



# Property Rates Policy

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## [1.] OBJECTIVES AND PRINCIPLES

### [1.1.] Legislative Context

- [a] In terms of section 229 of the Constitution of the Republic of South Africa, Act No.108 of 1996, a municipality may impose rates on property.
- [b] In terms of the Local Government: Municipal Property Rates Act, No.6 of 2004, a municipality in accordance with:
  - [i] Section 2(1): may levy a rate on property in its area; and
  - [ii] Section 2(3): must exercise its power to levy a rate on property subject to:
    - Section 229 and any other applicable provisions of the Constitution;
    - the provisions of the Property Rates Act and the regulations promulgated in terms thereof; and
    - this Rates Policy.
- [c] In terms of Section 4(1)(c) of the Local Government: Municipal Systems Act, No.32 of 2000, the municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- [d] In terms of Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, No.56 of 2003, the municipal manager must ensure that the municipality has and implements a rates policy.
- [e] Section 3 of the Local Government: Municipal Property Rates Act, No 6 of 2004, requires that the municipality develop and adopt a rates policy consistent with the Act on the levying of rates on rateable property in the municipality.
- [f] This **POLICY** must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, No.6 of 2004, the regulations promulgated in terms thereof and the Rates By-Law.

### [1.2.] Objective / Purpose of the Policy

In developing and adopting this Rates Policy, the Council has sought to give effect to the sentiments expressed in the preamble of the Property Rates Act, namely that:

- [a] the Constitution enjoins local government to be developmental in nature, in addressing the service delivery properties of our country and promoting the economic and financial viability of our municipalities;
- [b] there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental responsibilities;

- [c] revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of discriminatory legislation and practices; and
- [d] it is essential that municipalities exercise these powers to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation and which take account of historical imbalances and the burden of rates on the poor. The municipality needs a reliable source of revenue to provide basic services and perform its functions. Property Rates are the most important source of general revenue for the municipality. Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households; these includes installing and maintaining streets, roads, sidewalks, lighting, cemeteries and libraries. Property Rates revenue is also used to fund municipal administration and costs of governance, which facilitate community participation on issues of Integrated Development Plans and municipal budgets. Property Rates revenue would under circumstances be used to fund any function of the municipality.

The purpose of the policy is:

- [a] to comply with the provisions of Section 3 of the Act;
- [b] to determine criteria to be applied in respect of:
  - [i] the levying of differential rates for different categories of properties;
  - [ii] exemptions;
  - [iii] reductions and rebates; and
  - [iv] rate increases;
- [c] to determine or provide criteria for the determination of:
  - [i] categories of properties for the purpose of levying different rates; and
  - [ii] categories of owners of properties or categories of properties, for the purpose of granting exemptions, rebates and reductions;
- [d] to determine how the municipality's power must be exercised in relation to multi-purpose properties;
- [e] to identify and quantify to the municipality in terms of cost and benefit to the community:
  - [i] exemptions, rebates and reductions;
  - [ii] exclusions; and
  - [iii] rates on properties that must be phased in;

- [f] to take into account the effect of rates on the poor;
- [g] to take into account the effect of rates on organisations conducting particular public benefit activities;
- [h] to take into account the effect of rates on public service infrastructure;
- [i] to determine measures to promote local economic and social development;  
and
- [j] to prescribe criteria relating to all rateable property that is not rated.

### **[1.3.] Policy Principles**

The rates policy of the municipality to which residents / communities will annually be invited to make suggestions / recommendations during its budget process will be based on public submissions, which can include oral presentations and bilateral meetings in order to obtain clarity on the submitted comments as well as further motivations thereof. The municipal council will not take the final decision before such a consultative process has been concluded. Municipal Property Rates are set, collected and used locally. Revenue from property rates is spent within the municipality, where the citizens and voters have an input choice on how the revenue is spent as part of the Integrated. Development Plan and budget processes, which the municipality will annually invite the community to submit input prior the council's adoption of the budget.

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 for rates to any category of owners or properties, or to owners of properties on an individual basis.

