

MORETELE LOCAL MUNICIPALITY



RATES POLICY

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1. PREAMBLE

The municipality derives its power to levy rates from section 229(1) of the Constitution of the Republic of South Africa.

The obligation on a Council of a municipality to adopt and implement a rates policy on the levying of rates on rateable property is derived from the following legislation:

- Section 3(1) of the Municipal Property Rates Act, Act 6 of 2004 (MPRA).
- Section 62(1) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA).

The policy of the Moretele Local Municipality for levying rates on rateable property is set out in this document. The Council adheres to all requirements of the Municipal Property Rates Act (MPRA) and Municipal Finance Management Act (MFMA) including any regulations promulgated in terms of these Acts.

The rates policy only rules the rating of valued property which are valued according to the Municipal Property Rates Act, Act 6 of 2004 and its regulations as published under Government Notice 1856 of 2005 in Government Gazette 28113 dated 13 October 2005 and does not rule or

guide the processes of property valuation and approval of the valuation roll.

As part of each annual operating budget the Council is obliged to impose a rate in the rand on the market value of all rateable properties as recorded in the municipality's valuation roll or supplementary valuation roll(s). Rateable property shall include any rights registered against such property, with the exception of a mortgage bond. Generally, all land within the Moretele Local Municipal area of jurisdiction is rateable unless it is specifically exempted as set out in Section 15 of the MPRA and includes:

- cemeteries
- sport grounds for exercising amateur sport
- properties owned by welfare organisations
- The rates policy sets out the broad policy framework within which the
- municipality rates its area as per Section 3 of the MPRA, and gets annually
- reviewed and, when necessary, amends the municipality's rates of
- assessment as per section 5 of the MPRA.

2. DEFINITIONS

All material technical terms are defined in each appropriate section of MFMA and MPRA.

3. STRATEGIC FOCUS

3.1 POLICY OBJECTIVES

- to ensure certainty and clarity as to amounts payable in respect of property rates;
- to ensure the promotion of efficient, economic and effective use of resources;
- to promote development and endeavour to attract investment for job creation;
- to spread the rates burden impartially, fairly, equitably and without bias;
- to create an opportunity for public participation in policy making;
- to contribute towards the accountability of the municipality;
- to contribute towards the transparency of the municipality;
- to contribute towards the financial sustainability of the municipality; and
- to protect citizens against exploitation by the municipality.

3.2 PRINCIPLES OF TAXATION

- an **autonomous tax** – the determination and levying of the tax will be in the discretion of the Council of the municipality;
- a **productive tax** – an appropriate difference between the income and the cost of the tax;
- a **broad as possible tax base** – the base is the valuation roll, with as little as possible tax avoidance and – evasion;
- a tax, which takes **ability-to-pay and benefits** received into account in ensuring horizontal and vertical fairness;
- a **progressive tax system**, which in relation taxes the rich more than the poor;
- a tax, which **attracts the correct activities** to the municipality, ensuring a caring municipality, and discourages, unwanted activities;
- an **impartial tax** with exemptions, reductions and rebates where appropriate;
- an **easy tax system** that simplifies calculating, enquiries, payments and making arrangements;
- a **simple tax**, which ensure low administration -, compliance – and collection costs;
- **sureness of the tax** and the income from this source;
- **a tax with which** the citizens of the municipality **can identify** and which breeds high tax morality;
- a **tax system** and – policy, which is subject to *community participation and social control*.

3.3 Determining the rate on property, exemptions, rebates and reductions

The Council of the municipality has to annually consider:

- the impact of rates on the community;
 - the impact of rates on businesses;
 - the current economic climate;
 - the integrated development plan (IDP) of the municipality;
 - the town development strategy and financial plan of the municipality;

Mitigating major shocks to ratepayers when moving from a site rating on the total market value (land and buildings) of a property.

4. ANNUAL ADOPTION OF THE POLICY

The rates policy will be reviewed annually in compliance with section 5(1) of the MPRA and according to the budget timetable tabled by the Executive Mayor in accordance with section 21(1)(b)(ii)(bb) of the MFMA with the tabling of the annual budget as per section 16(2) of the MFMA.

