

PROPERTY RATES POLICY

BREEDĒ VALLEY

Municipality Munisipaliteit U Masipala wase



WORCESTER ▼ RAWSONVILLE ▼ DE DOORNS ▼ TOUWS RIVER

2015/2016

PROPERTY RATES POLICY

1. INTRODUCTION

1.1 The Local Government: Municipal Property Rates Act of 2004(MPRA) and Section 62 (1) (f) of the Local Government: Municipal Finance Management Act 56 of 2003(MFMA) requires Breede Valley Municipality to develop and adopt a rates policy consistent with the Act on levying of rates on rateable property in the municipality.

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

- The Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;
- There is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental responsibilities;
- Revenues derived from property rates represent a critical source of income for municipalities to achieve constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and
- It is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation and which takes account of historical imbalances and the burden of rates on the poor.

2. LEGISLATIVE CONTEXT

2.1 In terms of Section 229 of the constitution, a municipality may impose rates on property

2.2 In terms of section 4(1) of the Municipal systems Act, Act 320 of 2000, a municipality has the right to finance the affairs of the municipality by imposing, inter alia, rates on the property.

2.3 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.

2.4 In terms of Section 2(1) of the Local Government Municipal Property Rates Act, a local municipality may levy a rate on property in its area in accordance with the provisions of this Act.

- 2.5 In applying its rates policy, the Council shall adhere to all requirements of the Property Rates Act, 2004 (Act no. 6 of 2004), and including any regulations promulgated in terms of the Act.

3. DEFINITIONS

In addition to the definitions contained in the MPRA the following definitions applies:

“residential property” means a property that is:

- predominantly used and zoned for residential purposes
- a unit registered in terms of the Sectional Title Act, used predominantly for residential purposes and includes any unit in the same Sectional Title Scheme registered in the name of the same owner and used together as one property. (For example a garage or servants quarters). Such grouping will be regarded as one residential property for rebate processes.
- The following properties will be excluded from this definition; hostels, flat, old age home, guesthouses, retirement villages and vacant land.

“bona fida farming” means a property that is:

- Used for the production of goods or products through farming or forestry activities and must be registered with SARS.

“Accommodation Establishment” means a property that is:

- Used for the supply of overnight facilities to guests and tourists.

“Dominant use” means a property that is:

- 60% or more of the use of a property (as determined by the value).

“Multiple Properties” means a property that is:

- Used for more than one determined usage and where differential property rates will be made by setting different rates in the rand for each category.

4. ADOPTION AND CONTENTS OF RATES POLICY

4.1 The Rates Policy, together with the Municipality’s budget, shall be reviewed annually by the Municipal Council.

4.2 The rates policy is based on the following principles:

- I. equity

- II. affordability
- III. poverty alleviation
- IV. social and economic development
- V. financial sustainability
- VI. cost efficiency

5. LEVYING OF RATES

5.1 Rates

The Breede Valley Municipality shall as part of each annual operating budget component impose a rate in the rand based on the property value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll.

5.2 Period for which rates may be levied

Breede Valley Municipality will levy the rate for a financial year starting from 1 July till 30 June each year. The levying of rates forms part of this municipality's annual budget process as set out in Chapter 4 of the MFMA.

5.3 All ratepayers within a specific category are treated equally and reasonably.

6. CATEGORIES OF PROPERTY

The Municipality may levy different rates for different categories of Property and may include the following rateable properties as:

Note: where the use of the property is other than the zoning the valuation will be determined accordingly. {e.g. consent uses (Sectional Titles)}

- (a) residential properties;
- (b) industrial properties;
- (c) business and commercial properties;
- (d) Farm properties used for –
 - 1. agricultural properties
 - 2. business and commercial purposes
 - 3. residential purposes
 - 4. or other purposes than (1) to (3)
- (e) state-owned properties;
- (f) municipal properties;
- (g) public service infrastructure;
- (h) privately owned towns serviced by the owner;
- (i) formal and informal settlements;
- (j) properties on which national monuments are proclaimed;

- (k) properties owned by public benefit organisations and used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act; or
- (l) Properties used for multiple purposes.

7. EXEMPTIONS, REBATES AND REDUCTIONS ON RATES

- (a) In imposing the rate in the rand for each annual operating budget component, the council shall grant the following exemptions, rebates and reductions to the categories of properties and categories of owners indicated below, but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular budget so dictate.
- (b) In determining whether a property forms part of a particular category indicated below, the council shall have regard to the actual zoning to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated below, the permitted use of the property shall determine into which category it falls. A change in zoning may result in a change in the category of the property.
- (c) Such exemptions, reductions and rebates must be indicated in the tariff and rate schedule approved by the council annually.
- (d) All applications must be received before 30 September. Late applications received after 30 September will be considered by the CFO or his nominee.

7.1 Residential Property

In terms of section 17(1) (h) of the Act, the first R 15 000 of the valuation of residential property is exempted from rates.

Council may grant a further residential rebate, as contained in the tariff schedule, for pensioners and persons who qualify in terms of the indigent subsidy policy.

Residential properties with a market valuation up to R 100 000 may receive a rebate as contained in the tariff schedule.