The rates policy for the municipality is based on the following principles:

- [a] Equity - the municipality will treat ratepayers with similar properties the same;
- [b] 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;
- [c] Sustainability - rating of property will be implemented in a way that:
  - [i] it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
  - [ii] supports local social economic development;
- [d] Cost efficiency - rates will be based on the value of all rateable property and will be used to fund community wide services, and rate and general services and amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

In applying its Rates Policy, the Council shall adhere to all the requirements of the Property Rates Act no. 6 of 2004, as set out below, including any regulations promulgated in terms of that Act.

### [2.] DEFINITIONS

**“Act”** means the Municipal Property Rates Act No. 6 of 2004;

**“Agent”** in relation to the owner of a property, means a person appointed by the owner of the property -

[a] to receive rental or other payments in respect of the property on behalf of the owner;  
or

[b] to make payments in respect of the property on behalf of the owner;

**“Agricultural property”** means agricultural land as defined in the Subdivision of Agricultural Land Act, No.70 of 1970, and includes all land situated in the demarcated municipal area except such land included in the boundaries of former disestablished municipalities now falling within the municipality and which was not zoned for agricultural purposes in terms of the zoning scheme regulations of such municipalities and smallholdings;

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

**“Agricultural use”** means the cultivation and/or farming of agricultural property for crops and plants or for the breeding thereon of animals (excluding game) and includes only such activities and buildings as are reasonably connected with such use;

**“Annually”** means once every financial year;

**“Appeal board”** means a valuation appeal board established in terms of section 56 of the Act;

**“Assistant municipal valuers”** means a person designated as an assistant municipal valuer in terms of section 35(1) or (2) of the Act;

**“Bona fide farmers”** is a person that is a fulltime farmer and if such land is used *bona fide* and exclusively by the owner or occupier for agricultural purposes;

**“Category”** -

[a] in relation to property, means a category of properties determined in terms of section 8(2) of the Act;

[b] in relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Act; and also

[c] the category of property as determined by the Council and reflected in the valuation roll and any supplementary valuation roll as envisaged in Section 48(2) of the Act;

**“CFO”** means the Chief Financial Officer of the Municipality, being a person designated in terms of Section 80(2)(a) of the Municipal Finance Management Act, No 56 of 2003;

**“Commercial”** means the activity of buying, selling of trade in goods or services and includes any office or accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, farming (agriculture), or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms;

**“Data- collector”** means a person designated as a data- collector in terms of section 36 of the Act;

**“Date of valuation”** means the date determined by a municipality in terms of section 31 (1) of the Act;

**“Day care centre”** means crèche / disable people / old / sick people - day care only

**“District management area”** means a part of a district municipality which in terms of section 6 of the Municipal Structures Act has no local municipality and is governed by that municipality alone;

**“District municipality”** means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a C municipality;

**“Effective date”** -

[a] in relation to a valuation roll, means the date on which the valuation roll takes effect in terms on section 32(1); or

[b] in relation to a supplementary valuation roll, means the date on which the supplementary valuation takes effect in terms of section 78(2)(b) of the Act;

**“Exclusion”** in relation to a municipality’s rating power, means a restriction of that power as provided for in section 16 and 17 of the Act;

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

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

**“Gross monthly household income”** means the gross monthly income received by an owner and every other person residing on the property from any source, including but not limited to salaries, wages, dividends, pensions, grants, rentals, board and lodging, interest received, donations and any other form of financial support or investment income;

**“Income Tax Act”** means the Income Tax Act, 1962 (Act no. 58 of 1962);

**“Industrial”** means a branch of trade or manufacturing, production, assembling or processing of

finishing products from raw material or fabricated parts, on so large scale that capital and labour are significantly involved;

**“Land reform beneficiary”**, in relation to a property, means a person who -

[a] acquired the property through -

[i] the Provision of Land Assistance Act, 1993 (Act No. 126 of 1993);

[ii] the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);

[b] hold the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or

[c] holds or acquired the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect;

**“Land tenure right”** means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004;

**“local community”** in relation to a municipality-

[a] means that body of persons comprising-

[i] the residents of the municipality;

