

METSIMAHOLO LOCAL MUNICIPALITY

PROPERTY RATES POLICY

**AS FROM
1 JULY 2008**

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PREAMBLE

WHEREAS section 3 of the Local Government: Municipal Property Rates Act, 2004 (No 6 of 2004) determines that a municipality must adopt a rates policy in accordance to the determination of the Act.

NOW THEREFORE the following policy on the levying of property tax is accepted.

1. OBJECTIVE

In developing and adopting this rates policy, the council has sought to give effect to the sentiments expressed in the preamble of the Property Rates Act, namely that:

- the Constitution enjoins 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;
- there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental responsibilities;
- 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
- 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.

In applying its rates policy, the council shall adhere to all the requirements of the Property Rates Act, Act no. 6 of 2004 including any regulations promulgated in terms of that Act.

The objective of this policy is also to ensure that-

- all ratepayers within a specific category are treated equal and reasonable;
- rates are levied in accordance with the market value of the property;
- the rate will be based on the value of all rateable property and the amount required by the municipality to balance the operational budget, taking into

account the surplus obtained from the trading- and economical services and the amounts required to finance exemptions, reductions and rebates that the municipality approve from time to time;

- income from rates will be used to finance community- and subsidized services and not trading- or economical services;
- to optimally safeguard the income base of the municipality through exemptions, reductions and rebates that are reasonable and affordable.

2. DEFINITIONS

1. All the definitions shall have the same interpretation as defined in the Local Government: Municipal Property Rates Act, 2004 (No 6 of 2004) including definitions in regulations made in terms of section 85 of the Act.
2. “**chief financial officer**” means a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act 56 of 2003.
3. “**bona fide farmer**” means the property on which farming operations as identified in the income tax Act is been conducted.
4. “**phasing in**” means equally over 4 (four) years.

3. PURPOSE OF THE POLICY

The purposes of the policy are:-

- (1) To comply with the provisions as set out in section 3 of the Act.
- (2) To determine criteria to be applied for-
 - a) the levying of differential rates for different categories of properties;
 - b) exemptions;
 - c) grants and rebates;
 - d) rate increases; and
 - e) specific incentives.
- (3) Determine or provide criteria for the determination of:-
 - a) categories of properties for the purpose of levying different rates; and

- b) categories of owners of properties for categories of properties, for the purpose for the granting of exemptions, rebates and reductions.
- (4) Determine how the municipality's powers must be exercised in relation to multi purpose properties.
- (5) Identify and quantify to the municipality in terms of cost and benefit to the community-
 - a) exemptions, rebates and reductions;
 - b) exclusions; and
 - c) rates on properties that must be phased in.
- (6) Take into account the effect of rates on the poor.
- (7) Take into account the effect of rates on organisations conducting public benefit activities.
- (8) Take into account the effect of rates on public service infrastructure.
- (9) Determine measures to promote local economic and social development.
- (10) Identify all rateable property that is not rated.

4. POLICY PRINCIPLES

The council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll. Rateable property shall include any rights registered against such property, with the exception of a mortgage bond. However any right registered against such property will be valued on it's own and payable by body/person in who's name it is registered.

The council pledges itself to limit each annual increase as far as practicable to the increase to the consumer price index over the period preceding the financial year to which the increase relates, except when the approved integrated development plan of the municipality provides for a greater increase.

The council shall, in imposing the rate for each financial year, take proper cognisance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership, and of the extent to which this burden is or remains competitive

with the comparable burden in other municipalities within the local economic region.

The council shall further, in imposing the rate for each financial year, strive to ensure that the total income from rates less revenues forgone and less contributions for bad debts will not be more than 25% of the total operating budget.

Other policy principles:

- (1) All ratepayers, in a specific category, as determined by council from time to time, will be treated equally.
- (2) Rates will be raised in proportion to the market value of the property as determined by general valuation or interim valuation.
- (3) The rates tariff will be based on the value of all rateable properties and the amount required by the municipality to balance the operating budget after taking in account profits generated on trading and economic services and the amounts required to finance exemptions, rebates and grants in-aid of rates as approved by council from time to time.
- (4) Trading and economic services will be ring fenced and tariffs and service charges calculated in such a manner that the income generated covers the cost of the services or generates a profit.
- (5) Property rates will be used to finance community and subsidised services and not used to subsidise trading and economic services.
- (6) Profits on trading and economic services can be used to subsidise community and subsidised services.
- (7) The provision for working capital for community and subsidised services must be equal to the non-payment of rates during the previous financial year and must not include any working capital provision relating to trading and economic services.
- (8) The income base of the municipality will be protected by limiting exemptions, grants and rebates.

5. CLASSIFICATION OF SERVICES AND EXPENDITURE

(1) The Chief Financial Officer shall, subject to the guidelines provided by the National Treasury and Council, make provision for the following classification of services:-

(a) ***Trading services***

- (i) Water.
- (ii) Electricity.

