

NKONKOBÉ MUNICIPALITY

PROPERTY RATES POLICY (REVIEW)

Date of Adoption 30 /03 /2012

I



(30 March 2012)

Council resolves in terms of section 3(1) of the Property Rates Act (No. 6 of 2004), to adopt the following proposal as the Property Rates Policy of the

Nkonkobe Local Municipality

INDEX

| | Page |
|--|-------------|
| A. INTERPRETATION | 2 |
| 1. PURPOSE OF THE POLICY | 7 |
| 2. LEGAL FRAMEWORK | 7 |
| 3. IMPOSITION OF PROPERTY RATES | 8 |
| 4. CATEGORIES OF RATEABLE PROPERTIES | 11 |
| 5. CATEGORIES OF OWNERS | 14 |
| 6. EXEMPTIONS AND IMPERMISSIBLE RATES | 14 |
| 7. REDUCTIONS | 18 |
| 8. REBATES | 19 |
| 9. PHASING IN OF RATES | 23 |
| 10. SPECIAL RATING AREAS | 23 |
| 11. PAYMENT OF RATES | 24 |
| 12. ACCOUNTS TO BE FURNISHED | 25 |
| 13. GENERAL VALUATION OF RATEABLE PROPERTY | 26 |
| 14. LIABILITIES FOR AND RECOVERY OF RATES IN ARREAS | 26 |
| 15. CORRECTION OF ERRORS AND OMISSIONS | 27 |
| 16. DIFFERENTIAL RATES | 27 |
| 17. COST OF EXEMPTIONS, REBATES, REDUCTIONS & PHASE-IN | 28 |
| 18. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT | 28 |
| 19. REGISTER OF PROPERTIES | 28 |
| 20. COMMUNITY PARTICIPATION | 29 |
| 21. NOTIFICATION OF RATES | 30 |
| 22. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY | 30 |
| 23. REGULAR REVIEW PROCESSES | 30 |
| 24. ENFORCEMENT/IMPLEMENTATION | 30 |

NKONKOBÉ MUNICIPALITY - PROPERTY RATES POLICY

A. INTERPRETATION

Definitions

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

“Agent”, in relation to the owner of a property-

- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
- (b) to make payments in respect of the property on behalf of the owner;

“Agricultural purpose”, in relation to the use of a property, includes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;

“Annually”, means once every financial year;

“Category” –

- (a) in relation to property, means a category of properties determined in terms of section 8 of the Act;
- (b) in relation to owners of properties, means a category of owners determined in terms of section 15 (2) of the Act;

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

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

“Date of valuation”, for the purposes of a general valuation, means the date to be determined by the municipality, which date may not be more than 12 months before the start of the financial year in which the valuation roll is to be first implemented;

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

“Effective date”-

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

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

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

“Local community”, in relation to a municipality -

(a) Means that 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 organizations 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;

(b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons;

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

“Market value”, in relation to a property, means the amount a property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer;

“MEC for local Government”, means the member of the Executive Council of the Eastern Cape who is responsible for local government in the Eastern Cape

“Multiple purposes”, in relation to a property, means the use of a property for more than one purpose;

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

“Municipality”, means the Nkonkobe Local Municipality;

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

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

“Newly rateable property”, means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which the Property Rates Act took effect, excluding -

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

(b) a property identified by the Minister by notice in the *Government 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;

“Owner”-

- (a) in relation to a property, means a person in whose name ownership of the property is registered;
- (b) in relation to a right means a person in whose name the right is registered;
- (c) in relation to a land tenure right means a person in whose name the right is registered; or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “ publicly controlled”; provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:-
 - (i) A trustee, in the case of a property in a trust excluding state trust land;
 - (ii) an executor or administrator, in the case of a property in a deceased estate;
 - (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - (iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
 - (v) a curator, in the case of a property in the estate of a person under judicial management;
 - (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
 - (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; 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;

“Permitted use”, in relation to a property, means the limited purposes 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
- (b) Any alleviation of any such restrictions;

“Privately owned towns serviced by the owner” means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

“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 persons in terms of legislation; or
- (d) public service infrastructure;

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

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

“Protected Areas Act” means the National Environmental Management: Protected Areas Act, 2003 (Act No. 57, of 2004);

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

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

“Public service infrastructure”, means publicly controlled infrastructure of the following kinds -

- (a) national, provincial or other public road on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;

- (e) railway lines forming part of 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, sewage or similar services of ports, or navigational aids comprising light houses, radio navigational aids, buoys, or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mention in paragraphs (a) to (i)

“**Rate**”, means a municipal rate on property envisaged in section 229(1)(a) of the Constitution;

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

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

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

“**Residential property**” means improved property that:

- (a) is used predominantly (60% or more) for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.
- (b) is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes.
- (c) Is owned by a share-block company and used solely for residential purposes.
- (d) Is a residence used for residential purposes situated on property used for or related to educational purposes.
- (e) Retirement schemes and life right schemes used predominantly (60% or more) for residential purposes.