[ii] the ratepayers of the municipality;

[iii] any civic organizations and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality; and

[iv] visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and

[b] includes, more specifically, the poor and other disadvantaged sections of such body of persons;

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

**“Market value”**, in relation to a property, means the value of the property determined in accordance with section 46 of the Act;

**“MEC for local government”** means the member of the Executive Council of a province who is responsible for local government in that province;

**“Mining”** means any operation or activity for the purpose of extracting any mineral on, in or

under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto;

**“Minister”** means the Cabinet member responsible for local government;

**“MPRA Rate Ratio Regulations”** means the Municipal Property Rates Regulation on the Rate Ratio between Residential and Non-Residential Properties promulgated in terms of the Local Government: Municipal Property Rates Act, no: 6 of 2004, published under Government Notice R195, Government Gazette 32991, on 1 March 2010;

**“Multiple purposes”** in relation to a property, means properties that cannot be assigned to a single category of properties due to different uses;

**“Municipal council”** or **“council”** means a municipal council referred to in section 18 of the Municipal Structures Act;

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

**“Municipal property”** is property registered or vested in the name of SENQU Municipality; **“municipality”** -

[a] as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and

[b] means the Municipality of SENQU;

**“Municipal manager”** means a person appointed in terms of section 82 of the Municipal Structures Act;

**“Municipal Structures Act”** means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

**“Municipal Systems Act”** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

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

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

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

[b] a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified;

**“Occupier”** in relation to a property, means a person in actual occupation of a property, whether or not that person has the right to occupy the property;

**“Organ of state”** means an organ of state as defined in section 239 of the Constitution;

**“Organized agriculture”** means Agri-Eastern Cape or Agri-South Africa or National African Farmers Union (NAFU) or Transvaal Agricultural Union (TAU);

**“Owner”** -

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

**“Permitted use”**, in relation to a property, means the limited purposes for which the property may be used in terms of-

[a] any restrictions imposed by -

- [i] a condition of title;
- [ii] a provision of a town planning or land use scheme; or

[iii] any legislation applicable to any specific property or properties; or

[b] any alleviation of any such restrictions;

**“Person”** includes an organ of state;

**“Prescribe”** means prescribed by regulation in terms of section 83 of the Act;

**“Property”** means

[a] immovable property registered in the same name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

[b] a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

[c] a land tenure right registered in the name of a person or granted to a person in terms of legislation; or

[d] public service infrastructure;

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

**“Protected area”** means an area that is or has to be listed in the register referred to in section 10 of the National Environmental Management: Protected Areas Act;

**“Protected Areas Act”** means the National Environmental Management Protected Areas Act 2003;

**“Publicly controlled”** means owned by or otherwise under the control of an organ of state.

Including -

[a] a public entity listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999);

[b] a municipality; or

[c] a municipal entity as defined in the Municipal System Act;

**“Public benefits organisations”** means an organization conducting public benefit activities as defined in the Act and registered in terms of the Income Tax Act and qualifies for tax reductions because of those activities;

**“Public service infrastructure”** means publicly controlled infrastructure of the following kinds:

[a] national, provincial or other public roads on which goods, services or labour move across a municipal boundary;

[b] water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;

- [c] power stations, power substations or power lines forming part of an electricity scheme serving the public;
- [d] gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- [e] railway lines forming part of a national railway system;
- [f] communication towers, masts, exchanges or lines forming part of a communication system serving the public;
- [g] runways or aprons at national or provincial airports;
- [h] breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway, or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- [i] any other publicly controlled infrastructure as may be prescribed; or
- [j] right of way, easements or servitudes in connection with infrastructure mentioned in paragraph (a) to (i);
- [l] **“public service purposes”**, in relation to the use of a property, means property owned and used by an organ of state as-
  - (a) *Hospitals and clinics;*
  - (b) *schools, pre-schools, early childhood development centres or further education and training colleges;*
  - (c) *national and provincial libraries and archives;*
  - (d) *police stations;*
  - (e) *correctional facilities;* or
  - (f) *courts of law,*but excludes property contemplated in the definition of “public service infrastructure”;

