



Property Rates Policy

Council resolution number and date	
------------------------------------	--

TABLE OF CONTENTS

[1.] OBJECTIVES AND PRINCIPLES

- [1.1.] Legislative Context
- [1.2.] Objectives and purpose of the policy
- [1.3.] Policy principles

[2.] DEFINITIONS

[3.] IMPOSITION OF RATES

- [3.1.] Categories of property
- [3.2.] Categories of owners
- [3.3.] Rating

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

- [4.1.] Recognition of factors
- [4.2.] Achievable goals
- [4.3.] Criteria for impermissible rates, exemptions, rebates and reductions
- [4.4.] Impermissible rates
- [4.5.] Exemptions
- [4.6.] Reductions
- [4.7.] Rebates
- [4.8.] Phasing-in
- [4.9.] Cost to municipality due to exemptions, rebates, reductions, exclusions and phasing-in, and the benefit thereof

[5.] FREQUENCY OF PAYMENTS

[6.] CORRECTION OF ERRORS AND OMISSIONS

[7.] FREQUENCY OF VALUATION

[8.] BY-LAW TO GIVE EFFECT TO RATES POLICY

[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.] Objectives and purpose of the policy

The purpose of this policy is to provide a lawful, transparent and administratively workable framework for the levying of rates on rateable property in the municipality; to determine the criteria for categories of property and categories of owners for purposes permitted by the Act; to regulate the granting of exemptions, reductions, rebates and phasing-in in accordance with the Act; and to guide the annual rates resolution, valuation implementation and related administrative processes in a manner that promotes fairness, affordability, local economic development and the financial sustainability of the municipality.

[1.3.] Policy principles

The municipality shall ensure that the valuation roll and all supplementary valuation rolls are fully aligned with the categories of property determined in this policy and with section 8 of the Act.

This policy must be applied consistently with the Act, applicable regulations, the municipality's rates by-law, the annual budget and the annual council resolution levying rates. In implementing this policy, the municipality is guided by 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.

[2.] DEFINITIONS

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

“**Agricultural property**” means agricultural property as recognised by the Act and applicable law, and includes only property lawfully categorised as agricultural in the valuation roll.

“**Category**” means a category of property determined in terms of section 8 of the Act or a category of owners determined in terms of section 15 of the Act, as the context requires.

“**Council**” means the municipal council of Senqu Local Municipality.

“**Exemption**”, “**reduction**” and “**rebate**” have the meanings assigned to them in section 1 of the Act and must be applied in accordance with section 15 of the Act and this policy.

“**Financial year**” means the period from 1 July in a year to 30 June in the following year.

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

“**Municipality**” means Senqu Local Municipality.

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

“**Multiple purposes**”, in relation to a property, means that the property is used for more than one purpose and cannot reasonably be assigned to a single category without applying section 9 of the Act.

“**Owner**”, in relation to a property, has the meaning assigned to it in section 1 of the Act.

“**Permitted use**”, in relation to a property, means the limited purposes for which the property may be used in terms of applicable legislation, title conditions, land use rights or zoning provisions.

“**Property**” means property as defined in section 1 of the Act.

“**Public benefit organisation property**” means property owned or used by a public benefit organisation in a manner recognised by the Act and applicable tax legislation, subject to compliance with the qualification criteria set by council.

“**Public service infrastructure**” means publicly controlled infrastructure as defined in section 1 of the Act.

“**Public service purpose property**” means property owned and used by an organ of state for public service purposes as defined in the Act, excluding public service infrastructure.

“**Rate**” means a municipal rate on property envisaged in section 229(1)(a) of the Constitution and section 2 of the Act.

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

“**Residential property**” means property used predominantly for residential purposes as recognised in the Act, the valuation roll and this policy.

“**Valuation roll**” includes a supplementary valuation roll, unless the context indicates otherwise. Any word or expression to which a meaning has been assigned in the Act bears that meaning in this policy unless the context indicates otherwise.

[3.] IMPOSITION OF RATES

The levying of rates must at all times be based on a valuation roll that is aligned with this policy and section 8 of the Act. The municipality distinguishes between rateable and non-rateable properties in accordance with the Act.

