

**MAKANA MUNICIPALITY**

**RATES POLICY**

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| **POLICY NUMBER:** | **1** |
| **POLICY NAME** | **RATES POLICY** |
| **POLICY STATUS** | **FINAL** |
| **VERSION** | **NO.** |
| **DATE OF APPROVAL** | **13 AUGUST 2013** |
| **DATE OF FIRST IMPLEMENTATION** | **01 July 2013** |
| **DATE OF LAST AMENDMEND** | **13 June 2013** |
| **DATE OF NEXT REVIEW** | **June 2014** |
| **PURPOSE** | **SEE POLICY** |
| **AIMS AND OBJECTIVES** | **SEE POLICY** |
| **POLICY CUSTODIAN** | **DIRECTORATE: BUDGET AND TREASURY** |
| **RELATED POLICIES AND LEGISLATION** | **RATES ACT 6 OF 2004; MUNICIPAL SYSTEMS ACT NO: 32 OF 2000 AND MUNICIPAL FINANCE MANAGEMENT ACT NO: 56 OF 2003** |
| **APPROVING AUTHORITY** | **COUNCIL** |
| **APPLICABILITY** | **This policy applies to the rates payers of the municipality.** |
| **POLICY BENCHMARK AND REFERENCES** |  |
| **STAKEHOLDERS CONSULTED** | **YES** |

**PREAMBLE**

In an attempt to ensure that the ratepayers residing within the Makana Municipal area of jurisdiction, are levied property rates in a fair and equitable manner, the Makana Municipality hereby approves the Rates Policy, as required by section 229 of the Constitution of the Republic of South Africa (Act 108 of 1996) read in conjunction with the Municipal Property Rates Act No. 6 of 2004 and other government legislations and or regulations.

**DEFINITION OF KEY WORDS**

In this policy the following words shall have the meanings assigned as follows: -

**1. “Act”** means the Local Government: Municipal Property Rates Act No. 6 of 2004,

**2. “Accounting Officer”** refers to the Municipal Manager of the municipality,

**3. “Annually”** once every financial year,

**4. “Appeal Board”** means a valuation appeal board,

**5. “By-law”** refers to the legislation passed by the council of a municipality binding in the municipality on the persons to whom it applies,

**6. “Chief Financial Officer”** refers to the head of the Budget and Treasury Business Unit,

**7. “Finance Department”** refers to the municipal department dealing with the financial affairs of the municipality,

**8. “Finance and Service Delivery Committee”** refers to the committee of council dealing with the financial affairs of the municipality,

**9. “Financial year”** means the period starting from 1st July in a year to 30th June of the following year,

**10. “Market value”** 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,

**11. “Multiple purposes”** the use of a property for more than one purpose (e.g. B&B and private residential household),

**12. “Municipal valuer”** a person designated, registered and qualified in valuating properties,

**13. “Newly rateable property”** any rateable property on which property rates were not levied before the end of the financial year preceding the date on which the Municipal Property Rates Act took effect, excluding a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date, and also excluding the property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified,

**14. “Policy”** refers to the Rates Policy of the Makana Municipality,

**15. “Property register”** a detailed register where all rateable properties are listed,

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

**17. “Rebate”** amount granted as a discount on the amount payable for rates,

**18. “Residential Property”** properties used for 100% residential purposes, categorised as **A**,

**B** and **C**, with no aim of making any sort of business, be it Bed and Breakfast, Spazza Shop, etc.

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1. **LEGAL COMPLIANCE**

Section 229 of the Constitution of the Republic of South Africa Act No.108 of 1996, read in conjunction with section 4(1)(c) of the Municipal Systems Act 32 of 2000, enjoins municipalities the right to levy a rate on properties in their area of jurisdiction, in order to finance their operational expenses. In terms of section 62(1)(f)(ii) of the Municipal Finance Management Act No: 56 of 2003, and section of the Property Rates Act No: 6 of 2004, municipalities are compelled to adopt a “Rates Policy” which must be in line with the Municipal Property Rates Act No. 6 of 2004, and in fulfilment of Section 229 of the Constitution of the Republic of South Africa Act No.108 of 1996. This policy must be developed or designed through “public participation” as required by the Municipal Systems Act 32 of 2000 and Municipal Finance Management Act No: 56 of 2003.