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

**“Rates By-Law”** means the Municipality of Senqu: Rates By-Law;

**“Rateable property”** means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act;

**“Rebate”** in relation to a rate payable on a property, means a discount granted in terms of section 15 of the Act on the amount of the rate payable on the property;

**“Reduction”** in relation to a rate payable on a property, means the lowering in terms of section 15 of the Act of the amount for which the property was valued and the rating of the property at that lower amount;

**“Register”** -  
[a] means to record in a register in terms of-

[i] the Deeds Registries Act, 1937 ( Act No. 47 of 1937); or

[ii] the Mining Titles Registration Act, 1967 ( Act No. 156 of 1967); and

[b] includes any other formal act in terms of any other legislation to record-

[i] a right to use land for or in connection with mining purposes; or

[ii] a land tenure right;

**“Residential property”** means a suit of rooms which forms a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, guest house, commune, boarding and undertaking, hostel and place of instruction as defined in the zoning scheme regulations of the Municipality. This specifically excludes vacant land irrespective of its zoning or intended use;

**“Rural communal settlements”** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act;

**“Sectional Titles act”** means the Sectional Titles Act, 1986 (Act No. 95 of 1986)

**“Sectional title scheme”** means a scheme defined in section 1 of the Sectional Titles Act

**“Sectional title unit”** means a scheme defined in section 1 of the Sectional Titles Act

**“Smallholding”** means agricultural property generally in size of less than 3,0ha and which may also be occupied for residential purposes and such uses as may be permitted with the consent of the Council in terms of its zoning scheme regulations;

**“Specified public benefit activity”** means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act

**“State-owned property”** means properties owned by the State (National or Provincial), which are not included in the definition of public service infrastructure in the Act. These

state-owned properties are classified as followed:

[a] state properties that provide local services;

[b] state properties that provide regional / municipal district-wide services;

[c] state properties that provide provincial / national services.

**“State trust land”** means land owned by the state-

[a] in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;

[b] over which tenure rights were registered or granted; or

[c] which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994)

**“Vacant land”** means land where no immovable improvements have been erected, with the exclusion of agricultural land. It however does include agricultural land that is not productively used for agricultural purposes.

### **[3.] IMPOSITION OF RATES**

The council shall as part of each annual operating budget component impose a rate as an amount in the rand on the market value of all rateable property as recorded in the municipality’s valuation rolls and supplementary valuation roll.

Rateable property shall include any rights registered against such property, with the exception of a mortgage bond.

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 are published as part of the municipality’s schedule of tariffs.

The council pledges itself to limit each annual increase as far as practicable to the increase in the consumer price index over the twelve (12) month period preceding the financial year to which the increase relates, except when the approved Integrated Development Plan of the municipality provides for a greater increase. Council would also take into account any growth parameters set on expenditure by the National Treasury.

During its annual budget process council would consult with all stakeholders before finalizing the rate tariff for the next budget year.

The council shall, in imposing the rate for each financial year, take prior cognizance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership, and of the extent to which this burden is or remains competitive with the comparable burden in other municipalities within the local economic region.

Once approved and all submissions and / or representations were taken into account, council would advertise the rates tariff for the next budget year.

#### **[3.1.] Categories of properties**

[a] Criteria for categories of properties:

The municipality has determined categories of properties based on the following criteria:

- [i] The use (primary use) of the property;
- [ii] The formal zoning of the property;

- [iii] Townships establishment approvals;
- [iv] Permitted use of the property; and

[b] Determined categories of properties by the municipality:

- [i] Residential properties;
- [ii] Commercial/Business properties;
- [iii] Industrial properties;
- [iv] Public Service Infrastructure properties;
- [v] Public Benefits Organization properties;
- [vi] Agricultural properties used for agricultural purposes;
- [vii] Agricultural properties used for commercial/industrial purposes;
- [viii] Agricultural properties used for eco-tourism, conservation, trading in or hunting of game;
- [ix] Agricultural properties not used for any purpose / purpose unknown to municipality;
- [x] State-owned properties that provide local services;
- [xi] State-owned properties that provide regional or municipal districtwide services;
- [xii] State-owned properties that provide provincial or national services;
- [xiii] Municipal properties;
- [xiv] Vacant properties;
- [xv] Formal and informal settlements;
- [xvi] Smallholdings used for agricultural purposes;
- [xvii] Smallholdings used for residential purposes;
- [xviii] Smallholdings used for industrial purposes;
- [xix] Smallholdings used for business and commercial purposes; and
- [xx] Smallholdings used for other purposes.
- [xxi] Properties owned by municipality and used by state “Provincial/National”

purposes;

[xvii] Unregistered Properties (Administrative Purposes)

**[c] Property used for multiple purposes will be levied as follows:**

- [i] Permitted use of the property, if the permitted use is regulated; or
- [ii] Dominant use of the property, if [i] cannot be applied.

**[3.2.] Categories of owners**

For the purpose of granting exemptions, reductions and rebates the following categories of owners of property are determined:

- [a] Owners of property who are registered as indigents in terms of the Municipality's *Free Basic Service and Indigent Subsidy Support Policy*;
- [b] Owners of property situated within an area affected by a disaster within the meaning of the Disaster Management Act, No 57 of 2002;
- [c] Owners of agricultural properties used for agricultural purposes, or used for commercial/industrial purposes, or used for eco-tourism, conservation, trading in or hunting of game, or not used for any purpose or for a purpose unknown to the Municipality;
- [d] Owners dependent on pensions or social grants or disability pensions for their livelihood with monthly household income of less than two state pension per month refer to free basis service;
- [e] Owners without income for an uninterrupted period of three (3) months immediately before 1 July of the financial year in respect of which this Rates Policy will apply;
- [f] Owners of residential property with a market value lower than R 60 000 as determined by the Municipality's valuer;
- [g] Owners of property registered in their name used primarily as a place of worship; and
- [h] Owners of property falling into the categories set out in [4.2] hereunder insofar as they have not been listed hereinabove.

**[3.3.] Rating**

The municipality will apply a differential rating system whereby the cent amount in the rand for different categories of property, as listed above, may differ. Relief measures related to different categories of properties and different categories of owners of properties would be used when the following is taken into consideration:

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

[b] Promotion of social and economic development of the municipality; and

[c] Promotion of job creation.

**Vacant properties** are rated higher, as the municipality is encouraging owners of vacant land to develop it and that the vacant land should not be used for speculation purposes by owners.

**NOTE:**

Government Gazette No. 32061 of 27 March 2009 - Regulation No.R.363 Local Government: Municipal Property Rates Act (6/2004): Regulations  
Annexure to MFMA Circular No.48 of 27 March 2009

## **[4.] RELIEF MEASURES TO CATEGORIES OF PROPERTIES AND CATEGORIES OF OWNERS OF PROPERTIES.**

In imposing the rate in the rand for each annual operating budget component, the Council may after consulting with all stakeholders, grant the exemption, rebates and reductions to certain categories of properties and certain categories of owners of properties, but the Council reserves the right to amend these exemptions, rebates and reductions annually.

The Council grants the exemptions, rebates and reductions in recognition of the following factors:

- [a] The inability of residential property owners to pass on the burden of rates, as opposed to the ability of the owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with goods and services which they produce;
- [b] The need to accommodate indigents and less affluent pensioners;
- [c] The services provided to the community by public service organizations;
- [d] The value of agricultural activities to the local economy coupled with the limited municipal services extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities;
- [e] The need to preserve the cultural heritage of the local community;
- [f] The need to encourage the expansion of public service infrastructure;
- [g] The indispensable contribution which property developers (especially in regard to commercial and industrial property development) make towards local economic development, and the continuing need to encourage such development; and
- [h] The requirements of the Property Rates Act no. 6 of 2004.