Community participation will take place in accordance with chapter 4 of the Local Government: Municipal Systems Act, Act 32 of 2000 and by following the processes as per sections 21A and 21B of the Municipal Systems Act, Act 32 of 2000 (as contained under section 5 of the Municipal Systems Act Amendment Act, Act 44 of 2003) as follows:

- as a document made public (section 21A):
 - displayed at the head and satellite offices and libraries of the municipality.
 - displayed on the municipality's official website (as per prescriptions contained under section 21B).
 - notified to the local community of the place, including website address, where detailed particulars can be obtained.
 - inviting the local community to submit written comments or representations to the municipality in respect of the published document.

5. KEY PRINCIPLES

5.1 EQUITY

The fundamental principle is that taxpayers in similar circumstances will pay similar levels of tax and taxpayers with greater ability to pay larger amounts of tax, however, in local government the value of a ratepayer's property is the proxy or surrogate for the ability to pay. The circumstances for an individual ratepayer are only taken into account in respect to any exemptions, rebates or reduction that may be granted. Rates are *levied on an ad valorem* (by value) basis that is pro-rata to the value of the property.

In the local government context the application of the *equity* principle would suggest that the tax (the rate in the rand) would be the same for all ratepayers in a municipal area, unless some compelling application of other taxation principles changes in the incidence of the tax. The main reasons why one ratepayer may pay a different rate than another ratepayer are:

- different rates levied on different categories;
- exemptions;
- rebates; and
- reductions

Although these mechanisms were created by the MPRA, the application thereof should be justified. The main reason is to retain the historical level of contribution of the various categories of properties to the income from assessment rates and thereof minimize the impact on ratepayers.

5.2 AFFORDABILITY

In considering affordability, the total municipal account, and not only the rates account will be considered. The Council of the municipality will endeavour to limit the annual increase in the revenue from property rates to a threshold linked to the consumer price index on a year to year basis at the time of tabling the annual operating budget, except when the approved integrated development plan (IDP) of the municipality demand for a greater increase.

5.3 POVERTY ALLEVIATION

The effect of rates on the poor has been taken into account in terms of the municipality's free basic services and indigent support policy. The first R65 000 of the value of all residential property according to the approval of valuation roll will be exempted from the payment of assessment rates.

5.4 LIMITATION OF RATES INCREASES

There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 10 of this policy.

6. AMOUNT DUE FOR RATES

The Council of the municipality shall as part of each annual operating budget determine a rate in the rand for every category of ratepayer.

The determination of such rate shall concur with the limits as per section 16(1) of the MPRA on property that would materially and unreasonably prejudice:

- national economic policies;
- economic activities across the municipal boundaries;
- the national mobility of goods, services, capital and labour.

and therefore, in terms of section 17(1) of the MPRA specified impermissible rates are excluded from the rating structure and are reflected as exemptions under paragraph 10.2 of the Policy.

7. LIABILITY FOR RATES

7.1 A rate levied by the municipality on a property must be paid by the owner of the property as regulated by section 24 of the MPRA.

7.2 When transfer of property takes place, the incidence of property rates falls as a charge on the new owner from date of registration by the Registrar of Deeds.

7.3 Rates are levied on an annual basis at the start of the financial year as per section 12(1) of the MPRA, but for the convenience for ratepayers raised monthly on combined consumer accounts and payable within seven (7) working days of the following month according to the payment cut-off date stipulated on the specific monthly account.

- 7.4 Annually levied property tax and tariffs may not be changed during a financial year except for the purpose of a financial recovery plan as per section 28(6) of the MFMA.
- 7.5 Arrear payment on property rates at the monthly or annually due dates, are subject to interest determined to be 3%.
- 7.6 When rates are levied in respect of a full financial year, the responsibility vests on the first day of that financial year.
- 7.7 When rates are levied in respect of a valuation in a supplementary valuation roll, and the rates on that valuation are levied for the first time, the liability to pay the rates vests on the first day of the month following the completion of the public inspection period required by section 50 of the MPRA.
- 7.8 The final day for payment of annually levied and payable rates is 30 September of the specific financial year.
- 7.9 Any decision on the determent of payment of a rate is subject to the stipulations of the municipality's credit control and debt collection policy.
- 7.10 The municipality may recover arrear rates from tenants or occupiers of rated property, or from agents of the owner of such property equal to the value of unpaid rental in terms of section 28 and 29 of the MPRA.
- 7.11 The seller of property will be liable for property rates until the necessary correspondence is received from the seller or his/her [seller] proxy informing the municipality of a change in ownership due to a sale that occurred.