7.2 Historical/National Monuments

If a property meets the definition of a residential property, the residential rebate as contained in the tariff schedule will apply.

If a property is not been used for residential purposes and registered in the name of private persons, open to the public and not operated for personal gain, Council may grant a rebate as contained in the tariff schedule.

Properties on which national monuments are situated and used for business and commercial purpose the rebate as contained in the tariff schedule will apply.

The discount is limited to only that property of which the National Monuments' Council has declared as a National monument.

The applicant must apply annually for the discount, on the prescribed form and is valid for a year.

The applicant(s) must properly maintain the property and/or the improvements on which the application is applicable.

The applicant must submit acceptable documentation as proof that the property has been declared a National Monument.

The Town Engineer must inspect and certify that the applicant has maintained the property and/or improvements satisfactorily, as soon as an application is received.

Application fee is payable as set in the Tariff Schedule.

7.3 Welfare Organisations

Properties owned by not for gain institutions or public benefit organisations and are solely use for the benefit of the institution and or for charitable purposes and performs welfare and humanitarian work as contemplated by Part 1 of the Ninth Schedule of the Income Tax Act (Act 58 of 1962), Council may grant a rebate as contained in the tariff schedule.

The discount is only permitted if the property is registered in the name of the Welfare institution or public benefit organisation.

The application is valid for the duration of the General valuation roll.

7.4 Religious Organisations

In terms of section 14(1) (i) of the MPRA, the council may not levy a rate on the 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 applicant(s) must apply for the discount. If approved, it is valid for the period in which it complies with the terms and condition.

The application is valid for the duration of the General valuation roll.

7.5 Schools on private property

Public Schools on private property may receive a rebate as contained in the tariff schedule. The rebate is only for the portion of the property where the school is and may solely be used for school purposes on which the application is applicable.

The discount is limited only for the portion of the property where the school is and may solely be used for school purposes on which the application is applicable.

The applicant must apply for the discount. If approved, it is valid for the period in which it complies with the terms and condition.

7.6 Agricultural

Agricultural properties will be charged as contained in the tariff schedule. If, a farm or smallholding is used for multiple-use, e.g. commercial, industrial and agricultural purposes, the municipal valuer will determine and/or considers it reasonable to apply the **dominate use**. This will be used for billing at the applicable rate.

7.6.1 Property used for Bona-fide Agricultural purposes

This tariff is limited only if the property is devoted **primarily** to the practice of producing and managing food (produce, grains or livestock) or forestry products. The applicant must apply for ~~the discount~~ this tariff/rate on the prescribed form and is valid for the duration of the General valuation roll.

Council reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such inspection.

No other rebates will be granted to the properties that qualify for the agricultural rebate.

The owner or tenant should be taxed by SARS as **bona fide** farmer and the most recent tax assessment must be provided as proof.

7.6.2 Property used for Residential/General purposes

Tariff as contained in our tariff schedule is applicable

7.6.3 Property used for Business and Industrial purposes

Tariff as contained in our tariff schedule is applicable

7.7 Cemeteries

Cemeteries may receive a rebate as contained in the tariff schedule and must exclusively be used for the purpose of a cemetery.

8. MULTIPLE USE PROPERTIES

Properties with multiple uses as per Section 9 of the MPRA will be categorised separately as determined by the Breede Valley Municipality and used for billing at the appropriate and applicable rate.

The different uses will be grouped into two or more components. The first will be the primary component; the other components (sub-components) will be identified by their generalised functional name and these may only qualify for the valuation reduction as per paragraph 7.1. of this policy.

The category of the primary component of such a property will be directed in the first instance by the permitted use of the property, but at the sole discretion of Breede Valley Municipality.

Properties used for multiple purposes which does not fall within the definition of residential properties and accordingly, do not qualify for the residential rebate, may be included into the category of multiple use properties for which an apportionment of value for each distinct use of property will be calculated and used for billing at the appropriate an applicable rate.

This use will be determined and implemented on the next General Valuation Roll (GV).

9. STATE OWNED PROPERTY

State owned property qualifies for a rebate, exemptions and reductions in relation to the usage of the property as contained in the tariff schedule.

10. ROADS AND OPEN SPACES

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

11. SPECIAL RATING AREAS

The Council may, subject to the compliance with the provisions of section 22 of the Act, determine an area within the municipal area as a special rating area(SRA) and levy an additional rate in that area to upgrade or improve that area. The funds generated by the special rate in a special rating area shall only be utilised in that area and only for the intended upgrading or improvement of that area.

An SRA may be established once the following criteria have been fulfilled:

- (a) The boundaries must be defined
- (b) The SRA must contain not less than 100 properties

(c) The SRA must be provisionally contracted with a Public/Private partnership company registered in terms of Section 21 of the companies Act to manage the funds of the SRA

(d) It must be demonstrated that at least 67% of owners in number and 51% of property value have voted in favour of the establishment of the SRA

(e) Such application shall be accompanied by an agreement with the Municipality in terms of Section 67 of the MFMA by no later than 31 January preceding the start of the new municipal year for which the application is made.