In terms of the Property Rates Act No: 6 of 2004, the Municipal Council is expected to do the

following: -

(i) Section 3(1) – adopt a policy consistent with the Act on the levying of rates, on rateable property in the municipality,

(ii) Section 4(1) – before the municipality adopts the rates policy, the municipality must follow a public participation process, in accordance with Chapter 4 of the Municipal Systems Act 32 of 2000,

(iii) Section 5(1) – must review and if it is necessary amend its rates policy,

(iv) Section 6(1) – adopt By-Laws to give effect to the implementation of its rates policy,

(v) Section 7(1) – must levy rates on **all rateable** properties in its area of jurisdiction,

(vi) Section 8(1) – may levy different rates for different categories of rateable properties, which may include categories determined according to the (a) use of the property, (b) permitted use of the property, or (c) geographical area in which the property is situated,

(vii) Section 9(1) – must assign a category for properties used for multiple purpose, based on dominant and permitted use of property,

(viii) Section 10(1) – must levy the individual sectional title units, in case of properties subject to a sectional title scheme,

(ix) Section 11(1) – must levy property owners an amount in the Rand on the market value of the property, and in the case of a public service infrastructure on its market value less 30% of such value,

(x) Section 12(1) – must levy rates for a financial year,

(xi) Section 13(1) – rates become payable as from the start of the financial year,

(xii) Section 14(1) – must pass a resolution supported by the majority of its members to levy rates,

(xiii) Section 15(1) – may in terms of criteria set out in its rates policy exempt, reduce and give rebates to specific category of owners,

(xiv) Section 16(1) – may not exercise its power to levy rates on property in a way that would materially and unreasonably prejudice (a) national economic policies, (b) economic activities across its boundaries, and (c) national mobility of goods, services, capital or labour,

(xv) Section 17(1) – may not levy rates on various categories of properties including places of worship, first 30% of the market value of the public service infrastructure, on mineral rights, etc.

(xvi) Section 19(1) – may not levy different rates on residential properties,

(xvii) Section 21(1) – must phase in a rate on newly rateable properties over three financial years,

(xviii) Section 22(1) – may by resolution of its council determine an area within the municipality as a special rating area,

(xix) Section 23(1) – must draw up and maintain a register in respect of properties situated within that municipality,

(xx) Section 24(1) – must charge the owner of the property for rates, and he/she must pay such rates in terms of the Credit Control and Debt Management Policy of the municipality, as well as Chapter 9 of the Municipal Systems Act No: 32 of 2000,

(xxi) Section 25(1) – must levy rates to the owner of sectional unit, in case of sectional title units,

(xxii) Section 26(1) – must indicate the payment methods and times of payment with the ratepayer concerned (e.g. monthly, once-off, bi-annually, etc.),

(xxiii) Section 27(1) – must furnish each person liable for the payment of rates with a written account,

(xxiv) Section 30(1) – must conduct a general valuation of all rateable properties.

1. **SCOPE OF THE POLICY**

This policy applies to the Makana Municipality’s area of jurisdiction, and is applicable to all categories of ratepayers or property owners of the Makana Municipal area.

1. **OBJECTIVES OF THE POLICY**

The objectives of the Rates Policy of the Makana Municipality are as follows: -

(i) Regulate the power of the municipality to levy rates, in terms of Section 229 of the Constitution of the Republic of South Africa,

(ii) **Ensure the fulfilment of public participation in developing and implementing a Rates Policy, as required by the Property Rates Act No: 6 of 2004, read in conjunction with other legislations such as Municipal Systems Act No: 32 of 2000 and Municipal Finance Management Act No: 56 of 2003,**

(iii) Ensure that all rateable properties are levied equitable, transparent, uniform and fair rates,

(iv) Educate ratepayers on reasons for paying for rates,

(v) Provide a uniform framework for regulating rating of property throughout the Makana Municipal area of jurisdiction,

(vi) Make provision for fair and equitable valuation methods of properties,

(vii) Exclude certain properties in rating, in the national interest, or through exemptions, rebates and reductions,

(viii) Build economically and viable municipality that is able to achieve service delivery expectations.