Council aims to achieve the following goals with the granting of relief measures:

- [a] Promote local economic development including attracting business investment;

- [b] Creation of employment for municipal residents;
- [c] Promotion of service delivery by farmers;
- [d] Poverty alleviation to the indigents;
- [e] Social and moral development by religious institutions and other nongovernmental organizations which promote health and other benefits to the community; and
- [f] Improve local economic growth.

### **Criteria for impermissible rates, exemptions, rebates and reductions**

The following will be taken into consideration for the purpose of granting exemptions, rebates and reductions:

- [a] Indigent status of the owner of the property;
- [b] Source of income of the owner of the property;
- [c] Market value of residential property below a determined threshold;
- [d] Social or economic conditions of the area where owners of the property is located;
- [e] The nature of the property including its sensitivity to rating; and
- [f] Promotion of social and economic development of the municipality.

### **Granting of exemptions, rebates and reductions**

*The exemption, rebates and reductions will be considered after an application as per Free Basic Service policy.*

*Agricultural properties are all granted automatically rebate as per approved tariff structure*

*State entities will be granted the reduction as per approved tariff only when the payment terms are annually. Once the state entity applies for monthly payment the reduction is automatically lapses*

### **[4.1.] Impermissible Rates**

- [a] Adhering to Section 16 of the Act the municipality would not exercise its power to levy rates on property in a way that would materially and unreasonably prejudice -
  - [i] national economic policies;
  - [ii] economic activities across its boundaries; or

- [iii] the national mobility of goods, services, capital or labour;
- [b] In terms of Section 17 of the Act the municipality would not levy rates on-
  - [i] the first 30% of the market value of public service infrastructure;
  - [ii] 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;
  - [iii] on mineral rights within the meaning of paragraph (b) of the definition of “property”;
  - [iv] on a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten (10) years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds;
  - [v] the first **R15 000** of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes; and
  - [vi] 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.

***On the above properties exemption from paying rates will automatically apply and no application is thus required.***

#### **[4.2.] Exemptions**

- [a] The following categories of property and categories of owners of property are exempted from rates:
  - [i] all properties registered in the name of SENQU municipality.
  - [ii] Residential owners whose property values does not exceed R 45 000 after the first R **15 000** exclusion in terms of Section 17 of the Act, are exempted from paying rates. Approved indigents will be fully subsidised on property rates.
  - [iii] Municipal properties shall include properties owned by municipal entities and all such properties would be exempted from paying rates;
  - [iv] Old Age Homes;
  - [v] Day Care Centers;
  - [vi] Properties used primarily as place of worship;
  - [vii] Public Service Infrastructure owned by SENQU municipality;

[vii] Public Service Infrastructure

[viii] Properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices; and

[ix] National / Provincial heritage sites;

[x] Cemeteries and crematoria;

[xi] Cultural institutions;

[xii] Museums, libraries and botanical gardens;

[xiii] Youth development organisations;

[xiv] Animal protection;

[xv] Police forums; and

[xvi] Sporting bodies.

[xvii] Protected areas

[xviii] Unregistered Properties (Administrative Purposes)

***On the above properties exemption from paying rates will automatically apply and no application is thus required.***

[b] Owners dependent on pension or social grant for their livelihood and whose property value does not exceed R 45 000 after the R 15 000 exclusion in terms of Section 17 of the Act, are exempted from paying rates. Such properties shall include properties owned by municipal entities and all such properties would be exempted from paying rates. Only the property where such owner resides would qualify;

**Note**

***Applications must be as per municipal Free Basic Policy***

[c] Public Benefit Organisations: Taking into account the effect of rates on Public Benefit Organisations performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, as Public Benefit Organizations performing one of the following specified public benefit activities will be exempted from paying rates:

[i] Welfare and humanitarian activities;

[ii] Health Care activities;

[iii] Educational and development activities; and

[iv] Community and Social activities.

#### **[4.3.] Reductions**

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

[a] Partial or total destruction of a property; and

[b] Disasters as defined in the Disaster Management Act, No 57 of 2002.

