality;
- A need for management of rates shocks;
- Affordability of rates to ratepayers.

SECTION G: LIABILITY FOR RATES

36. Liability for rates by property owners

(a) Property rates by property owners

In a case of agricultural property owned by more than one owner in undivided shares where the holding of such undivided shares was allowed before the commencement of the subdivision of the Agricultural Land Act, 1970, the municipality will treat the owner of such property for the purpose of liability for rates in the following manner:

The municipality has considered the following three scenarios:

Scenario 1

If the joint property owners are all available and are traceable, the issue of who is liable for rates will be dealt with in the context of whether they have entered into an agreement or not regarding payment of rates liabilities.

Where joint owners of agricultural property have an agreement among themselves that a specific joint owner is liable for all rates levied in respect of that agricultural property, a municipality will hold such a joint owner liable for all rate levied in respect of the agricultural property. Such an agreement must be in writing and signed by all affected parties, and a certified copy thereof must be submitted to the municipality.

Where joint owners of the agricultural property have an agreement among them themselves that each joint owner is liable for that portion of rates on that property that

represent that joint owner's divided share in the agricultural property, a municipality will hold each joint owner liable for that portion of rates levied on the agricultural property. Such agreement must be in writing and signed by all affected parties, and a certified copy thereof must be submitted to the municipality.

Where joint owners of the agricultural property have not informed the municipality in writing as to who is liable for rates regarding agricultural property, the municipality will apply either 24 (2) (b) or (ii) of the Act.

Scenario 2

If the joint property owners are not traceable with the exception of one joint owner as such joint owner is occupying or using the entire property or a significant larger portion of the entire property (e.g. 80%), the municipality will hold that joint owner liable for the total rates bill for that entire property.

Scenario 3

If the joint property owners are not traceable with the exception of one joint owner and such joint owner is occupying or using a small portion of the entire property, the municipality will hold that joint owner liable for that portion of rates levied on the entire property that represents that joint owner's undivided share in that property.

37. Interest

In accordance with the Budget Policy, when considering the annual budget, the council shall consider the impact, the charging of interest on overdue accounts will have on the monthly municipal accounts of households in the municipal area. Taking into consideration the area dynamics, realistic recovery and incentives to recover debt, Council is of the view that no interest on arrear accounts will be levied until such time recovery is sufficient and adequate.

38. Liability

Should the total amount of rates deferred together with interest thereon exceed fifty (50%) percent of the value of the property as shown on the valuation roll, any excess shall become due and payable and shall be deemed to be rates due.

39. Termination

Any deferral granted shall terminate:

- Upon death of the registered owner, provided that the council may continue such deferral where it is established that the property concerned has been inherited by the surviving spouse and that such spouse is continuing in occupation of the property;
- Upon expropriation, sale or other disposal of the property;
- Upon the owner ceasing to reside permanently on the property

- If the owner fails to pay by due date to pay rates or any part thereof owing in respect of the property, after deferral has been duly allowed;
- Upon expiry of the period of deferral.
-

40. Application for deferral

Should an applicant wish to apply for a rebate/deferral of rates, he/she may apply before the 1st December of the particular year.

41. Frequency of valuations

The municipality shall atleast prepare a new valuation roll for a period not exceeding **five (5) years** and supplementary valuation rolls every year.

42. Promulgation of resolutions levying rates

A rate shall be levied by the municipality by resolution passed by council with a supporting vote of the majority of its members.

The resolution levying rates, once promulgated, shall be published in the *Provincial Gazette*.

Whenever the municipality passes a resolution to levy rates, the municipal manager shall, without delay, conspicuously display the resolution for a period of at least thirty (30) days at the municipality's head and satellite offices and libraries and, if the municipality has an official website or a website available to it, on that website as well, and advertise the media a notice stating that the resolution levying the property rates has been passed by council and that the resolution is available at the municipality's head and satellite offices.

43. Exemptions, reductions and rebates

The municipality may:

- Exempt a specific category of owners of properties or the owners of a specific category of properties from payment of the rate levied on their property; or
- Grant to a specific category of owners or to owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

In terms of Section 8 of the Municipal Property Rates Act, 2004, exemptions, reductions or rebates are determined per Council resolution in respect of owners of properties in the following categories:-

- Indigent owners;
- Owners dependant on pensions or social grants for their livelihood;
- Owners of property situated within an area affected by disaster or any other serious adverse social or economic conditions;

- Owners of residential properties with a market value lower than the amount determined by the municipality.

The municipal manager shall, annually, table before council:

- A list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
- A statement reflecting the income which the municipality has foregone during the previous financial year by way of such exemptions, reductions, rebates and exclusions referred to in the Act and the phasing-in discount granted in terms of Section 21'

All exemptions, reducing and rebates projected for the financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

44. Amount due for rates

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

45. Annual review of rates policy

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

46. The effective dates of the rates policy

The rates policy takes effect from the start of the municipal financial year.