(b) ***Economic services***

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

(c) ***Community services may include the following:***

- (i) Economic Development Services.
- (ii) Fire fighting services.
- (iii) Housing.
- (iv) Local tourism.
- (v) Municipal planning.
- (vi) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
- (vii) Storm water management system in built-up areas.
- (viii) Trading regulations.
- (ix) Fixed billboards and the display of advertisements in public places.
- (x) Cemeteries.
- (xi) Child care facilities.
- (xii) Control of public nuisances.
- (xiii) Control of undertakings that sell liquor to the public.
- (xiv) Township development.
- (xv) Fencing and fences.
- (xvi) Holiday Resorts.
- (xvii) Licensing and control of undertakings that sell food to the public.
- (xviii) Local amenities.
- (xix) Local sport facilities.
- (xx) Municipal parks and recreation.

- (xxi) Municipal roads.
- (xxii) Noise pollution.
- (xxiii) Public places.
- (xxiv) Street trading/street lighting.
- (xxv) Traffic and parking.
- (xxvi) Building control.
- (xxvii) Nature reserves.

(d) ***Subsidised services may include the following:***

- (i) Libraries and museums.
- (ii) Proclaimed roads.

- (2) Trading and economic services must be ring fenced and financed from service charges while community and subsidised services will be financed from rates.

Categorisation of expenditure

- (3) Expenditure will be classified in the following categories.
- (i) Salaries, wages and allowances.
 - (ii) Bulk purchases.
 - (iii) General expenditure.
 - (iv) Repairs and maintenance.
 - (v) Capital charges (interest and redemption)/depreciation.
 - (vi) Contribution to fixed assets.
 - (vii) Contribution to funds-
 - (a) bad debts.
 - (b) working capital; and
 - (b) statutory funds.
 - (viii) Contribution to reserves.
 - (ix) Gross expenditure.
 - (x) Less charge-out.
 - (xi) Nett expenditure.
 - (xii) Income.
 - (xiii) Surplus/Deficit.

Cost Centres

- (4) Cost centres will be created to which the costs associated with providing the service can be allocated-
- (a) by Department;
 - (b) by Section/service; and

(c) by Division/service.

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

6. CATEGORIES OF PROPERTY

Properties will be categorised according to use of property as follows:-

- (a) Residential properties.
- (b) Industrial properties.
- (c) Business and commercial properties.
- (d) Farmland
 - (i) agriculture;
 - (ii) business and commercial purposes;
 - (iii) residential purposes; and
 - (iv) other purposes than specified in (i-iv).
- (e) Mining.
- (f) Unregistered erven.
- (g) State-owned properties.
- (h) Municipal properties.
- (i) Public service infrastructure.
- (j) Communal land as defined in the Communal Land Rights Act.
- (k) State trust land.
 - (l) Protected areas.
- (m) National monuments.
- (n) Properties owned by public benefit organisations [Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962)].
- (o) Privately owned towns.

7. CATEGORIES OF OWNERS

- (1) For the purpose of this policy and in terms of section 15(2) of the Act the following categories of owners will be recognised for the purpose of Grants, Exemptions, Rebates or Reductions -
- (a) indigent owners;
 - (b) owners dependent on pensions and/or social grants for their livelihood;
 - (c) owners temporarily without income;
 - (d) owners of property situated within an area affected by-

- i. a disaster within the meaning of the Disaster Management Act, 2002 (No. 57 of 2002);
- ii. any other serious adverse social or economic conditions;
- (e) owners of residential properties with a market value lower than an amount determined by the municipality; or
- (f) owners of agricultural properties who are *bona fide* farmers.
- (g) pensioners, as determined by National Government's ageing pension.
- (h) pre-qualified land uses identified by Council, such as "industrial" or "business" uses, to promote economic development, subject thereto that a zero rate tariff in respect of land taxes to be levied will not exceed a period of five (5) years from the date any undeveloped land has been registered in the name of a 'first buyer' ..."

8. LIABILITY OF RATES

(1) Method and time of payment

Metsimaholo Local Municipality will recover the rate levied in periodic instalments of equal amounts in twelve months. The instalment is payable on or before the last working day of every month, following the month in which it has been levied. Interest will be charged at 1% above the prime interest rate for any late payments received. Farmland will be levied during July for the year and payment to be done end September. Interest will start accruing from end October.

(2) Recovery of arrear rates from tenants, occupiers and agents

If an amount due for rates levied in respect of a property is unpaid after the day determined, the municipality may recover the amount in whole or in part from a tenant or occupier of the property. The amount the municipality might recover from the tenant or occupier of the property is limited to the amount of the rent or other money due and payable by the tenant or occupier to the owner of the property. Any amount the municipality recovers from the tenant or occupier of the property may be set off, by the tenant or occupier, against any money owed by the tenant or occupier to the owner.

