

RATES POLICY



**FORMULATED IN TERMS OF SECTION 3 OF THE
MUNICIPAL PROPERTY RATES ACT, NO 6 OF
2004.**

Council Resolution:

RATES POLICY

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1. PREAMBLE LEGISLATIVE CONTENT

- 1.1 Section 229 of the Constitution entitles **municipalities** to impose rates on property in their areas, subject to regulation in terms of national legislation.
- 1.2 In terms of the 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
 - iii. The rates policy of Theewaterskloof Municipality.
- 1.3 This policy is mandated by Section 3 of the Municipal Property Rates Act, 2004 (No.6 of 2004), that furthermore provides that a Municipality must adopt a Rates Policy, consistent with the Municipal Property Rates Act.
- 1.4 In terms of Section 4 (1) (c) of the 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.
- 1.5 In terms of Section 62 (1)(f) (ii) of the Municipal Finance Management Act, 2003 (No.56 of 2003) the Municipal Manager must ensure that the Municipality has and implements a rates policy.
- 1.6 The Municipality must adopt by-laws to give effect to the implementation of its rates policy and such by-laws may be differentiated between different categories of properties, and different categories of owners of properties liable for the payment of rates.

2. DEFINITIONS

- 2.1 **'Act'** means the Municipal Property Rates Act, 2004 (No.6 of 2004) **as amended**.
- 2.2 **'agricultural property'** means property that is used primarily for agricultural purposes but, without derogating from section 9 of the Property Rates Act, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game.
- 2.3 **'agricultural property for agricultural purposes'** means a property that is used for gain for the purpose of the intensive cultivation of soils for purposes of planting and gathering of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the intensive rearing of livestock and game or the intensive propagation and harvesting of fish, but excludes the use of property for the purpose of eco-tourism; and in respect of property on which game is reared, traded or hunted, it excludes any portion that is used for accommodation of visitors for gain.

- 2.4 **'agricultural property: business and commercial'** means property that is farm property, but is used as business and commercial property;
- 2.5 **'agricultural property: residential'** means property that is farm property, but is used as residential property;
- 2.6 **'business or commercial property'** means
- a) Property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
 - b) Property on which the administration of the business of private or public entities takes place.
- 2.7 **'IDP'** means Integrated Development Plan.
- 2.8 **'industrial property'** means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts in respect of which capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity.
- 2.9 **'Municipality'** means the (municipality) municipal council for the municipal area of Theewaterskloof.
- 2.10 **'public benefit organisation property'** means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2(health care), and item 4(education and development) of part 1 of Ninth Schedule to the Income Tax Act.
- 2.11 **All other terms** are used within the context of the definitions contained in the Municipal Property Rates Act, 2004 (No.6 of 2004).

3. POLICY PRINCIPLES

- 3.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the Municipality's valuation roll and supplementary valuation roll.
- 3.2 As allowed for in the Act, the Municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The Municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.
- 3.3 Phasing in of rates will be based on the new valuation roll, and in terms of Section 21 of the Act.

3.3 The rates policy for the Municipality is based on the following principles:

3.4.1 Equity

The Municipality will treat all rate payers with similar properties the same.

3.4.2 Affordability

The ability of a person to pay rates will be taken into account by the Municipality. In dealing with the poor/indigent ratepayers the Municipality will provide relief measures through exemptions, reductions or rebates.

3.4.3 Sustainability

Rating of property will be implemented in a way that:

- a) It supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the Municipality; and
- b) Supports local and social economic development.

3.4.4 Cost efficiency

Rates will be based on the value of all rateable properties and the amount required by the Municipality to balance the operating budget after taking into account profits generated on trading services (water, electricity) and economic services (refuse removal, sewerage removal) and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the Municipality from time to time.

4. **SCOPE OF THE POLICY**

This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the applications of the various property rates will be published in the Provincial Gazette and the Municipality's schedule of tariffs, which must be read in conjunction with this policy.

5. **APPLICATION OF THE POLICY**

In imposing the rate in the rand for each annual operating budget component, the Municipality shall grant exemptions, rebates and reductions to the categories of properties and owners as allowed for in this policy.

6. **CATEGORIES OF PROPERTY**

6.1 Criteria for determining categories of properties for the purpose of levying different rates and for the purpose of granting exemptions will be according to the:-

- a) use of the property;
- b) permitted use of the property; or
- c) a combination of (a) and (b).