8. VALUATION OF RATEABLE PROPERTIES

A general valuation of all rateable properties will be undertaken and a valuation roll compiled every five (5) years. The period for which the valuation roll remains valid may be extended to seven (7) years, by the MEC.

Supplementary valuations will be undertaken on an ongoing basis in line with section 78(6) of the MPRA. The supplementary valuation remains valid for the duration of the municipality's current valuation roll. Rates on a property based on the valuation of that property in a supplementary valuation [roll] become payable with effect from – the first day of the month following the posting of the notice.

Amendments to the valuation roll to reflect changes to the owner, address, category, extent, description or other prescribed particulars as contemplated by section 79 of the MPRA will be done annually and only the electronic copy of the valuation roll will be updated.

9. LEVYING OF RATES

9.1 PROPERTY NOT SUBJECT TO RATES

Rates will not be levied on the transportation corridors of public service infrastructure owned by the municipality, such as:

roads and streets

railway lines

pipelines

cabling or overhead conductor

9.2 CATEGORIES FOR RATING PURPOSES

In relation to property a category relates to properties determined in terms of Section 8 of the MPRA and in relation to owners of properties it means category of owners as determined in terms of section 15(2) of the MPRA.

The category will be determined by the actual use / dominant use of the property. The Municipal Valuer will be responsible for the categorizing of properties and the maintenance thereof as any change in use of a property may result in a change to the category.

The categories that are determined in line with section 8(1) of the MPRA amended, are:

CATEGORY

- agricultural properties
- business and commercial properties
- Industrial properties

- Places of worship / churches
- Properties owned by an organ of state and used for public service purpose
- Mining properties
- Public service infrastructure properties
- Properties owned by public benefit organizations' and used for specified public benefit activities
- residential properties
- vacant stands
- state land
- properties used for multiple purpose
- other (not known)

Properties used for multiple purpose will be rated and categorized in terms of dominant use.

Units under sectional title will separately be assessed.

Each category shall be assessed in terms of MPRA, where a relevant tariff is applied against the market value of property less applicable rebate.

10 RELIEF MECHANISMS

The Council of the municipality may grant exemptions, rebates and reductions in recognition of Section 15(2) of the MPRA:

10.1 REBATES

When a specific category of owners of properties or the owners of a specific category of properties qualify for more than one rebate at a given time, each rebate will be calculated on the total levy amount.

10.1.1 INDIGENT REBATE

As determined by the municipality's free basic services and indigent support policy.

10.1.2 REBATE TO LIMIT THE INCREASE OF RATES

A general valuation of all rateable properties will be undertaken and a valuation roll compiled every five (5) years.

The period for which the valuation roll remains valid may be extended to seven (7) years by the MEC.

10.1.3 REBATES ON NEWLY RATEABLE PROPERTY

Newly rateable property will be phased in as follows:

- In the first financial year a rebate of 100%;
- In the second financial year a rebate of 75% of the rate;
- In the third financial year a rebate of 50% of the rate;
- In the fourth financial year a rebate of 25% of the rate; and
- In the fifth financial year and going forward the rate will be payable without any rebate

10.1.4 REBATES ON NEW PRIVATE INFRASTRUCTURE DEVELOPMENTS

A rebate of 85% in the residential rate be allowed for property where a single property become divided into 10 or more full title units and all services, inclusive of water, sewerage, electricity and roads are installed by the developer at his own cost for a period of two (2) years from the date of registration of the subdivision or the proclamation of the transfer for a shorter period until the newly erected units are sold off or improved before expiry of the two (2) year period.

10.2 EXEMPTIONS

10.2.1 rateable property registered in the name of a welfare organization registered in terms of the National Welfare Act, 1978 (Act 100 of 1978).

10.2.2 rateable property owned by public benefits organisations and used for any specific public benefit activity as listed in item 1,2 and 4 of part 1 of the Ninth Schedule to the Income Tax Act.