The municipality may recover the amount due for rates from an agent of the owner after it has given written notice to that agent or person. The amount the municipality may recover from the agent or other person is limited to the amount of that rent received by the agent or person, less the commission due to that agent or person subject to the Estate Agents Act, 1976 (Act No. 112 of 1976). The agent or other person must, on request by the municipality, furnish the municipality with a written statement specifying all payments for rent on the property received by that agent or person during a period determined by the municipality.

(3) Interim Valuation Debits

In the event that a property has been transferred to a new owner and an Interim Valuation took place, the previous owner as well as the new owner will separately be held responsible for settling the interim rates account if applicable.

(4) Municipal Assets and -Ownership

(a) Municipal assets are described as immovable improved or unimproved municipal property and include any piece of land identifiable on a layout plan, identification certificate or General Plan registered in the Surveyor Generals Offices, as an erf, lot, unit, plot, stand, farmland or any right in immovable property or pertaining to any such right, to claim transfer of land, in terms of:

(i) A proclamation notice in the Provincial Gazette and in terms whereof the municipality has the sole right of management, administration and control of such assets, rights, liabilities and obligations; or

(ii) A condition of establishment upon which the responsible MEC for Local Government and Housing, Free State Province, an approved or any township, required to be transferred to the local authority or state or to the responsible MEC for Local Government and Housing, Free State Province in trust, to be effected forthwith by the township owner at his cost; or

(iii) In terms of specific legislation where ownership of public places in an approved township shall in the case where such a township is situated within the area of jurisdiction of the municipality, vest in the municipality; or

(iv) In a separate register, township register or title deed booked in the Deeds Registry Offices.

(b) Notwithstanding that Municipal Assets are exempted from rates, the Council reserves the right to determine an amount to be levied for specific land uses, such as municipal assets earmarked for alternative or temporary land uses, such as “business” activities, etc, to include rates as an all inclusive monthly rent payable to Council.

(5) Levying of rates on property in sectional title schemes

A rate on property, which is subject to a sectional title scheme, will be levied on the individual sectional title units in the scheme.

9. DIFFERENTIAL RATES

(1) Differential rates will be based on the extent to which services contemplated in Section 5(1)(c) and subsidised services in 5(1)(d) are provided by the municipality in respect of categories of properties contemplated in Section 6.

(2) The Chief Financial Officer will annually calculate the costs of these services and determine through a public participation process to which extent these services are used by the various categories of ratepayers. Inputs from representatives from the various categories of ratepayers must be considered and agreed upon.

(3) The valuation form attached as annexure ‘B’ will be used to determine possible differential rates.

(4) Different categories of properties may pay different rates in the rand based on the market value of their properties.

10. EXEMPTIONS, REBATES AND REDUCTIONS ON RATES

In imposing the rate in the rand for each annual operating budget component, the council shall grant the following exemptions, rebates and reductions to the categories of properties and categories of owners indicated, but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular annual budget so dictate.

In determining whether a property forms part of a particular category indicated, the municipality shall have regard to the actual use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated, the permitted use of the property shall

determine into which category it falls. A minimum charge of R40,00 per month will be levied on residential properties where the calculated Rates & Taxes are less than R40,00 taking into account the exempted R35 000,00.

NOTE: In addition to the foregoing, the first R35 000 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from the payment of rates. In terms of Section 17(1)(h) of the Property Rates Act this amount is R15 000.

Municipal properties shall include properties owned by municipal entities.

The council grants rebates in recognition of the following factors:

- The inability of residential property owners to pass on the burden of rates, as opposed to the ability of the owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with the goods or services which they produce.
- The need to accommodate indigents and less affluent pensioners & persons dependant on a nominal income due to medical incapacitation or other factors as may be determined by Council from time to time.
- The services provided to the community by public service organizations.
- The need to preserve the cultural heritage of the local community.
- The need to encourage the expansion of public service infrastructure.
- The indispensable contribution which property developers (especially In regard to commercial and industrial property development) make towards local economic development, and the continuing need to encourage such development.
- The requirements of the Property Rates Act no. 6 of 2004.

The municipal manager shall ensure that the revenues forgone in respect of the foregoing rebates are appropriately disclosed in each annual operating budget component and in the annual financial statements and annual report, and that such rebates are also clearly indicated on the rates accounts submitted to each property owner so qualified.

10.1 EXEMPTIONS

Categories of properties

- (1) Owned by a religious body or organisation, and exclusively used as a place of assembly for public worship, provided that where such property is used as or for the purposes of a dwelling the exemption contemplated by this paragraph shall only apply if such property is so used by:
 - A minister of religion or an employee in the full-time service of such body or organisation; and
- (2) Owned by a church and used for the residence of a minister of religion in the full-time service of such church.