The council levies rates annually as an amount in the rand on the market value of rateable property reflected in the valuation roll and any supplementary valuation roll, subject to the Act, this policy and the annual council resolution levying rates. This policy provides the framework for the annual setting of rates and related relief measures; the actual cent amount in the rand, ratios, thresholds and rebate percentages are determined and approved annually by council in accordance with the budget process and applicable legislation.

[3.1.] Categories of properties

The categories of property reflected in the annual rates resolution and tariffs must be identical to those contained in this policy and the valuation roll.

[a] Criteria for categories of properties:

The municipality has determined categories of rateable properties with reference to the criteria permitted by the Act, including the use of the property, the permitted use of the property, the zoning of the property and, where applicable, the provisions of section 9 of the Act dealing with properties used for multiple purposes.

- [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 rateable properties by the municipality:

- [i] Residential properties;
 - [ii] Business and commercial properties;
 - [iii] Industrial properties;
 - [iv] Mining properties;
 - [v] Agricultural properties used for bona fide agricultural purposes;
 - [vi] Public service infrastructure properties, subject to the exclusions and reductions provided for in the Act;
 - [vii] Public service purpose properties;
 - [viii] Public benefit organisation properties;
-

- [ix] Municipal properties, to the extent that they are rateable in law and not exempted or excluded in terms of the Act or this policy;
- [x] Vacant land; and

[c] Properties used for multiple purposes

[i] Where a property is used for multiple purposes and cannot reasonably be assigned to a single category, the municipality will apply section 9 of the Act and the applicable regulations to determine the category or categories for rating purposes; and

[ii] The municipality may rate such property according to the dominant use, apportion the value of the property to the different uses, or apply another method permitted by the Act and the regulations.

[3.2.] Categories of owners

For the purpose of granting exemptions, reductions and rebates in terms of section 15 of the Act, the municipality determines the following categories of owners of properties:

- [a] Indigent owners registered in terms of the municipality's approved indigent support policy;
- [b] Owners dependent on pensions, social grants or disability grants for their livelihood;
- [c] Owners temporarily without income;
- [d] Owners of property situated within an area affected by a disaster or other serious adverse social or economic conditions as contemplated in section 15 of the Act;
- [e] Owners of residential properties with a market value lower than an amount determined by council in the annual budget;
- [f] Owners of agricultural properties who are bona fide farmers; and
- [g] Any other category of owners approved by council in compliance with section 15 of the Act.

[3.3.] Rating

The municipality applies a differential rating system in terms of sections 8 and 19 of the Act. The cent amount in the rand may differ between categories of rateable property, provided that any differentiation between categories of non-residential properties must be supported by clear, rational and documented justification, transparent, reflected in the annual council resolution levying rates, and consistent with the applicable ratio regulations between residential and non-residential categories of property.

In determining differential rates, the municipality will take into account the nature and use of the property, the statutory limitations in sections 16, 17, 19 and 20 of the Act, the effect of rates on the poor, local economic development objectives, job creation, the contribution of agriculture and public benefit activities, and the affordability and sustainability of the rates burden. Residential properties used predominantly for residential purposes must be rated uniformly except where the Act expressly permits differentiation.

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

In imposing rates for each financial year, the council may grant exemptions, reductions, rebates and phasing-in only in accordance with sections 15 and 21 of the Act, this policy and the annual

council resolution levying rates. No relief measure is automatic unless the Act provides for it or council has specifically approved it in the annual budget and rates resolution.

[4.1.] Recognition of factors

In determining relief measures, the municipality will recognise the effect of rates on the poor, the need to promote local economic and social development, the contribution of agriculture to the local economy and food security, the role of public benefit organisations, the statutory treatment of public service infrastructure and public service purpose properties, and the financial sustainability of the municipality.

[4.2.] Achievable goals

The municipality's relief measures aim to protect indigent and vulnerable households, support lawful agricultural activity, recognise qualifying public benefit activities, promote investment and development where appropriate, and ensure that the rates burden remains transparent, fair and affordable while protecting the municipality's revenue base.