6.2 Categories of rateable property that the Municipality may determine in terms of the Municipal Property Rates Act, 2004 (No.6 of 2004) include-

- a) residential properties;
- b) business and commercial properties;
- c) industrial properties;
- d) agricultural property: residential
- e) agricultural property: business and commercial
- f) agricultural properties used for agricultural purposes;
- g) agricultural properties used for eco-tourism or conservation;
- h) agricultural properties used for the trading in or hunting of game;
- i) smallholdings used for agricultural purposes
- j) smallholdings used for residential purposes
- k) smallholdings used for industrial purposes
- l) smallholdings used for business and commercial purposes
- m) mining properties;
- n) public service infrastructure;
- o) public benefit organisations;
- p) state-owned properties;
 - i. state properties that provide local services,
 - ii. state properties that provide regional/municipal district-wide service,
 - iii. state properties that provide provincial/national service.
- q) municipal owned properties;
- r) protected areas;
- s) multiple use properties;
- t) vacant land;
- u) Sporting bodies

6.3 Special ratings may be determined from time to time in terms of council resolution and Municipal Fiscal Powers and Functions Act (Act 12 of 2007).

7. PROPERTIES USED FOR MULTIPLE PURPOSES

Rates on properties used for multiple purposes will be levied according to the dominant use if the apportioning of the market value of the property is not determined.

8. CATEGORIES OF OWNERS

Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to the-

- a) indigent status of the owner of a residential property
- b) owner of a residential property with a proven total income within a determined threshold.
- c) owners of property situated within an area affected by-
 - i. a disaster within the meaning of the Disaster Management Act, 2002 Act no.57 of 2002); or
 - ii. any other serious adverse social or economic conditions;
- d) owners of residential properties with a market value below a determined threshold.
- e) Owners of agricultural property: used for agricultural purposes.

9. DIFFERENTIAL RATING

9.1 Criteria for differential rating on different categories of properties will be based on-

- a) the use of the property;
- b) Permitted use of the property; or
- c) A combination of (a) and (b).

9.2 Differential rating among the various property categories will be done by way of setting different rate for each property category

and/or

9.3 by way of reductions and rebates.

10. EXEMPTIONS

10.1 Criteria for exemptions from payment of rates will be based on the following:

- a) Properties used for public service purposes;
- b) Properties to which a land tenure right applies and on which no industrial, commercial agricultural activities are conducted;
- c) The historical or cultural significance of the property, including the presence on the property of a national monument as contemplated in the National Monuments Act, 1969 (Act No. 28 of 1969, or an institution that has been declared to be subject to the Cultural Institutions Act, 1998 (Act No. 119 of 1998); and
- d) Property of which the Municipality is the owner.

10.2 The following categories of property are exempted from rates:

10.2.1 Municipal properties

The Municipality will exempt the following Municipal properties from paying rates:.

- a) rateable property registered in the name of another Municipality if such property is used in connection with the supply of electricity, water, gas or sewerage services, or
- b) rateable property registered in the name of the Municipality and which is let by the Municipality for not more than a nominal rent as determined by the Municipality.

Except

- c) if any property belonging to a Municipality is disposed of to any person, he shall be considered to be the owner liable for the payment of rates from the date he takes possession **unless otherwise stated in the deeds of sale.**

10.2.2 Place of worship

Property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is-

- a) registered in the name of a religious community;
- b) registered in the name of a trust established for the sole benefit of a religious community; or
- c) subject to a land tenure right.

including;

the official residence registered in the name of that community which is occupied by the office bearer of that community who officiates at services at that place of worship.

10.2.3 Special Nature reserve, National park or nature reserve within the meaning of Protected Areas Act

Which are not developed or used for commercial, business, agricultural or residential purposes (Refer to Section 17(1)(e)).

10.2.4 Public Service Infrastructure

Properties used for Public Service Infrastructure will be exempted as they provide essential services to the community.

10.3 Exemptions will be subject to the following conditions:

10.3.1 All applications must be addressed in writing to the Municipality in the prescribed manner or application form;

10.3.2 A SARS tax exemption certificate must be attached to all applications;

10.3.3 The Municipal Manager or his/her nominee must approve all applications;

10.3.4 Applications must reach the Municipality before the end of September preceding the start of the new Municipal financial year for which relief is sought; and

10.3.5 The Municipality reserves the right to refuse **exemptions** if the details supplied in the application form are incomplete, incorrect or false.

11. REDUCTIONS

11.1 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-

11.1.1 A disaster within the meaning of the Disaster Management Act, 2002

(Act no.57 of 2002); or

11.1.2 Any other serious adverse social or economic conditions.

11.2 All categories of owners can apply for a reduction in the valuation of the property as described above.

11.3 Criteria for granting reductions

11.3.1 A reduction in the Municipal valuation as contemplated in section 15(1)(b) of the Act may be granted where the value of a property is affected by fire damage, demolition or floods.