REBATES

Categories of properties

- (1) Rebates for the following categories of owners will be considered:
 - (a) Rebates in respect of indigents:

The following owners may be granted a rebate on or a reduction in the rates payable on their property if they meet the following criteria-

 - Registered owner of the property;
 - Must reside on the property;
 - Income must not exceed an amount annually set by the Council; and
 - Applications for the rebate must be submitted before 30 June of each year. Late applications will be considered by the Chief Financial Officer.
 - (b) **Rebates in respect of retired and disabled persons:**
 - (i) Retired and disabled persons qualify for special rebates of 30% according to monthly household income provided that he/she must be the registered owner of the property, and
 - (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 Welfare and Population Development;
 - (c) be in receipt of a total monthly income from all sources (including income of spouses of owner) not exceeding R5 000,00; and

- (ii) Property owners must apply in writing before 30 June 2008 for implementation on 1 July 2008 and thereafter 31 October of each year and every application must be accompanied by:
 - (a) a certified copy of the identity document or any other acceptable proof of the owners age;
 - (b) sufficient proof of income of the owner and his/her spouse;
 - (c) an affidavit from the owner; and
 - (d) if the owner is a disabled person proof of a disability pension payable by the Government must be supplied.
- (iii) The municipality retains the right to refuse rebates if details supplied in the application were incomplete, incorrect or false and owner will be held liable for full rates if found that information was wrong.
- (c) Public benefit activities (welfare and humanitarian):
 - (i) Rateable property registered in the name of an institution or organisation which, in the opinion of the council, performs welfare and humanitarian work as contemplated in section of the ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962).
 - (ii) Rateable property, registered in the name of a trustee or trustees or any organisation, which is maintained for the welfare of war veterans.
- (d) Public benefit activities (cultural)
 - (i) Rateable property registered in the name of Boy Scouts, Girl Guides or any other organisation which in the opinion of the council is similar or any rateable property let by a council to any of the said organizations.
 - (ii) The promotions, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives and libraries.

- (e) Public benefit activities (sport)
 - (i) Sports grounds used for the purpose of amateur and any social activities, which are connected with such sport.
- (f) Public benefit activities (conservation, environment and animal welfare)
 - (i) Properties that is in the name if an organisation or institution that is engaging in the conservation, rehabilitation or protection of the natural environment, including flora and fauna.
 - (ii) Rateable property registered in the name of an institution or organisation which has as its exclusive objective the protection of tame or wild animals or birds.
- (g) Public benefit activities (education and development)
 - (i) Rateable property registered in the name of an educational institution established, declared or registered by or under any law.
- (h) Public benefit activities (health care)
 - (i) Rateable property registered in the name of an institution or organisation which has as its exclusive objective is health care or counselling of terminally ill persons or persons with a severe physical or mental disability and persons affected with HIV/AIDS.
- (i) Agricultural
 - (i) Rateable property, registered in the name of an agricultural society affiliated to or recognised by the South African Agricultural Union, which is used for the purposes of such a society.
- (j) Municipal property and usage
 - (i) A pro-rata rebate will be granted where the municipality is engaged in land sales transactions which have taken place after the financial year has started.
 - (ii) Where the municipality register a road reserve or servitude on a privately owned property a pro-rata rebate equal to the value of the reserve or servitude will be given to the owner of the property.

- (k) When a municipal interim valuation is effected during a financial year a pro-rata rebate will be given from the beginning of the financial year until the interim valuation became effective as per Section 78 (2)b of the Act.
 - (l) Rateable property registered in the name of the Council, if such property is used in supplying electricity, water, and refuse or sewerage services;
 - (m) State hospitals, state clinics and institutions for mentally ill persons, which are not operated for gain;
 - (n) Rateable property registered in the name of an institution or organisation which, in the opinion of the Council, performs charitable work;
 - (o) Road reserves are exempted from payment of rates in accordance with Act 7 of 1998 on Road Agencies;
 - (p) Railway reserves are exempted from payment of rates in accordance with the Railway Act.
 - (q) Bona fide farmers will pay 25% of the normal residential tariff for Metsimaholo and to be phased in over 4 (four) years starting from 1 July 2008 however riparian proprietor of property exclusively utilized for farming purposes will qualify for a further rebate of 50% on application before 30 June 2008 and thereafter application to be made by 31 October of each year.
 - (r) Privately Owned Towns and Residential farming areas (including sectional titles) will pay 50% of the normal residential tariff for Metsimaholo and to be phased in over 4 (four) years starting from 1 July 2008.
 - (s) Other farmland use of properties will pay 50% of the applicable use of property tariff in Metsimaholo and to be phased in over 4 (four) years starting from 1 July 2008.
 - (t) Sectional titles in town qualifies for a rebate of 15 (fifteen) percent for the year starting 1 July 2008.
- (2) *Grants-in-lieu-of-rates* will be granted subject to:
- (a) A certificate issued by the registered auditor of the organisation or institution stating that the activities performed are not for gain.
 - (b) A certified income and expenditure statement and balance sheet that indicate the inability to pay for rates.