[4.3.] Criteria for impermissible rates, exemptions, rebates and reductions

The municipality may not grant relief or impose rates in a manner that is inconsistent with sections 16, 17, 19, 20 or 21 of the Act. Exemptions, rebates and reductions must be based on categories of properties or categories of owners determined in terms of this policy and section 15 of the Act, must be transparent, must be reflected in the annual budget documentation, and must not undermine the lawful categorisation of properties in the valuation roll.

[4.4.] Impermissible rates

The municipality shall not levy rates on property that is excluded from rating in terms of section 17 of the Act. The municipality shall also not levy a rate on the first portion of the market value of residential property to the extent required by section 17 of the Act, and shall not levy different rates on residential properties merely because they are owned by different persons or organs of state, except where the Act expressly permits differentiation. The municipality shall furthermore ensure that ratios between residential and non-residential categories comply with the regulations issued under section 19.

[4.5.] Exemptions

The municipality may grant exemptions in respect of categories of properties or categories of owners only as permitted by section 15 of the Act. Exemptions may include categories approved by council in the annual rates resolution, such as indigent households, properties below a market value threshold determined by council, or qualifying public benefit organisation properties, provided that the qualification criteria, extent of the exemption and effective period are clearly stated. Any exemption must be supported by proof where required and may be reviewed or withdrawn if the qualifying criteria are no longer met.

[4.6.] Reductions

The municipality may grant reductions in terms of section 15 of the Act by lowering the value on

which a qualifying property is rated or by applying another lawful method approved by council. Reductions may be considered for categories of property or categories of owners affected by hardship, disaster, land reform circumstances or other conditions recognised by the Act and this policy. The method, percentage or value threshold of any reduction must be stated in the annual rates resolution.

[4.7.] Rebates

The municipality may grant rebates in terms of section 15 of the Act to categories of properties or categories of owners determined in this policy and the annual rates resolution. Rebates may be approved for bona fide agricultural properties, qualifying indigent or pensioner households, owners dependent on social grants or disability grants, and qualifying public benefit organisation properties. The exact percentage of every rebate, the qualifying criteria, the application process, the supporting documentation required and the period for which the rebate applies must be set out in the annual rates resolution and corresponding budget documentation. No rebate may be granted solely because a property is state-owned or classified as a public service purpose property; such properties must first be categorised according to their actual use and treated in accordance with the Act.

[4.8.] Phasing-in

Rates on newly rateable property must be phased in only to the extent and for the period provided for in section 21 of the Act. The municipality will apply phasing-in in accordance with the ownership and use of the property as contemplated in that section and any applicable regulations or ministerial notices. The exact phasing-in percentages applicable in a financial year must be disclosed in the annual rates resolution.

[4.9.] Cost to municipality due to exemptions, rebates, reductions, exclusions and phasing-in, and the benefit thereof

The municipal manager must ensure that the cost of all relief measures and statutory exclusions is quantified and disclosed in the annual budget, annual financial statements and annual report to the extent required by law. The municipality must also consider and record the social and economic benefit of such measures, including poverty alleviation, support to vulnerable households, promotion of agriculture, local economic development and lawful support to qualifying public benefit activities.

[5.] FREQUENCY OF PAYMENTS

Property rates are payable either annually on a date determined by council or in regular instalments as reflected on the municipal account and in the annual rates resolution. The municipality may determine different billing cycles for administrative purposes, provided that the due dates, method of payment, consequences of non-payment and any option to elect annual payment are clearly communicated to property owners. Interest on overdue amounts and debt collection measures will be applied in accordance with the municipality's credit control and debt collection policy, the Municipal Systems Act and any other applicable law.

[6.] CORRECTION OF ERRORS AND OMISSIONS

Where rates on a property have been incorrectly levied because of an error, omission, incorrect categorisation, incorrect valuation implementation, or incorrect information supplied by or on

behalf of the owner, the municipality may correct the account and adjust the rates payable in accordance with the Act, the applicable valuation roll or supplementary valuation roll, and the municipality's credit control and debt collection framework. Where the undercharge arose from incorrect information, misrepresentation or unlawful use of the property, the municipality may recover the underpaid amount together with interest to the extent permitted by law.