*Applications should be in writing and the onus will rest on such an applicant to prove to the satisfaction of the municipality that his/her property has been totally or partially destroyed. He/she will also have to indicate to what extent the property can still be used and the impact on the value of the property.*

#### **[4.4.] Rebates**

[a] Agricultural properties used for agricultural purposes as a consequence of, and having taken into account, the following factors, the Municipality grants a rates rebate in respect of properties used for agricultural purposes, which rebate is 40% and 10% for drought relief if applicable. which rate on properties is subject to the use thereof for agricultural purposes:

[i] the extent to which agriculture assists in meeting the service delivery and development obligations of the Municipality;

[ii] the contribution of agriculture to the social and economic welfare of farm workers;

[iii] economic contribution of agriculture in the municipal area;

[iv] job creation opportunities created by agriculture in the municipal area;

[v] organised agriculture's ability to assist the Municipality with disasters such as veld fires, floods and snow falls; and

[vi] organised agriculture's support in establishing and supporting emerging farmers. Particular attention was given to ensure that the property rates charged to a key economic sector like agriculture remains affordable.

*Note:  
MFMA Circular No.48 of 2 March 2009 - Page 6.*

#### **[b] Rebates depending on limited gross monthly household income**

Registered owners of Residential Properties who are dependent on pensions or social grants for their livelihood or have been without gross monthly household income for an uninterrupted period of three (3) months will be 100% subsidised through Free Basic Service policy of the council. To qualify for the rebate such a property owner must be a natural person and the owner of the property which satisfies the requirements of the definition of Residential Property, and must on 1 July of the financial year:

- [i] Physically occupy the property as his/her primary residence, provided that where the owner is unable to occupy the property due to no fault of his/her own, his/her spouse or minor children may satisfy the occupancy requirement; and
- [ii] Be dependent on a pension or social grant or social grant or a disability pension; or
- [iii] Not be the owner of more than one property either nationally or internationally

**[c] Rebates on State owned entities**

State owned Properties that Provide Provincial/ National Services will receive 20% annual rebate for each property only if the payment method is annual.

**[4.5.] Phasing In**

Rates levied on a newly rateable property will be phased in over a period of three or four years depending on the ownership and use of such property in terms of section 21 of the Act.

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

- [a] First year: 75% of the relevant rate;
- [b] Second year: 50% of the relevant rate; and
- [c] Third year: 25% of the relevant rate.

**[4.6.] Cost to municipalities due to exemption, rebates, reductions, exclusions, phasing in and the benefit thereof**

The Municipal Manager shall ensure that the revenues forgone in respect of the foregoing rebates 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.

**[5.] FREQUENCY OF PAYMENTS**

Owners may pay the property rates:

- [a] Annually on or before 31 December of that financial year; or
- [b] Monthly in equal instalments over a period of 11 months, the last instalment payable on or before 30 June of that financial year.

All Agricultural and State-owned properties will be billed annually at the end of July which rates amount is payable on or before 31 December of that financial year.

All other properties will be billed monthly in eleven (11) equal instalments as from July to May which rates amount is payable before the end of the next month.

Should the owner wish to change from his / her current frequency of payment, he / she should apply in writing to change such frequency of payment payable during the next financial year before 31 May prior the start of that financial year.

The amounts levied are due and payable on / before due date, Interest will be raised in terms of section 97 (1) (e) of Municipal System Act 2000, in all arrear amounts. The CFO may through arrangement exclude the interest in all government department provided that they pay their invoices.

**[6.] CORRECTION OF ERRORS AND OMISSION**

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 of 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 permitted by prevailing legislation.

**[7.] FREQUENCY OF VALUATION**

- [a] The municipality shall prepare a new valuation roll every 5 (five) years, with the option to extend the validity of the valuation roll to 7(Seven) years with the approval of the MEC for Local Government and Housing in the province.
- [b] Supplementary valuations will be done on a continual basis to ensure that the valuation roll is properly maintained.

**[8.] BY - LAWS TO GIVE EFFECT TO RATES POLICY**

The municipality will adopt By-Laws to give effect to the implementation of the Rates

Policy and such By-Laws may differentiate between different categories of properties and different categories of owners of properties liable for the payment of rates.