And specifically exclude hostels, old age homes, guest houses and vacant land irrespective of its zoning or intended use.

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

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

“**State trust land**”, means land owned by the state in trust for persons communally inhabiting the land in terms of a traditional system of land tenure, land owned by the state over which land tenure rights were registered or granted or land owned by the state which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);

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

1. PURPOSE OF POLICY

- 1.1 The purpose of this policy is to allow Council to exercise its power to impose rates within a statutory framework, with the aim to enhance certainty, uniformity and simplicity, taking into account the historical imbalances within communities, as well as the burden of rates on the poor.
- 1.2 As trustees on behalf of the local community, the Municipality shall adhere to its legislative and moral obligation to ensure it implements this policy to safeguard the monetary value and future service provision invested in property.

2. LEGAL FRAMEWORK

- 2.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 2.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.
- 2.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) a municipality in accordance with-
 - a. Section 2(1), may levy a rate on property in its area; and
 - b. Section 2(3), must exercise its power to levy a rate on property subject to-
 - i. Section 229 and any other applicable provisions of the Constitution;
 - ii. the provisions of the Property Rates Act and any regulations promulgated in terms thereof; and
 - iii. the rates policy.
- 2.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter alia, rates on property.

- 2.5 In terms of Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy.
- 2.6 This policy must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and any regulations promulgated in terms thereof from time to time.
- 2.7 This policy shall be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials; the Council and the Mayor as well as between Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.

3. IMPOSITION OF PROPERTY RATES

- 3.1. 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 recorded in the municipality's valuation roll and supplementary valuation roll.
- 3.2 The Council shall, in imposing the rate for each financial year, take proper cognizance 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.

3.3 Policy Principles

- 3.3.1 All ratepayers, in a specific category, as determined by Council from time to time, shall be treated equitably, as required by Section 3 (3) (a) of the Act;
- 3.3.2 Rates are raised in proportion to the market value of the property;
- 3.3.3 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and Executive Committee of the municipality, make provision for the following classification of services:-
- (a) Trading services
 - i. Electricity.
 - (b) Economic services
 - i. Refuse removal.
 - (c) Community and subsidised services - These include all those services ordinarily being rendered by the municipality excluding those mentioned in 3.3.3(a) and (b).

3.3.4 Trading and economic services as referred to in clauses 3.3.3(a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in clause 3.3.3(c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

3.3.5 Property rates shall not be used to subsidize trading services;

3.3.6 Exemptions, reductions and rebates should not unreasonably affect the revenue base of the municipality.

3.3.7 Therefore, pursuant to section 3 (3) (b) of the Act, it is the policy of the municipality, when –

- * levying different rates for different categories of properties;
- * exempting 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 properties ,a rebate on or a reduction in the rate payable on their properties .
- * increasing rates;

To apply the following criteria -

- * poverty alleviation;
- * stimulation of industrial growth;
- * promotion of tourism;
- * creation of jobs;
- * maintenance of agricultural activity;
- * assist charity and other public benefit organizations;
- * this municipality's budgetary needs;
- * this municipality's integrated development plan; and
- * surpluses contributed by other services.

3.3.8 Compliance with section 3 (3) (c) of the Act

In terms of Section 3 (3) (c) of the Act the municipality has determined categories as referred to in clause 4 of this policy.

3.3.9 Compliance with section 3 (3) (d) of the Act

Pursuant to section 3 (3) (d) of the Act, it is the policy of the municipality to exercise its powers in terms of section 9 (1) of the Act in relation to properties used for multiple purposes by assigning a property use for multiple purposes to a category based on the purpose corresponding with the dominant use of the property.