[7.] FREQUENCY OF VALUATION

The municipality must prepare and implement a general valuation roll and supplementary valuation rolls in accordance with the time periods and procedures prescribed by the Act. A new valuation roll must be prepared at least every four years, or within any longer period lawfully approved by the MEC in terms of the Act. Supplementary valuations must be undertaken whenever required by the Act to maintain the accuracy and lawfulness of the valuation roll.

[8.] BY-LAW TO GIVE EFFECT TO RATES POLICY

The municipality shall review and, where necessary, amend its property rates by-law to align with the latest COGTA specimen property rates by-law and ensure full consistency with this policy and the Act

ANNEXURE A**METHODOLOGY FOR DETERMINING DIFFERENTIAL RATES, RATIOS AND RELIEF MEASURES**

This annexure records the methodology that the municipality will follow when determining annual differential rates, rate ratios, exemptions, reductions, rebates and phasing-in. It must be read with the Rates Policy, the Municipal Property Rates Act, 2004, the regulations issued under that Act, the valuation roll and the annual council resolution levying rates. This annexure does not itself set tariff amounts, cent-in-the-rand figures, rebate percentages or ratio numbers for a financial year.

1. Lawful categorisation of property

The municipality must first ensure that every property is categorised in accordance with section 8 of the Act and, where relevant, section 9 dealing with multiple-purpose properties. Differential rates and ratios may only be determined after the valuation roll and supplementary valuation roll reflect lawful categories of rateable property. State ownership on its own does not justify a separate rating category, and residential properties used predominantly for residential purposes must not be rated differently merely because of ownership.

2. Residential property as the reference category

In determining rate ratios, residential property is used as the reference category for purposes of applying the regulations on the ratio between residential and non-residential categories. The municipality must ensure that every annual ratio and every cent amount in the rand complies with section 19 of the Act and the applicable regulations, and that any differentiation between categories of non-residential properties must be supported by clear, rational and documented justification in the annual budget and rates resolution.

3. Factors considered when determining differential rates

When considering annual differential rates, the municipality may take into account the use of the property, the permitted use and zoning of the property, the effect of rates on the poor, the contribution of agriculture to food security and the local economy, the need to promote local economic development, the statutory treatment of public benefit organisation properties, public service purpose properties and public service infrastructure, the affordability of rates, and the overall sustainability of the municipality's revenue base.

4. Statutory exclusions and impermissible rates

Before determining any tariff, the municipality must apply the exclusions and limitations contained in sections 16 and 17 of the Act. The municipality may not levy rates on property that is fully excluded from rating, must apply the statutory exclusion applicable to residential property, and must treat public service infrastructure and any other specially regulated categories strictly in accordance with the Act and applicable regulations.

5. Relief measures

Exemptions, reductions and rebates may be granted only in accordance with section 15 of the Act and the Rates Policy. The municipality must identify the qualifying categories of owners or categories of properties, specify the qualification criteria and supporting documents, and disclose the exact extent

of each relief measure in the annual rates resolution. Phasing-in may only be applied where section 21 of the Act permits it.

6. Agricultural properties and actual use

Agricultural properties may receive differential treatment only where they fall within the definition of agricultural property and are used for bona fide agricultural purposes recognised by law.

7. Annual approval, disclosure and review

The final cent amount in the rand for each category, the applicable ratios, every exemption, reduction, rebate, market value threshold and every phasing-in measure must be approved by council as part of the annual budget process and published in accordance with the Act and other applicable legislation. The municipality must review these annually to ensure continued compliance with the Act, amendments to the Act, ministerial regulations and the valuation roll.

If any part of this annexure conflicts with the Municipal Property Rates Act, 2004, regulations issued under that Act, the valuation roll, or the annual council resolution levying rates, the Act and the lawful council resolution prevail, and this annexure must be read and applied accordingly.