- (c) An assessment by the Chief Financial Officer which indicates that the organization or institution qualifies in terms of council's policy.
- (d) Council's approval.

10.3 REDUCTIONS

Categories of property

- (1) A reduction in the municipal valuation as contemplated in section 15(1)(b) of the Act will be granted where the value of a property is affected by fire damage, demolition or floods or natural disaster in terms of the National Disaster Management Act, 2002 (No 57 of 2002).
- (2) The reduction will be in relation to the certificate issued for this purpose by the municipal valuator.
- (3) The Mayoral Committee will decide on the merits of local disaster occurrences after written motivated request.

11. RATE INCREASES

- (1) The municipality will consider increasing rates annually during the budget process.
- (2) Rate increases will be used to finance the increase in operating costs of community and subsidised services.
- (3) Relating to community and subsidised services:-
 - (a) The following annual adjustments will be made:-
 - (i) All salary and wage increases as agreed at the National Bargaining Council.
 - (ii) A CPIX adjustment for general expenditure, repairs and maintenance and contributions to funds.
 - (b) Additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.
- (4) Increase in expenditure in terms of Councils budget policy.
- (5) Extraordinary expenditure 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 for the specific area wanting that.
- (6) All increases in the property rates will be communicated to the local community in terms of the council's policy on community participation.

12. COSTS OF EXEMPTIONS, REBATES, REDUCTIONS, PHASING IN OF RATES AND GRANTS-IN-LIEU OF RATES

- (1) During the budget process the Chief Financial Officer must inform council of all the costs associated with the suggested exemptions, rebates, reductions, phasing in of rates and grant-in-lieu of rates .
- (2) Provisions must be made on the operating budget –
 - (a) the full potential income associated with property rates; and
 - (b) the full costs associated with exemptions, rebates, reductions, phasing in of rates and grants-in-lieu of rates.

13. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT

- (1) The municipality may grant rebates to organisations that promote local, social and economic development in its area of jurisdiction based on the criteria determined in 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 community.
- (2) Rebates will be restricted to 50% of the rates payable and must be phased out within 3 years from the date that the rebate was granted for the first time.
- (3) Portfolio Committee of LED will consider relaxation up and above point 13(2) and make recommendations to Council through the monthly financial indicators report.

14. REGISTER OF PROPERTIES

- (1) The Chief Financial Officer must draw up and maintain a register of properties as contemplated as section 23 of the Act.

15. NOTIFICATION OF RATES

- (1) The council will give notice of all rates approved on the effective date of implementation at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the effective date notice will be based on the new rates.

- (2) A notice stating the purport of the council resolution, date on which the new rates shall become operational and invitation for objections will be displayed by the municipality at places installed for that purpose.
- (3) All objections shall forthwith be considered by council before final approval and implementation.

16. SHORT TITLE

This policy is the Property Rates Policy of the Metsimaholo Local Municipality.

17. 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 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. 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. The Portfolio Committee of Finance will deal with correction of errors, disputes and to avoid interventions of courts as far as possible.

18. FREQUENCY OF VALUATIONS

The municipality shall prepare a new valuation roll every 4 (four) years and supplementary valuation rolls monthly.

LEGAL REQUIREMENTS:

ANNEXURE “A”

CAUTIONARY NOTE

This paraphrase is not meant to cover the complete contents of the Property Rates Act, but is focused rather on those requirements which are immediately relevant to a municipality's rates policy. Thus the section dealing with transitional arrangements has been omitted, and so have most of the provisions dealing with the valuation process.

SECTION 2: POWER TO LEVY RATES

A metropolitan or local municipality may levy a rate on property in its municipal area.

A municipality must exercise its power to levy a rate on property subject to Section 229 and any other applicable provisions of the Constitution, the provisions of the present Act, and the rates policy it must adopt in terms of this Act.

SECTION 3: ADOPTION AND CONTENTS OF RATES POLICY

The council of a municipality must adopt a policy consistent with the present Act on the levying of rates on rateable property in the municipality.

Such a rates policy will take effect on the effective date of the first valuation roll prepared by the municipality in terms of the present Act, and such policy must accompany the municipality's budget for the financial year concerned when that budget is tabled in the council in terms of the requirements of the Municipal Finance Management Act.