## **ANNEXURE A**

### **METHODOLOGY USED TO DETERMINE RATES RATIOS**

In determining the rates ratios various factors were taken into consideration, such as the impact of rates on residential property owners, the ability of the property owner to shift the rates burden onto consumers of their products, services, income tax incentives, regulations issued in terms of the MPRA, comparisons with municipalities, socio-economic challenges etc.

In compliance with the MPRA the ratio for “residential property” is always set as a ratio of 1:1. Ratios for the other categories are then determined using the residential ratio as a base. It must be borne in mind that residential property owners do not have the ability to shift the rates burden onto other parties as they pay their property rates out of income after it has been taxed by SARS. It is recommended that all categories of properties used exclusively for **residential purposes**, that are in line with the zoning scheme should have the same ratio as residential properties.

**Business and commercial** properties are income producing properties. As a result, owners of these properties have the ability to shift the rates burden onto consumers or in the case of the properties being leased out onto the tenants who in turn can pass the burden onto their customers. These owners also have the ability to claim rates as a deduction when submitting income tax returns to SARS. These properties should accordingly contribute significantly more than residential properties. Due care should however be exercised in relation to the relevant rates burden, so that it does not have a negative impact on local and socio-economic development.

Due to the location thereof, **Industrial** land which is normally situated outside boundaries of town generally, not as valuable as business and commercial land. Furthermore, the cost of constructing improvements on these properties is usually cheaper than on business and commercial properties. These industrial properties are however all in the manufacturing industry and component manufactures which can potentially generate significant profits for the owners or shareholders. Whilst these properties have a lower value compared to business and commercial properties they have the same income potential and should as a result be rated at a higher rate than as business and commercial properties.

**Mining** property is classified similar to Industrial property and should therefore be rated the same as industrial properties.

**Public service infrastructure (PSI) and Public benefit organisation (PBO)** properties are rated in terms of the regulations issued by the Minister for Cooperative Governance and Traditional Affairs.

Ratio prior to commencement of phase-in of prohibition of levying of rates on Public Service Infrastructure was 1:0.25. and now the full exemption is implemented.

A property rates liability on **agricultural** properties has a negative impact as it increases production costs resulting in higher food prices. Property rates also increase the financial risk to owners, since the annual rates is an additional fixed commitment that must be paid regardless of annual income levels. Property rates therefore materially reduce the ability to finance future investments on farms, and are likely to unreasonably prejudice the promotion of economic growth. High property rates may also hamper previously disadvantaged aspirant commercial farmers in gaining access to farmland and thus maintaining or even increasing the inequality that exists in land ownership. Droughts in the area often make it difficult for property owners to continue farming

and with an added rate burden it could lead to retrenchment of farm workers.

By increasing the rates for **vacant** properties, the municipality can discourage long term speculation which results in valuable pieces of vacant land remaining undeveloped for long periods and open to vagrancy, illegal dumping, etc. due to the fact that the owners are often absent. A significantly higher rate for vacant land encourages development, increases efficient land use, and facilitates densification.

### **Sporting Bodies.**

The majority of properties being used for sporting activities in the municipality are owned by Council and are being leased to sporting bodies, organisations, clubs, etc. These properties are being leased at nominal amounts. Most of these sporting organisations are not financially strong and struggle to fulfil their financial obligations towards Council. As a result of on the size of the property and the facilities (buildings) thereon, rates for these properties are subject to section 7(2) a of the MPRA “not be rateable”. The sporting organisations normally keep the properties in good order and ensure that properties are not being vandalised. These organisations provide a valuable service to the local communities and ensure, by keeping them occupied, that our youth do not perhaps become involved in less productive activities.

Where property values increased because of the implementation of a new general valuation roll the rand value increase charged for rates will be limited to the inflationary increase of the tariff for all standard rated properties with no material additions to the previous condition.

### **Exemptions, rebates and reductions.**

The Rates Policy indicates which categories may qualify for exemptions, rebates and reductions. In determining the exemptions, rebates and reductions the need to accommodate indigent persons and less affluent pensioners, as well as the services provided to the community by public service organisations was taken into consideration.