1. **IMPOSITION OF RATES**

The council shall as part of each annual operating budget component impose a rate in the rand on

the market value of all rateable properties 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.

The council pledges itself to limit each annual increase as far as possible to the increase in the Consumer Price Index (CPI) over the period preceding the financial year to which the increase relates, except when the approved Integrated Development Plan (IDP) or budget plans of the municipality provides for a greater increase exceeding the guidelines provided by National Treasury and if so, such increases that exceed National Treasury guidelines be motivated as such. **It is the aim of this municipality to ensure that ratepayers are levied “fair rates” and economic vibrancy and development of the city is not killed at its infancy. It must be noted that in terms of Section 229(2)(a) of the Constitution of the Republic of South Africa, municipality *may not exercise its power to levy rates on property in a way that would materially and unreasonably prejudice (a) national economic policy, (b) economic activities across its boundaries, and (c) the national mobility of goods, services, capital or labour*.**

**5**. **CATEGORIES OF RATEABLE PROPERTIES**

The Property Rates Act enlists a large number of different categories of rateable properties, where

municipalities can levy rates on, which include the following categories: -

(i) Residential Properties,

(ii) Industrial Properties,

(iii) Business and Commercial Properties,

(iv) Farm properties (for different use),

(v) Farm Properties (not used for any purpose),

(vi) Small holdings (used for various purposes),

(vii) State-owned properties,

(viii) Municipal properties,

(ix) Public Service Infrastructure (PSI),

(x) Privately owned towns serviced by the owner,

(xi) Communal Land,

(xii) State Trust Land,

(xiii) Protected Areas,

(xiv) Properties on which national monuments are proclaimed,

(xv) Properties owned by public benefit organisations,

(xvi) Properties used for multiple purposes.

1. **CONSTITUTIONALLY IMPERMISSIBLE RATES**

The Act also gives an indication of impermissible rates where municipalities are not permitted to

levy rates on, and includes the following: -

(i) On the first **30%** of the market value of public service infrastructure,

(ii) On any part of the seashore as defined by the Seashore Act of 1935,

(iii) On any part of the territorial waters in terms of the Maritime Zones Act of 1994,

(iv) Any Island on which the state is the owner,

(v) Parts of special reserves and national parks,

(vi) Mineral rights,

**(vii) Property belonging to a land reform beneficiary (and this lapses within ten years from the date on which such beneficiary’s title was registered in the Office of the Registrar of Deeds),**

(viii) On the first **R15 000** of the market value of the residential property assigned in the valuation roll or supplementary valuation roll,

(ix) On municipal property such as public service infrastructure, refuse sites, municipal burial grounds, public parks, property used for arts / culture and recreational facilities and municipal housing schemes,

(x) On property used primarily as a place of public worship by a religious community, including an official residence occupied by an office-bearer who officiates at services at that place of worship.

**7**. **PERMISSIBLE CATEGORIES OF PROPERTIES WHERE RATES CAN BE LEVIED IN THE**

**MAKANA MUNICIPAL AREA OF JURISDICTION**

Based on the above paragraphs, the following are categories of properties which the municipality

must levy rates on, with different rate in a Rand (Cent in Rand), depending on the use of property:

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| **PROPERTY CATEGORY** | **BRIEF DESCRIPTION** | **REBATES, REDUCTIONS AND**  **EXEMPTIONS** |
| 1. Business, Commercial  & Industrial | Properties used for business, commercial or  Industrial purposes.  - Rated as business | N/A |
| 2. Residential | 2.1 Property used for residential purposes.  2.2 Can be either A, B or C | First R 15 000 is exempt. |
| 3. Municipal (NB:  Municipal Buildings and  Public Service  Infrastructure must be  totally exempt from rates) | Properties leased to third parties | N/A |
| 4. State Owned | All Properties owned by State.  4.1 Residential  4.2 Business | Residential rate LESS 20%.  Business rate LESS 20%. |
| 5. Farming | 5.1 Bona-fide agricultural land (NB: Rate  based on business rate, less the total  reduction)  - Principle source if income is from  produce of land.  - Occupier/owner taxed by SARS as a  farmer.  - Rated as business  5.2 Eco tourism (NB: Rate based on  business rate, less the total reduction)  - Income derived from tourism  - Rated as business  5.3 Game/Hunting (NB: Rate based on  business rate, less the total reduction)  - Income derived from tourism and or  hunting  - Rated as business | 1. No Municipal Roads – 12.5%.  2. No Municipal Sewer – 12.5%.  3. No Municipal water – 12.5%.  4. No Municipal Refuse removal –12.5%.  5. No Municipal Electricity – 12.5%.  6. Residential accommodation for  farm workers – 12.5%.  TOTAL REDUCTION = 75%  1. No Municipal Roads – 10%.  2. No Municipal Sewer – 10%.  3. No Municipal water – 10%.  4. No Municipal Refuse removal –  10%.  5. No Municipal Electricity – 10%.  6. Residential accommodation for  farm workers – 10%.  TOTAL REDUCTION = 60%  1. No Municipal Roads – 12.5%.  2. No Municipal Sewer – 12.5%.  3. No Municipal water – 12.5%.  4. No Municipal Refuse removal –  12.5%.  5. No Municipal Electricity – 12.5%.  6. Residential accommodation for  farm workers – 12.5%.  TOTAL REDUCTION = 75% |
| 6. Public Service  Infrastructure (PSI) | All infrastructure owned by the State, Telkom,  Transnet etc.  - Measurable & quantifiable properties to be  rated.  - Rated as business | First 30% of market value - EXEMPT |
| 7. Multiple Purpose | Rated according to highest tariff applicable to permitted use. (e.g. Business, Agricultural, Residential etc) | Depending on main use of property. |
| 8. Small Agricultural  Holdings | Small farm- usually for residential purposes. | Depending on main use of property. |
| 9. Vacant land | Land with no improvements | Depending on zoning/main use of land |
| 10. Mining Property | Land used for mining purposes.  - Rated as business, commercial or Industrial | Rate in Rand – 10% |
| 11. Private Schools | Privately owned schools  - Rated as Business and based on business  rate | Depending on main use of properties  Rate in Rand – 20% |
| 12. Public Schools | Schools owned by the State  - Rated as Business and based on business  rate | Depending on main use of properties  Rate in Rand – 20% |
| 13. Bed & Breakfast | Properties used as 100% Bed and Breakfast facility (Rated as Business and based on business rate) | N/A |
| 14. Households headed  by children | Households run by children due to HIV/Aids | Residential rate – 100% |
| 15. Property owners who  are 100% indigent. | Properties where owners are registered as  being 100% indigent. | Residential rate – 100% |
| 16. Property owners who  are 60 years or older and  earn R 42 000 or less  per annum. | - Properties where owners are 60 years or older from 1 July of the year of assessment and earning R 42 000 or less per annum.  - Proof of income and age to be supplied, if the owner has another source of income, and more than one property in the Makana area of  jurisdiction he/she will be disqualified. | Residential rate – 100% |

As can be seen some of the reductions, rebates and exemptions can only be **administered through application form or request,** as it will be practically impossible for neither the Municipal Manager nor the Chief Financial Officer to know in detail the status applicable to different households. The municipal manager shall ensure that the income forgone in respect of the foregoing rebates, reductions and exemptions 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.