3.3.10 Compliance with section 3 (3) (e) of the Act

Having regard to –

- (a) exemptions, rebates and reductions;
- (b) exclusions referred to in section 17 (1)(a), (e) (g) (h) and (i) of the Act; and
- (c) rates on properties that must be phased in terms of section 21 of the Act.

It is the policy of this Council to identify and quantify in terms of cost to the municipality and any benefit to the local community of all of the above.

3.3.11 Compliance with section 3 (3) (f) of the Act

Pursuant to section 3 (3) (f) of the Act, it is the policy of the municipality to provide indigent property owners as registered in terms of this municipality's indigents policy a rebate on their rates account as specified later on in this policy.

3.3.12 Compliance with section 3 (3) (g) of the Act

It is the policy of this municipality in terms of section 3 (3) (g) of the Act, with regard to organizations conducting specific public benefit activities registered in terms of the Income Tax Act, 1962 (Act No 58 of 1962) for tax reductions because of those activities, to provide exemptions, rebates or reductions on the payment of rates where the property is owned and used by such organizations.

3.3.13 Compliance with section 3 (3) (h) of the Act

Pursuant to section 3 (3) (h) of the Act, it is the policy of the Municipality not to consider further rebates on public service infrastructure, except for the exemptions allowed for in the Act.

3.3.14 Compliance with section 3 (3) (i) of the Act

Pursuant to section 3 (3) (i) of the Act, it is the policy of the Municipality to promote the interests of social or economic development, or when competing with other municipalities for investment of a specific nature, to consider providing special rates in order to attract such development or investment, provided such development or investment is quantifiably beneficial to the community and should not amount to unfair discrimination as contemplated in Chapter 2, section 9 of the Constitution.

3.3.15 Compliance with section 3 (3) (j) of the Act

Pursuant to section 3 (3) (j) of the Act, it is the policy of the Municipality not to levy rates on property, owned by the municipality or vested in the municipality, except when the property is leased; and on a right registered against an immovable property.

3.4 Valuation Criteria

3.4.1 In recognizing that the valuation function and the rates function is interrelated in so far as the imposition of rates depends on the provision of a valuation roll, the valuation function and its related objects and procedures is completely independent in its existence and its operation from the rates function and operation.

3.4.2 With reference to paragraph (1) and in terms of the Act in general and sections 45, 46 and 47 of the Act in particular, the following valuation criteria are prescribed -

3.4.2.1 Property must be valued in accordance with generally recognised valuation practices, methods and standards.

3.4.2.2 If the available market-related data of any category of rateable property is not sufficient such property may be valued in accordance with any mass valuation system or technique approved by the municipality, after having considered any recommendations of its municipal valuer and as may be appropriate in the circumstances.

3.4.2.3 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.

3.4.2.4 Where the available market related data is not sufficient to determine the market value of a property, other generally recognised valuation practices, methods and standards may be used (For example: Discounted Cash Flow, Replacement Cost Less Depreciation).

3.4.2.5 When valuing a property that is subject to a sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme in accordance with section 47 of the Act.

4. CATEGORIES OF RATEABLE PROPERTIES

4.1 Different rates may be levied in respect of the following categories and sub categories of rateable properties and such rates will be determined on an annual basis during the compilation of the annual budget:-

4.1.1 Residential properties;

- a) Vacant Residential
- b) Residential Farms
- c) Residential Small Holdings

4.1.2 Industrial properties

- a) Vacant Industrial
- b) Industrial Small Holdings

4.1.3 Business and Commercial properties;

- a) Vacant Business and Commercial
- b) Business Farms
- c) Business Small Holdings

4.1.4 Farm properties;

- a) Agricultural purposes
- b) Other business and Commercial purposes
- c) Residential
- d) Purposes other than those specified in sub paragraphs above.

4.1.5 Small Holdings;

- a) Agricultural Purposes
- b) Residential purposes
- c) Industrial purposes
- d) Business and commercial purposes
- e) Purposes other than those specified in sub paragraphs above.