A rates policy must:

- treat persons liable for rates equitably;
- determine the criteria to be applied by the municipality if it:
 - levies different rates for different categories of property;
 - 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;
 - 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
 - increases rates;

- determine or provide criteria for the determination of categories of properties for the purposes of levying different rates, and categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions;
- determine how the municipality's powers in terms of Section 9 must be exercised in relation to properties used for multiple purposes;
- identify and quantify in terms of cost to the municipality and any benefit to the local community, exemptions, rebates and reductions; exclusions; and rates on properties that must be phased in in terms of Section 21;
- take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;
- take into account the effect of rates on organisations 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 organisations for those activities;
- take into account the effect of rates on public service infrastructure;
- allow the municipality to promote local, social and economic development; and
- identify, on a basis as may be prescribed, all rateable properties in a municipality that are not rated in terms of Section 7.

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:

- the extent of services provided by the municipality in respect of such properties;
- the contribution of agriculture to the local economy;
- the extent of which agriculture assists in meeting the service delivery and development obligations of the municipality; and
- the contribution of agriculture to the social and economic welfare of farm workers.

Any exemptions, rebates or reductions granted and provided for in the rates policy adopted by a municipality must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organised local government.

No municipality may grant relief in respect of the 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 and granted in terms of Section 15 of the present Act; or
- the owners of properties on an individual basis.

SECTION 4: COMMUNITY PARTICIPATION

Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Municipal Systems Act; and comply with the following requirements, as set out below.

The municipal manager of the municipality must:

- 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, if the municipality has an official website or a website available to it, on that website as well; and
- advertise in the media a notice stating that a draft rates policy has been prepared for submission to the council, and that such policy is available at the various municipal offices for public inspection, and (where applicable) is also available on the relevant website; and inviting the local community to submit comments and representations to the municipality within a period specified in the notice, but which period shall not be less than 30 days.

The council must take all comments and representations made to it into account when it considers the draft rates policy.

SECTION 5: ANNUAL REVIEW OF RATES POLICY

The council must annually review, and – if needed – amend its rates policy. Any amendments to the rates policy must accompany the municipality's annual budget when it is tabled in the council in terms of the Municipal Finance Management Act.

When the council decides to amend the rates policy, community participation must be allowed for as part of the municipality's annual budget process.

SECTION 6: BY-LAWS TO GIVE EFFECT TO RATES POLICY

A municipality must adopt by-laws to give effect to the implementation of its 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.

SECTION 7: RATES TO BE LEVIED ON ALL RATEABLE PROPERTY

When levying rates a municipality must levy such rates on all rateable property in its area, but it is nevertheless not obliged to levy rates on:

- properties of which the municipality itself is the owner;
- public service infrastructure owned by a municipal entity;
- rights registered against immovable property in the name of a person;
- properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure attributable to past racially discriminatory laws or practices.

The requirement to levy rates on all rateable properties does not prevent a municipality from granting exemptions from rebates on or reductions in rates levied.

SECTION 8: DIFFERENTIAL RATES

A municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of rateable property, and these categories may be determined according to the:

- use of the property;
- permitted use of the property; or
- geographical area in which the property is situated.

Categories of rateable property that may be determined include the following:

- residential properties
- industrial properties
- business and commercial properties
- farm properties used for:
 - agricultural purposes
 - other business and commercial purposes

- residential purposes
- purposes other than those specified above
- farm properties not used for any purpose
- smallholdings used for:
 - agricultural purposes
 - residential purposes
 - industrial purposes
 - business and commercial purposes
 - purposes other than those specified above
- state owned properties
- municipal properties
- public service infrastructure
- privately owned towns serviced by the owner
- formal and informal settlements
- communal land
- state trust land
- properties acquired through the provision of Land Assistance Act 1993 or the Restitution of Land Rights Act 1994 or which is subject to the Communal Property Associations Act 1996
- protected areas
- properties on which national monuments are proclaimed
- properties owned by public benefit organisations and used for any specific public benefit activities
- properties used for multiple purposes.

SECTION 9: PROPERTIES USED FOR MULTIPLE PURPOSES

A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for:

- a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated;
- a purpose corresponding with the dominant use of the property; or
- multiple purposes, as specified in Section 8 above.

A rate levied on a property assigned to a category of properties used for multiple purposes must be determined by:

- apportioning the market value of the property, in a manner as may be prescribed to the different purposes for which the property is used; and
- applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments.

SECTION 10: LEVYING OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

A rate on a property which is subject to a sectional title scheme must be levied on the individual sectional title units in the scheme, and not on the property on a whole.

SECTION 11: AMOUNT DUE FOR RATES

A rate levied by a municipality on property must be stated as an amount in the rand:

- on the market value on the property;
- in the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value;
- in the case of property to which Section 17(1)(h) applies, on the market value of the property less the amount stated in that section (note the section concerned deals with the requirement that the first R15 000 of the market value of certain properties is not rateable).

SECTION 12: PERIODS FOR WHICH RATES MAY BE LEVIED

In levying rates, a municipality must levy the rate for a financial year. A rate lapses at the end of the financial year for which it was levied.