Newly rateable properties and **land restitution houses** will be dealt with in terms of section 21(1) to (4) of the Property Rates Act No.6 of 2004 (where the Municipal Manager or his/her designate applies phasing-in approach as determined by the Act). Rates applicable to agricultural properties and public service infrastructure will be in terms of government gazette no. 32061 of March 2009.

**Any other cases that have not been covered in this policy or that result to ambiguity will be**

**dealt with by the Chief Financial Officer in terms of the Property Rates Act No. 6 of 2004.**

**8. FREQUENCY OF PAYMENTS**

Payments for rates shall be made monthly on or before the date specified in each monthly rate account. Rates can also be paid once a year or bi-annually depending on the financial position of the ratepayer in question.

**9. 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 prescribed by prevailing legislation.

**10. FREQUENCY OF VALUATIONS**

The municipality shall prepare a new valuation roll every 4 (four) financial years and a supplementary valuation rolls every 12 (twelve) months or whenever is required. In order to achieve this objective, the municipality must maintain a “Valuation Reserve” which must be cashbacked, in order to defray valuation costs. This reserve must be maintained from the annual surpluses declared at the end of the financial year.

**11. PROMULGATION OF RESOLUTIONS ON LEVYING OF RATES**

A rate is levied by a municipality by a resolution passed by the council with a supporting vote of a

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 and so forth.

**12. SPECIAL RATING AREAS**

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 municipality must develop and maintain a separate accounting system for this purpose. 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.

**13. 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 Act. However, if the municipality does not intend to levy rates on its own properties, 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. The valuation of properties must be conducted by the qualified and registered valuers, and the **market value** of property is determined by property valuers for the purpose calculating rates. 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.

**14. COMMENCEMENTS AND PERIOD OF VALIDITY OF VALUATION ROLLS**

A valuation roll takes effect from the start of the financial year following completion of the public inspection period required by the 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.

**15. BY-LAWS TO GIVE EFFECT TO RATES POLICY**

The Property Rates Act No: 6 of 2004 requires that 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.

**16. EFFECTIVE DATE OF THE RATES POLICY**

This policy is effective from the 1st July 2013 until the 30th June 2014, and every financial year

thereafter.

**17. APPLICATION OF DISCRETION BY THE CHIEF FINANCIAL OFFICER**

In successfully applying this policy, the Chief Financial Officer is given authority to apply his/her discretion in cases where such discretion is purely needed, or ambiguity exists or a “grey area” prevails. This discretion shall be within the ambits of the Property Rates Act No. 6 of 2004, and any government regulations applicable in the implementation of the property rates.

**NB: The reality in the country is that social evils such as HIV/Aids have resulted to some households being headed by kids under 18 years of age and this policy must always take cognisance of such situations. Ward Councilors are therefore responsible in identifying families that are in that predicament, in their respective areas, and guide them accordingly.**

**18. HOW WILL THIS POLICY BE SUCCESSFULLY COMMUNICATED?**

The success of this policy will depend on various key stakeholders that exist within the Makana

Municipal area of jurisdiction, including the following: -

* Political Leadership (e.g. Executive Mayor, Councillors and Ward Committee Members),
* Administrative Leadership (e.g. Municipal Manager and Directors of various Directorates or Business Units),
* All Employees of Council have the responsibility of being the mouthpiece of the municipality

or their employer, in as far as informing the members of the public about their benefits

resulting from this policy,

Lastly, this policy must be communicated to the communities residing at Makana Municipal area of

jurisdiction through community newspapers, notices in the notice boards, municipal websites, door-to-door campaigns, Imbizo/Gatherings, municipal accounts, booklets, etc.

Lastly, the Municipal Manager must ensure that this policy is listed in the Municipality’s website, and is accessible to the general public.

**19. ANNUAL REVIEWAL OF RATES POLICY**

This rates policy will be reviewed at least once a financial year, preferable during the budget process, and will be finalised through public participation, as required by the Municipal Systems Act No: 32 of 2000, and the Municipal Finance Management Act No: 56 of 2003, read together with the Property Rates Act No: 6 of 2004.