- 4.1.6 State owned properties;
 - 4.1.7 Municipal properties;
 - 4.1.8 Public service infrastructure referred to in the Act;
 - 4.1.9 Properties owned by Public Benefit Organisations;
 - 4.1.10 Privately Owned Town serviced by the Owner;
 - 4.1.11 state trust land
 - 4.1.12 properties –
 - a) Acquired through land and Assistance Act
 - b) Communal Property Associations Act
 - 4.1.13 Protected areas
 - 4.1.14 Properties on which National Monuments are proclaimed
 - 4.1.15 properties owned by Public Benefit Organizations
 - 4.1.16 Properties used for multiple purposes , subject to section 9
- 4.2. In determining the category of a property referred to in this policy the municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.
- 4.3 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in clause 3.3.9 of this policy.
- 5. CATEGORIES OF OWNERS**
- 5.1 For the purpose of granting exemptions, reductions and rebates in terms of clause 6,7 and 8 of this policy respectively the following categories of owners of properties are determined:-
- 5.1.1 Those owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality;
 - 5.1.2 Those owners who do not qualify as indigents in terms of the adopted indigent policy of the municipality but whose total monthly income is less than the amount annually determined by

the municipality in its budget;

5.1.3 Owners of property situated within an area affected by-

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

5.1.3.2 serious adverse social or economic conditions.

5.1.4 Owners of residential properties with a market value below the amount as determined annually by the municipality in its budget;

5.1.5 Owners of properties situated in “privately owned towns” as referred to in clause 8.1 (b);

5.1.6 Owners of agricultural properties as referred to in clause 8.1(c); and

5.1.7 Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

- 5.1.6 Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

6. EXEMPTIONS AND IMPERMISSIBLE RATES

- 6.1 The following categories of property are exempted from rates:-

(a) Municipal properties

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

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2012/2013 financial year the maximum reduction is determined as R35 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R20 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

(c) Public Service Infrastructure

Is exempted from paying rates as allowed for in the Act as they provide essential services to the community.

(d) Right registered against a property

Any right registered against a property as defined in this policy is exempted from paying rates.

(e) Properties of which it is difficult to establish a market value

Properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices is exempted from paying rates. However, state owned property identified within this area such as schools, clinics, police stations, etc will be valued and levied accordingly.

- 6.2 Exemptions in 6.1 will automatically apply and no application is thus required.

- 6.3 Impermissible Rates: In terms of section 17(1) of the Property Rates Act the municipality may, inter alia, not levy a rate:-

- (a) On those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes.

- (b) On mineral rights within the meaning of paragraph (b) of the definition of “property” in section 1 of the Act.
- (c) On a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds.
- (d) On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

6.4 Public Benefit Organisations (PBO’s)

Taking into account the effects of rates on PBOs performing a specific public benefit activity and registered in terms of the Income Tax Act, 1962 (No 58 of 1962) for tax reduction because of those activities, the following Public Benefit Organizations may apply for the exemption of property rates. Public Benefit Organizations may include, inter alia:-

- (a) *Welfare and humanitarian*
For example PBOs providing disaster relief.
- (b) *Health Care*
For example PBO’s providing counseling and treatment of persons afflicted with HIV and AIDS including the care of their families and dependents in this regard.
- (c) *Education and development*
For example PBO’s providing early childhood development services for pre-school children.
- (d) *Sporting bodies*
Property used by an organization for sporting purposes on a non-professional basis:
- (e) *Cultural institutions*
Property used for purposes declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.
- (f) *Museums, libraries, art galleries and botanical gardens*
Property registered in the name of private persons, open to the public and not operated for gain.
- (g) *Animal welfare*
Property owned or used by organizations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis.
- (h) *Cemeteries and crematoriums*
Property used for cemeteries and crematoriums.
- (i) *Welfare institutions*
Properties used exclusively as an orphanage, non-profit retirement villages, old age homes or benevolent/charitable institutions, including workshops used by the inmates, laundry or cafeteria facilities; provided that any profits from the use of the property are

used entirely for the benefit of the institution and/or to charitable purposes within the municipality.

(j) *Charitable institutions*

Property owned or used by institutions or organizations whose aim is to perform charitable work on a not-for-gain basis.

6.5 All possible benefiting organisations in clause 6.4 must apply annually for exemptions. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the exemption applied for is granted the exemption will apply for the full financial year.

6.6 Public benefit organisations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.

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

6.8 The extent of the exemptions implemented in terms of 6.1 to 6.4 must annually be determined by the municipality and included in the annual budget.

7. REDUCTIONS

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

7.1.1 Partial or total destruction of a property.

7.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

7.2 The following conditions shall be applicable in respect of 7.1:-

7.2.1 The owner referred to in 7.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the municipality that his property has been totally or partially destroyed. He/ she will also have to indicate to what extent the property can still be used and the impact on the value of the property.