The levying of rates forms part of the municipality's annual budget process, and the municipality must therefore annually, at the time of its budget process, review the amount in the rand of its current rates in line with the annual budget for the next financial year.

SECTION 13: COMMENCEMENT OF RATES

A rate becomes payable as from the start of the particular financial year, or if the municipality's annual budget is not approved by the start of the financial year, as from such later date when the municipality's annual budget, including the resolution

levying the rates, is approved by the provincial executive in terms of section 26 of the Municipal Finance Management Act.

SECTION 14: PROMULGATION OF RESOLUTIONS LEVYING RATES

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

The resolution levying the rates must be promulgated by publishing the resolution in the provincial gazette.

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

SECTION 15: EXEMPTIONS, REDUCTIONS AND REBATES

A municipality may in terms of the criteria which it has set out in its rates policy:

- 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 the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

In granting exemptions, reductions and rebates in respect of owners or categories of properties, a municipality may determine such categories in accordance with Section 8 of the present Act, and when granting exemptions, reductions or rebates in respect of categories of owners of properties, such categories may include:

- indigent owners;
- owners dependent on pensions or social grants for their livelihood;
- owners temporarily without income;
- owners of property situated within an area affected by a disaster or any other serious adverse social or economic conditions;

- owners of residential properties with a market value lower than an amount determined by the municipality; and
- owners of agricultural properties who are bona fide farmers.

The municipal manager must annually table in the 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 forgone during the previous financial year by way of such exemption, reductions and rebates, exclusions referred to in the Act, and the phasing in discount granted in terms of Section 21.

All exemptions, reductions and rebates projected for a 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.

SECTION 16: CONSTITUTIONALLY IMPERMISSIBLE RATES (ABRIDGED)

In terms of the Constitution a municipality may not exercise its power to levy rates on property in a manner that materially and unreasonably prejudices national economic policies, economic activities across its boundaries, or the national mobility of goods, services, capital and labour.

If a rate on a specific category of properties, or a rate on a specific category of properties above a specific amount in the rand, is materially and unreasonably prejudicing any of the matters referred to above, the Minister of Provincial and Local Government may, by notice in the gazette, give notice to the relevant municipality that the rate must be limited to an amount in the rand specified in the notice.

SECTION 17: OTHER IMPERMISSIBLE RATES (ABRIDGED)

A municipality may not levy a rate on:

- the first 30% of the market value of public service infrastructure;
- any part of the seashore;
- any part of the territorial waters of the Republic;
- any islands of which the state is the owner;

- those parts of a special nature reserve, national park or nature reserve or national botanical garden which are not developed or used for commercial, business, agricultural or residential purposes;
- mineral rights;
- property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses 10 years from the date on which such beneficiary's title was registered in the office of the registrar of deeds;
- the first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined by the municipality for residential purposes or for properties used for multiple purposes, provided one or more components of the property are used for residential purposes;
- 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 and who officiates at services at that place of workshop.

(The remainder of this Section deals with situations where the various exemptions lapse).

SECTION 18: EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 17

A municipality may apply in writing to the Minister for Provincial and Local Government to be exempted from applying the exemptions granted in respect of the first 30% of the market value of public infrastructure, the exemptions on nature reserves, national parks and national botanical gardens, the exemption on property belonging to land beneficiaries, and the exemption applying to the first R15 000 of the market value of residential and mixed use property, if the municipality can demonstrate that such exclusions are compromising or impeding its ability or right to exercise its powers or perform its functions within the meaning of the Constitution.

SECTION 19: IMPERMISSIBLE DIFFERENTIATION

A municipality may not levy:

- different rates on residential properties (except where transitional arrangements apply or where some of the properties are newly rateable);

- a rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;
- rates which unreasonably discriminate between categories of non-residential properties; and
- additional rates, except as provided for in Section 22.

SECTION 20: LIMITS ON ANNUAL INCREASES OF RATES

The Minister of Provincial Local Government may, with the concurrence of the Minister of Finance and by notice in the gazette, set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased. Different limits may be set for different kinds of municipalities or different categories of properties.

The Minister may, on written application by a municipality, and on good cause shown, exempt such municipality from a limit set in terms of the foregoing.

SECTION 21: COMPULSORY PHASING IN OF CERTAIN RATES

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

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

The phasing in discount on a property must:

- 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, be at least 25% of the rate for that year otherwise applicable to that property.

No rate may be levied during the first year on newly rateable property owned and used by organisations conducting specified public benefit activities. Thereafter the

phasing in discount shall apply as for other newly rateable property except that the 75% discount shall apply to the second year, the 50% to the third year, and the 25% to the fourth year.

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

SECTION 22: SPECIAL RATING AREAS (ABRIDGED)

A municipality may by a resolution of its council determine an area within that municipality as a special rating area, 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.