11.3.2 The reduction will be in relation to the certificate issued for this purpose by the Municipal valuer.

11.4 Categories of owners

11.4.1 Owners with monthly household income up to R4800: Rate Rebate (Rates are not levied on the first R100 000 of valuation – R85 000 plus the compulsory R15 000) This is also applicable to persons older than 60 and earning between R4800 and R6400)

11.4.1.1 Retired and Disabled Persons qualify for special reduction according to total monthly household income. To qualify for the reduction 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 Social Welfare or other approved pension funds;
- c) be in receipt of a total monthly income from all sources (including income of spouses of owner) as per Schedule 1
- 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.

11.4.1.2 Property owners must apply on a prescribed application form for a reduction as determined by the Municipality.

11.4.1.3 Applications must be accompanied by-

- a) a certified copy of the bar coded identify document, passport, driver's license, birth certificate or any other proof of the owner's age which is acceptable to the Municipality;
- b) sufficient proof of income of the owner and his/her spouse; (total income of household)
- 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 age for medical reasons proof thereof must be submitted.

- 11.4.1.4 These applications must reach the Municipality before the end of **May** preceding the start of the new Municipal financial year for which relief is sought.
- 11.4.1.5 The Municipality reserves the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false.

12. REBATES

12.1.1. State properties

No rebates are granted.

12.1.2 Agricultural property rebate

No rebates are granted.

12.1.3 Sports clubs

All sport clubs must be affiliated with a regional or national body.

12.1.4 Public Benefit Organisations

No rebate will be granted.

Except

Old age homes within the criteria of public benefit organisations

12.1.5 Educational institutions

Property owned and/or used by NPOs (declared or registered by law) for educational purposes, including a residence registered in the name of the educational institution and used by full-time employees of the educational institution. This includes any playgrounds, parking areas, sport grounds, dormitories or sport fields owned and / or used by such institution.

13. COMPULSORY PHASING IN OF RATES

13.1 Newly Rateable Properties

13.1.1 Rates levy on newly rateable property will be phased in over a period of three financial years.

13.1.2 The phasing-in discount will be determined as follow:

- a) In the first year, 75% discount on the rates for the year applicable on the property,
- b) in the second year, 50% discount on the rates for the year applicable on the property,
- c) in third year, 25% discount on the rates for the year applicable on the property,

13.2 Newly Rateable property owned and used by Public Benefit Organisations

13.2.1 Rates levied on newly rateable property owned and used by organisations conducting specified public benefit activities and registered in terms of the Income Tax Act for those activities will be phased in over a period of four financial years,

13.2.2 The phasing-in discount will be determined as follow:

- a) In the first year no rates will be levied on the property concerned,
- b) In the second year, 75% discount on the rates for the year applicable on the property,
- c) in the third year, 50% discount on the rates for the year applicable on the property,
- d) in the fourth year, 25% discount on the rates for the year applicable on the property.

13.3 Rates on Property belonging to a land reform beneficiary or his/her heirs

13.3.1 The exclusion on property belonging to a land reform beneficiary or his/her heirs from levying of rates will lapse ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds,

13.3.2 After the exclusion period has lapsed, rates payable on the properties concerned will be phased-in over a period of three financial years,

13.3.3 The phasing-in discount will be determined as follows:-

- a) In the first year, 75% discount on the rates for the year applicable on the property,
- b) in the second year, 50% discount on the rates for the year applicable on the property,
- c) in the third year, 25% discount on the rates for the year applicable on the property.

14. **COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY.**

14.1 The Municipal manager shall ensure that the revenue foregone in respect of the foregoing rebates, exemptions and reductions, are appropriately disclosed in each annual operating budget and in the annual financial statements and annual

report and that such rebate, are clearly indicated on the rates account submitted to each property owner.

- 14.2 The municipal manager must annually table in Council:-
- a) a list of all exemptions, reductions and rebates granted by the municipality during the previous financial year
 - b) a statement reflecting the income which the municipality has foregone during the previous financial year by way of such exemptions, reductions and rebates and the phasing in discount granted in terms of the Act.

15. RATES INCREASES

- 15.1 The Municipality may consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time and prevailing economic circumstances.
- 15.2 Rate increases will be used to finance the increase in operating costs of community and subsidised services.
- 15.3 Affordability of rates to ratepayers.
- 15.4 All increases in property rates will be communicated to the local community in terms of the Municipality's policy on community participation.

16. NOTIFICATION OF RATES

- 16.1 The Municipality will give notice of all rates approved at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days notice will be based on the new rates.
- 16.2 A notice stating the extent of the Municipality's resolution and the date on which the new rates become operational will be displayed by the Municipality at places provided for that purpose.