The S67 agreement must be renewed annually by no later than 31 January together with the budget of the SRA

Once the SRA has been approved by a Resolution of Council at its annual budget, the municipality will levy the special rate and funds will be paid to the SRA as they are collected.

A SRA shall be dissolved if the S67 agreement:

- (a) Was not renewed
- (b) Was not honoured

12. REPORTING

(a) The municipal manager must annually table in the Council:

- (i) A list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
- (ii) A statement reflecting the income, which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates.

(c) All exemptions, reductions and rebates projected for a financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

13. LIMITS ON ANNUAL INCREASES OF RATES

Council shall, in imposing the rate for each financial year, revert to the requirements of Section 20 of the Act.

14. LIABILITY FOR RATES

14.1 Liability for and payment of rates is governed by the MPRA and the Municipality's Credit Control and Debt Collection Policy and By-Laws as well as any other applicable legislation

14.2 Method and time of payment

Rates will be levied annually in July and are payable in twelve equal instalments. Council can recover a rate annually, as may be agreed to with the owner of that property, and will be payable on or before 30 September of that current year.

14.3 An owner is liable for payment of a rate whether or not that person has received a written account. The furnishing of accounts for rates in terms of this section is subject to section 102 of the Municipal Systems Act.

15. SECTIONAL TITLE UNITS

A rate levied on a sectional title unit is payable by the owner of the unit. The body corporate of a sectional title may not be held liable for paying the rates, except if the body corporate is the owner of such unit.

The zoning as well as the consent use of such properties shall determine the Tariff which the rates are levied on. The consent use will be provided by Operation department.

16. GENERAL VALUATION OF RATEABLE PROPERTY

16.1 Frequency of valuations

Breede Valley Municipality shall prepare a General valuation roll (GV) every 4 (four) years and supplementary valuation rolls at least once per financial year.

16.2 Interim valuation debits

When property is transferred to a new owner and the rates on a supplementary valuation become payable after the transfer the previous owner and the new owner will jointly and separately be held responsible for the payment for the rates.

16.3 Clearance certificates

- (a) Are issued in terms of Section 118 (1) (a) of the Local Government: Municipal Systems Act, 2000, Act No. 32 of 2000, and will be valid till 30 June, following the date of application received.
- (b) Are issued after receipt of the applicable fees and receipts of the clearance application form.
- (c) Are issued when all amounts due in connection with that property for municipal fees, surcharges on fees, property rates and other municipal taxes, levies and duties have been fully paid.

Are issued when all amounts due in connection with that property for municipal fees, surcharges on fees, property rates and other municipal taxes, levies and duties have been fully paid.

- (d) All Future rates, refuse and sewerage instalments are immediately payable.
- (e) If an amount liable for rates and services in respect of a property is outstanding and the property needs to be transferred, a rates clearance certificate will only be issued to the owner, after receiving an undertaking by the transferral attorney, situated in the jurisdiction of Breede Valley Municipal area, that the agreed amount plus any other additional amount which may occur, will be payable on the date of registration of property in the new owner's name. If the set amount is not paid to the Municipality after registration the transferral attorney will personally be held liable for the outstanding amount.
- (f) If an amount liable for rates and services in respect of a property is outstanding and the property needs to be transferred, a rates clearance certificate will only be issued upon payment of the current account and after completion of an agreement by the new owner for any municipal services in arrears, subject to Council's Credit Control and Debt Collecting Policy. Transfers affected may be one of the following:
 - (i) Transfer of a property from the Breede Valley Municipality to the new owner;
 - (ii) Transfer of a property from one spouse to the other;
 - (iii) Transfer of a property from the owner (parent) to a child.
- (g) Transfer of Low cost housing: Sect 118(4) of Systems Act states that: National government, a provincial government or a municipality of a residential property which was financed with funds or loans made available by the national government, a provincial government or a municipality; does not have to pay the outstanding amount before issuing a Section 118 certificate.
- (h) After receiving a rates clearance application, the Municipality will produce the application within 7 (Seven) working days, once proof of payment has been received.
- (i) Compulsory information on the clearance certificate:
 - (i) Id's of both seller's and buyer
 - (ii) Contact number of buyer.

16.4 Supplementary valuations

Supplementary roll will be implemented and levied at least once a year, in according to Section 78 of the MPRA.

16.5 Demolishing of Buildings

If a building is demolished or partly demolished the owner is still liable for the payment of the total assessment rates. After a re-evaluation ~~or~~ with a Supplementary Valuation roll an adjustment/repayment can be made in terms of Section 78 of the MPRA ~~as from the effective date given by our Department of Planning, Development and Building Control.~~

17. Corrections on Property Rates ~~/Adjustment of Valuation Roll~~

This can ONLY be done via Supplementary valuation roll and in according to Section 78 of the MPRA. ~~Any refund due to an adjustment on the valuation roll is subject to interest. Interest rate will be determined by the prime rate plus 1 % per year of the bank where the Municipality's primary bank account is held.~~

18. BY-LAWS

18.1 The principle contained in this policy will be reflected in the various by-laws as promulgated and adjusted by Council from time to time.