10.2.3 museums, art galleries, libraries and botanical gardens which are registered in the names of private persons and which are open to public, whether admission is charged or not;

10.2.4 national monuments including ancillary business activities at national monuments;

10.2.5 rateable property registered in the name of a trustee or trustees or any organisation which is being maintained for the welfare of war veterans as defined in section 1 of the Social Aid Act (House of Assembly), 1989, Act 37 of 1989, and their families;

10.2.6 sport grounds used for the purposes of amateur sport and any social activities which are connected with such sport;

10.2.7 rateable property registered in the name of the Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any organisation which is in the opinion of the municipality similar or any rateable property let by the municipality to any such organization;

10.2.8 rateable property registered in the name of a declared institution as defined in section 1 of the Cultural Institutions Act, 1969, Act 29 of 1969, or the Cultural Institutions Act (House of Assembly), 1989, Act 66 of 1989.

10.2.9 in addition to the first R65 000, 00 of exemption as per paragraph 5.3 of the policy a further rebate which will eventually be a total of 100% of levied residential rates for property owners over the age of 60 years or being the breadwinner and total dependent from their social pension and or any other pension comparable to social disability pension, subjected to the following conditions:

- (a) the combined income of land owner and his/her spouse not exceed R250 000,00 per annum.
- (b) the property is occupied by the owner.
- (c) in the case of mentally disabled property owners, proof of being instituted at an institution for the necessary care, treatment or rehabilitation.
- (d) Such owners(mentioned in a-c) must apply for the subsidy.

10.2.10 in addition to the first R65 000,00 of exemption as per paragraph 5.3 of the policy a further rebate which will eventually be a total of 100% of levied residential rates for households where a direct family member is instituted as a mentally disabled patient subject to the following conditions:

- (i) the property is occupied by the owner.

10.2.11 all properties as specified by section 17(1) of the MPRA as follows:

- on the first 30% of the market value of public service infrastructure comprising of: water, sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants, or water pumps, forming part of a water scheme serving the public.

- 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;
- on mineral rights within the meaning of paragraph (b) of the definition of “*property*” in Section 1 of the MPRA;
- 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; on the first R65 000,00 of the market value of the property assigned in the valuation roll of a municipality to a category determined by the municipality:
 - (i) for residential purposes including second dwellings and duets not subject to a sectional title scheme;
 - (ii) for properties used for multiple purposes, provided one or more components of the property and which forms the major part of the property, are used for residential purposes; or
- 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.

The exemptions as contained under sub-paragraphs 10.2.1 to 10.2.10 above may only be granted upon formal written applications submitted by the owners for consideration in terms of section 15(2) of the MPRA.

10.3 REPORTING OF ALL EXEMPTIONS, REBATES AND REDUCTIONS

10.3.1 The Municipal Manager must annually within two months prior to the end of a financial year table in Council according to section 15(3) and (4) of the MPRA with relation to the following financial year:

- (i) such exemptions, rebates and reductions;
- (ii) exclusions referred to in section 17(1)(a),(e), (g),(h) and (i) of the MPRA; and
- (iii) the phasing-in discount granted in terms of section 21 of the MPRA.

10.3.2 All exemptions, rebates and reductions projected for a financial year must be reflected in the municipality’s annual budget for that year as:

- (a) income on the revenue side; and
- (b) expenditure on the expenditure side.

11. DISCLAIMER

Any rate to be levied on rateable property in terms of this policy or any section of applicable legislation and by way of oversight or any other error not levied, cannot be challenged on the basis of non-compliance with this policy, and must be paid in accordance with the required payment provision.

Where a ratepayer believes that the Council has failed to properly apply this policy he/she should raise the matter with the Chief Financial Officer.

12. BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the municipality's rates policy, its implementation and enforcement.

Such by-laws may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination

13. CONCLUSIONS

Rates constitute the primary source of revenue for the funding of those municipal services where the benefits is shared by the local community and does not accrue to any individual person or rates payer.

The preservation of ratings as the local tax base is a precondition for the autonomy of local government and it is for this reason that it is incumbent upon all rates payers to honor their obligation to their municipality.