7.2.2 Property owners will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).

7.2.3 A maximum reduction of 80% will be allowed in respect of both 7.1.1 and 7.1.2.

7.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.

7.2.5 If rates were paid in advance prior to granting of a reduction the municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

8. REBATES

8.1. Categories of property

(a) Business, commercial and industrial properties

- i. The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:-
 - a. job creation in the municipal area;
 - b. social up-liftman of the local community; and
 - c. creation of infrastructure for the benefit of the community.
- ii. A maximum rebate as annually determined by the municipality will be granted on approval, subject to:-
 - a. a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
 - b. a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and
 - c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies.
- iii. All applications must be addressed in writing to the municipality by **31 May** for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year.

(b) Privately owned towns serviced by the owner

The municipality grants an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in this policy. All applications must be addressed in writing to the municipality by **31 May** for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. For the 2012/2013 financial year the rebate is determined as 20%.

(c) Agricultural property rebate

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

- a. the extent of rates related services rendered 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 developmental objectives of the municipality; and
 - d. the contribution of agriculture to the social and economic welfare of farm workers.
- ii. In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% rebate on the tariff for residential properties). For the 2009/2010 financial year the minister has promulgated a ratio of 1:0.25.
- iii. An additional rebate (based on the total property value) of maximum 10% will be granted by the municipality in respect of the following:-
- a. 2,5% for the provision of accommodation in a permanent structure to farm workers and their dependants.
 - b. 2,5% if these residential properties are provided with potable water.
 - c. 2,5% if the farmer for the farm workers electrifies these residential properties.
 - d. 2,5% for the provision of land for burial to own farm workers or for educational or recreational purposes to own farm workers as well as people from surrounding farms.
- vi. The granting of additional rebates is subject to the following:-
- a. All applications must be addressed in writing to the municipality by **31 May** indicating how service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers were met. This application will be required as a once off requirement. Any new applications for the 2012/2013 financial year and onwards must be addressed in writing to the municipality by **31 May** for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year and such application again regarded as a once off requirement.
 - b. Council reserves the right to send officials or its agents to premises/households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.
 - c. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

- v. No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in clause 11.1(b) of this policy.

(d) Residential properties in None Urban Area (Hogsback)

The municipality may grant rebates to ratable residential properties in its area of jurisdiction.

The following criteria will apply: If Account paid in full for month or year 10% discount will apply .

(e) Vacant land Properties (all sectors) .

The municipality may grant correction in the rates account of an individual if the vacant land has been develop after the valuation date specified in the Act . The full reason in writing address to the Municipal Manager , why council need to change the category (vacant land) to another category needs to be submitted . The Building inspector report need to accompany the request.

8.2 Categories of owners

Indigent owners and child headed families will receive a 100% rebate from payment of property tax:-

(a) Indigent owners

Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality. regardless of the value of the property, will receive a 100% rebate from payment of property tax. If qualifying in terms of the indigent policy this 100% rebate will automatically apply and no further application is thus required by the owner.

(b) Child headed families

- i. Families headed by children will receive a 100% rebate for paying property tax, according to monthly household income. To qualify for this rebate the head of the family must:-
 - a. occupy the property as his/her normal residence;
 - b. not be older than 18 years of age;
 - c. still be a scholar or jobless; and
 - d. be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality. For the 2012/2013 financial year this amount is determined as R3 000 per month.
- ii. The family head must apply on a prescribed application form for registration as a child headed household and must be assisted by the municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.

- (c) Retired and Disabled Persons Rate Rebate
- i. Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:-
 - 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 as annually determined by the municipality (including income of spouses of owner);
 - d. not be the owner of more than one property; and
 - e. provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
 - ii. Property owners must apply on a prescribed application form for a rebate as determined by the municipality. Applications must be accompanied by-
 - a. a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
 - b. sufficient proof of income of the owner and his/her spouse;
 - c. an affidavit from the owner;
 - d. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
 - e. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
 - iii. All applications must be addressed in writing to the municipality by **31 May** for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. For the 2012/2013 financial year the total monthly income and corresponding rebate is determined as follows:-
 - a. R0 to R2 500 per month - 100%.
 - b. R2 501 to R5 000 per month - 50%.
 - c. R5 001 to R8 000 per month - 20%.
 - iv. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- 8.3 Properties with a market value below a prescribed valuation level of a value to be determined annually by the Municipality may, instead of a rate being determined on the market value, be rated a uniform fixed amount per property.
- 8.4 The extent of the rebates granted in terms of 8.1 and 8.2 must annually be determined by the municipality and included in the annual budget.