For determining such a special rating area, the municipality must undertake a prescribed process of consultation with the local community, and obtain the consent of the majority of the members of the local community in the proposed special rating area who will be liable for paying the 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 IDP.

SECTION 23: REGISTER OF PROPERTIES

The municipality must draw up and maintain a register in respect of all properties situated within that municipality, dividing such register into a part A and a part B.

Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls prepared from time to time.

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

- an exemption from rates in terms of Section 15 of the present Act;
- a rebate on or a reduction in the rate in terms of Section 15;
- a phasing in of the rate in terms of Section 21; and
- an exclusion referred to in Section 17.

The register must be open for inspection by the public during office hours, and if the municipality has an official website or a website available to it, the register must also be displayed on that website.

The municipality must at regular intervals, but at least annually, update part B of the register.

SECTION 24: PROPERTY RATES PAYABLE BY OWNERS

A rate levied by a municipality on property must be paid by the owner of the property.

Joint owners of a property are jointly and severally liable for the amount due for rates on that property.

In the case of agricultural property owned by more than one owner in undivided shares, the municipality must consider whether in the particular circumstances it would be more appropriate for the municipality to hold any one of the joint owners liable for all rates levied in respect of the agricultural property, or to hold any joint owner only liable for that portion of the rates levied on the property that represent that joint owner's undivided share in the agricultural property.

SECTION 25: PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

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

The municipality may 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.

SECTION 26: METHOD AND TIME OF PAYMENT

A municipality must recover a rate on a monthly basis, or less often as may be prescribed in terms of the Municipal Finance Management Act, or annually, as may be agreed to with the owner of the property.

If the rate is payable in a single annual amount, it must be paid on or before a date determined by the municipality. If the rate is payable in installments, it must be paid on or before a date in each period determined by the municipality.

SECTION 27: ACCOUNTS TO BE FURNISHED

A municipality must furnish each person liable for the payment of a rate 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 subject to any compulsory phasing in discount in terms of Section 21, the amount of the discount, and
- if the property is subject to any additional rate in terms of Section 22, 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, that person must make the necessary enquiries from the municipality.

SECTION 28: 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 of 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 municipality may recover an amount only after it has served a written notice on such 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.

SECTION 29: RECOVERY OF RATES FROM AGENTS

A municipality may recover the amount due for rates on a property in whole or in part from the agent of the owner, if this is more convenient for the municipality, but only after the municipality has served a written notice on 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.

SECTION 30: GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS

A municipality intending to levy a rate on property must cause a general valuation to be made of all properties in the municipality, and must prepare a valuation roll of all properties in terms of such valuation.

All rateable properties in a municipal area must be valued during such general valuation, including all 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 a municipal entity, on rights in properties, and on properties in respect of which it 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.

A 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, must nevertheless be included in the valuation roll.

SECTION 31: DATE OF VALUATION

For the purposes of a general valuation a municipality must determine a date that may be not more than 12 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 which apply as at the date of the valuation, and in accordance with any other applicable provisions of the present Act.

SECTION 32: COMMENCEMENT AND PERIOD OF VALIDITY OF VALUATION ROLLS (ABRIDGED)

A valuation roll takes effect from the start of the financial year following completion of the public inspection period required by the present Act, and remains valid for that financial year or for one or more subsequent financial years, as the municipality may decide, but in total not for more than four financial years.

Section 32(2) provides for the extension of the period of validity of the valuation roll by the MEC for Local Government, but only up to a period of five financial years, and only in specified circumstances.

SECTION 46: GENERAL BASIS OF VALUATION (ABRIDGED)

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

SECTION 47: VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES

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

SECTION 77: GENERAL

A municipality must regularly, but at least once a year, update its valuation roll by causing a supplementary valuation roll to be prepared, or the valuation roll itself to be amended.

ANNEXURE "B"

PERCENTAGE OF SERVICE USED

COMMUNITY SERVICES	RESIDENTIAL	INDUSTRIAL	BUSINESS	AGRICULTURAL
Administration				
Air pollution				
Fire fighting				
Local tourism				
Municipal planning				
Municipal public works				
Stormwater				
Trading regulations				
Fixed billboards and advertisements				
Cemeteries				
Public nuisances				
Control of undertaking selling liquor to the public				
Township development				
Facilities for accommodation, care and burial of animals				
Fencing and fences				
Licensing of dogs				
Licensing of undertaking that sell food to the public				
Local amenities				
Local sport facilities				
Municipal parks and recreation				

COMMUNITY SERVICES	RESIDENTIAL	INDUSTRIAL	BUSINESS	AGRICULTURAL
Municipal roads				
Noise pollution				
Pounds				
Public places				
Street trading/street lighting				
Traffic and parking				
Building control				
Licensing of motor vehicles and transport permits				
Nature reserves				
SUBSIDISED SERVICES				
Health and ambulance				
Libraries and museums				
Proclaimed roads				