17. PAYMENT OF RATES

- 17.1 Property Rates will be levied in twelve equal instalments which is payable on the 25th of the following month.
- 17.2 If the owner of property that is rateable, notifies the Municipal Manager or his/her nominee not later than 31 May in any financial year, or such later date in such financial year as may be determined by the Municipal Manager or his/her nominee that he/she wishes to pay all rates in respect of such property annually, such property Rates shall be payable in one instalment on or before 30 September.
- 17.3 Interest on arrears of rates whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the Prime interest rate plus 1% as determined by the South African Reserve Bank. Interest will be calculated on arrears.

- 17.4 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.
- 17.5 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of Section 28 of the Act.
- 17.5.1 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the municipality will recover the amount in whole or in part from the tenant or occupier of the property, despite any contractual obligation between the tenant and the owner. The Municipality will only recover the outstanding rates from the tenant or occupier after a written notice has been served to the tenant or occupier.
- 17.5.2 The amount that the municipality will recover from the tenant or occupier will be limited to the amount of the rent or other money due and payable, but not yet paid by the tenant or occupier to the owner of the property. The tenant or occupier must set off any amount recovered from them by the municipality against any money owed to the owner.
- 17.5.3 The tenant or occupier of a property will on request of the municipality, furnish the municipality with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period as may be determined by the municipality.
- 17.5.4 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the Municipality will recover the amount in whole or in part from the agent of the owner. The Municipality will only recover the outstanding rates from the agent after a written notice has been served to the agent.
- 17.5.5 The amount that the municipality will recover from the agent will be limited to the amount of the rent or other money received by the agent on behalf of the owner less any commission due to the agent.
- 17.5.6 The agent will on request of the municipality, furnish the municipality with a written statement specifying all payments for rent on the property and any money received by the agent on behalf of the owner during a period as may be determined by the municipality.
- 17.5.7 A rate levied by the Municipality on a 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.
- 17.6 In addition, where an 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.

18. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEME

The rate levied on a sectional unit is payable by the owner of the unit and not on the property as a whole. 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.

19. ACCOUNTS TO BE FURNISHED

The Municipality must furnish each person liable for the payment of a rate with a written account specifying:

- a) The amount due for rates payable;
- b) The date on or before which the amount is payable;
- c) How the amount was calculated;
- d) The market value of the property;
- e) Phasing in discount if applicable.

The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the Municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries from the Municipality.

20. REGULAR REVIEW PROCESSES

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 IDP and with legislation.

21. 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 in terms of the Municipal Property Rates Act, Act no 6 of 2004 and Local Government: Municipal Property Rates Amendment Act.*

22. FREQUENCY OF VALUATIONS

The Municipality shall prepare a new valuation roll every **5 (five)** years and supplementary valuation **annually**.

23. COMMUNITY PARTICIPATION

Before the 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:

The Municipal Manager must:

- 23.1** 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 website if any;
- 23.2** 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 various Municipal offices for public inspection and is also available on the website if any, and inviting 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.

Council must take all comments and representations made to it into account when considering the draft rates policy.

24. REGISTER OF PROPERTIES

The Municipality must draw up and maintain a register in respect of all properties situated within the Municipality jurisdiction.

25. SHORT TITLE

This policy is called the Property Rates Policy of the Theewaterskloof Municipality.

26. ENFORCEMENT/IMPLEMENTATION

This policy has been approved by the Municipality in terms of resolution no dated and comes into effect from **1 July 2016**.

27. LEGAL REQUIREMENTS

The legal requirements of the Act are attached into this policy document.

- 28.** The English version of the policy prevails in the event of any inconsistency between the English Policy and the Afrikaans Policy.

CATEGORY / DESCRIPTION	REBATES AND REDUCTIONS
Owners of Residential Properties with total household income up to R4 800 per month (It is also applicable to persons older than 60 and earning between R4 800 and R6 400).	Rates are not levied on the first R100 000 of valuation (R85 000 plus the compulsory R15 000) Refer to 11.4.
Old age homes refer to 12.1.4.	100%
Educational institutions refer to 12.1.5.	100%
Sports clubs (Affiliated with a regional or national body).	100%

In terms of section 17 of the Act, Municipality may not levy a rate

- a) on the first R15 000 of the Market value of a property assigned in the valuation roll or supplementary valuation roll of the municipality for:
 - i. all residential properties
 - ii. all properties used for multiple purpose, provided one or more components of the property are used for residential purpose

SCHEDULE 2

Maximum Ratio in relation to Residential property

Categories	Ratio in relation to residential property
Residential property	1:1
Agricultural property	1:0.25
Public benefit organisation property	1:0.25