9. PHASING IN OF RATES

9.1 The rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

9.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:-

- First year : 75% of the relevant rate;
- Second year : 50% of the relevant rate; and
- Third year : 25% of the relevant rate.

9.3 No rates shall be levied on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, during the first year. The phasing-in discount on these properties shall be as indicated below:-

- First year : 100% of the relevant rate;
- Second year : 75% of the relevant rate;
- Third year : 50% of the relevant rate; and
- Fourth year : 25% of the relevant rate.

10. SPECIAL RATING AREAS

10.1 The municipality may from time to time, as provided for in Section 22 of the Act, and as to be depicted in its annual budget and by resolution of the Council, determine a certain area within the boundaries of the municipality, as a special rating area.

10.2 Before determining a special rating area, the municipality shall consider:-

10.2.1 Proposed boundaries of the special rating area;

10.2.2 Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;

10.2.3 Proposed improvements clearly indicating the estimated costs of each individual improvement;

10.2.4 Proposed financing of the improvements or projects;

10.2.5 Priority of projects if more than one;

10.2.6 Social economic factors of the relevant community;

10.2.7 Different categories of property;

- 10.2.8 The amount of the proposed special rating;
- 10.2.9 Details regarding the implementation of the special rating;
- 10.2.10 The additional income that will be generated by means of this special rating.
- 10.3 An additional rate, as will be depicted in the annual budget, shall be levied on the properties in the identified area, for the purpose of raising funds for improving or upgrading of the specified area.
- 10.4 The municipality may differentiate between categories of properties when levying the additional special rate.
- 10.5 The municipality shall establish separate accounting and other record-keeping systems, for the identified area and the households concerned shall be kept informed of projects and financial implications on an annual basis.
- 10.6 The municipality shall establish a committee, composed by representatives from the specific area, to act as consultative and advisory forum. This committee shall be a sub-committee of the ward committee/s in the area.
- The election of the committee will happen under the guidance of the Municipal Manager. Gender representivity shall be taken into consideration with the establishment of the committee. The committee will serve in an advisory capacity only and will have no decisive powers.
- 10.7 In determining the special additional rates the municipality shall differentiate between different categories as referred to in clause 4 of this policy.
- 10.8 The additional rates levied shall be utilised for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.

11. PAYMENT OF RATES

- 11.1 The rates levied on the properties shall be payable:-
- (a) on a monthly basis; or
 - (b) annually, before 30 September each year
- 11.2 Ratepayers may choose paying rates annually in one installment on or before 30 September each year. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee in writing not later than 30 June in any financial year, or such later date in such financial year as may be determined by the municipality that he/she wishes to pay all rates annually, such owner shall be entitled to pay all rates in the subsequent financial year

and each subsequent financial year annually until such notice is withdrawn by him/her in a similar manner.

- 11.3 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/tenant/ occupants/ agent.
- 11.4 Rates payable on an annual basis will be subject to a discount of 5% if paid in full on or before 30 September of each year.
- 11.5 Interest on arrears rates, whether payable on or before 30 September or in equal monthly installments, shall be calculated in accordance with the provisions of the credit control and debt collection policy of the municipality.
- 11.6 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control, Debt Collection and indigent policy of the Municipality.
- 11.7 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.

12. ACCOUNTS TO BE FURNISHED

- 12.1 The municipality will furnish each person liable for the payment of rates with a **written or E-mail account**, which will specify:
- (i) the amount due for rates payable,
 - (ii) the date on or before which the amount is payable,
 - (iii) how the amount was calculated,
 - (iv) the market value of the property,
 - (v) if the property is subject to any compulsory phasing –in discount, the amount of the discount; and
 - (vi) rebates, exemptions, reductions or phasing-in, if applicable.
- 12.2 A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.
- 12.3 In the case of joint ownership the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

13. GENERAL VALUATION OF RATEABLE PROPERTY

- 13.1 The first valuation roll prepared in terms of the Act, shall take effect from the start of the financial year following completion of the public inspection period.
- 13.2 In accordance with the Act the municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.
- 13.3 Supplementary valuations may be done on a continual basis but at least on an annual basis to ensure that the valuation roll is properly maintained.

14. LIABILITY FOR AND RECOVERY OF RATES

- 14.1 The owner of a property shall be liable for the payment of the rates levied on the property.
- 14.2 Joint owners of a property shall be jointly and severally liable for payment of the rates levied on the property.

14.3 In the case where an agricultural property is owned by more than one owner in undivided shares and these undivided shares were allowed before the commencement date of the Subdivision of Agricultural Land Act, 1970, Act No. 70 of 1970, the municipality shall hold any joint owners liable for all rates levied in respect of the agricultural property concerned or hold any joint owners only liable for that portion of rates levied on the property that represents joint owner's undivided share in the property.

14.4 In the event that a property has been transferred to a new owner and an Interim Valuation took place, the immediate predecessor in title, as well as the new owner, will jointly and severally be held responsible for settling the interim account.

14.5 Properties, which vest in the Municipality during developments, i.e. open spaces and roads should be transferred at the cost of the developer to the Municipality. Until such time, rates levied will be for the account of the developer.

14.6 Rates Clearance Certificates will be valid until 30 June in each financial year.

15. CORRECTION OF ERRORS AND OMISSIONS

15.1 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.

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

16 DIFFERENTIAL RATES

16.1 Criteria for differential rating on different categories of properties will be according to:-

- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.

(b) The promotion of social and economic development of the municipality.

16.2 Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category; and

16.3 by way of reductions and rebates as provided for in this policy document.

17. COSTS OF EXEMPTIONS, REBATES, REDUCTIONS AND PHASING IN OF RATES

17.1 During the budget process the accounting officer must inform Council of all costs associated with suggested exemptions, rebates, reductions and phasing in of rates.

17.2 Provisions must be made on the operating budget for: -

(a) the full potential income associated with property rates; and

(b) the full costs associated with exemptions, rebates, reductions and phasing in of rates.

17.3 The revenue foregone should be further appropriately disclosed in the annual financial statements, and the rebates also be indicated on the rates accounts submitted to each property owner.

18. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT

18.1 The municipality may grant rebates to organisations that promote local, social and economic development in its area of jurisdiction.

18.2 The Municipality's LED Unit must validate the qualification for the continued application of the rebate and the said rebates must be phased- out within 3 years from the date that the rebate was granted for the first time.

18.3 Rebates will be restricted to a percentage determined by Council from time to time.

19. REGISTER OF PROPERTIES

19.1 The municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.

19.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.

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

- i. Exemption from rates in terms of section 15 of the Property Rates Act,
 - ii. Rebate or reduction in terms of section 15,
 - iii. Phasing-in of rates in terms of section 21, and
 - iv. Exclusions as referred to in section 17.
- 19.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality.
- 19.5 The municipality will update Part A of the register during the supplementary valuation process.
- 19.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

20. COMMUNITY PARTICIPATION

- 20.1 Before the municipality adopts the rates policy, the municipal manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:
- 20.1.1 Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will provide for consultative sessions with locally recognized community organisations and where appropriate traditional authorities.
 - 20.1.2 Conspicuously display the draft rates policy for a period of at least 30 days at the municipality's head and satellite offices and libraries and on the website.
 - 20.1.3 Advertise in the media a notice stating that the draft rates policy has been prepared for submission to council and that such policy is available at the various municipal offices and on the website for public inspection.
 - 20.1.4 Property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a fee of determined annually by the municipality. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.
 - 20.1.5 Council will consider all comments and/or representations received when considering the finalisation of the rates policy.
 - 20.1.6 The municipality will communicate the outcomes of the consultation process in accordance with section 17 of the Municipal Systems Act 32 of 2000.

21. NOTIFICATION OF RATES

21.1 A notice stating the date on which the new rates shall become operational as resolved by Council must be displayed and published by the Municipality.

21.2 This is to be aligned with the annual budgetary process and shall be subject to the same obligations as contemplated in the MFMA.

22. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY

23.1 The municipality will adopt By-laws to give effect to the implementation of the Rates Policy and such By-laws may differentiate between different categories of properties and different categories of owners of properties liable for the payment of rates.

23. REGULAR REVIEW PROCESSES

23.1 The rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and with legislation.

24. ENFORCEMENT/IMPLEMENTATION

24.1 This policy has been reviewed and approved by the Municipality in terms of Council resolution _ 30 March 2012 . and comes into effect from 1 July 2012.