

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

## RATES POLICY

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### 1. OBJECTIVE

1.1 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:

1.1.1 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;

1.1.2 there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities;

1.1.3 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 racially discriminatory legislation and practices; and

1.1.4 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.

1.2 In applying its rates policy, the council shall adhere to all the requirements of the Property Rates Act no. 6 of 2004 including any regulations promulgated in terms of that Act.

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### POLICY PRINCIPLES

Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.

As allowed for in the Property Rates Act, Act 6 of 2004, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in this policy. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.

In accordance with Property Rates Act, the rates policy for the municipality is based on the following principles:

(a) **Equity**

The municipality will treat all 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, rebates and cross subsidy from the equitable share allocation.

(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;
- ii. Supports local, social and economic development; and

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iii. Secures the economic sustainability of every category of ratepayer.

(d) **Cost efficiency**

Rates will be based on the market value of all rateable property and will be used to fund community and subsidized services after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage disposal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

### CATEGORIES OF PROPERTIES

Different rates may be levied in respect of the following categories of rateable properties and such rates will be determined on an annual basis during the compilation of the annual budget:-

- a) Residential properties;
- b) Industrial properties;
- c) Business properties;
- d) Agricultural properties;
- e) Small Holdings;
- f) State owned properties;
- g) Municipal properties;
- h) Public service infrastructure referred to in the Act;
- i) Properties owned by Public Benefit Organizations;
- j) Churches;
- k) Educational;
- l) Privately Owned Towns;
- m) Vacant Stands.

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In determining the category of a property, the municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.

Properties used for multiple purposes shall be categorized and rated as provided for in section 9 of the Property Rates Act and in terms of this policy.

### DIFFERENTIAL RATING

Criteria for differential rating on different categories of properties will be according to:-

- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- (b) The promotion of local, social and economic development of the municipality.

Differential rating among the various property categories will be done by way of:-

- (a) setting different cent amount in the rand for each property category; and
- (b) by way of reductions and rebates as provided for in this policy document.

### REGISTER OF PROPERTIES

The municipality shall compile and maintain a register in respect of all properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.

**Part A** of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.

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**Part B** of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:

- i. Exemption from rates in terms of section 15 of the Property Rates Act,
- ii. Rebate or reduction in terms of section 15,
- iii. Phasing-in of rates in terms of section 21, and
- iv. Exclusions as referred to in section 17 of the Municipal Property Rates Act.

The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality. The municipality will update Part A of the register during the supplementary valuation process.

Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

## **2. IMPOSITION OF RATES**

- 2.1 The council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll. Rateable property shall include any rights registered against such property, with the exception of a mortgage bond.
- 2.2 The council pledges itself to limit each annual increase as far as practicable to the increase in the consumer price index over the period proceeding the financial year to which the increase relates, except when the approved integrated development plan of the municipality provides for a greater increase.
- 2.3 The council shall, in imposing the rate for each financial year, take proper cognizance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership,

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and of the extent to which this burden is or remains competitive with the comparable burden in other municipalities within the local economic region

- 2.4 The council shall further, in imposing the rate for each financial year, strive to ensure that the aggregate budgeted revenues from property rates, less revenues forgone and less any contributions to the provision for bad debts, equal at least 25% (twenty five percent) of the municipality's aggregate budgeted net revenues for the financial year concerned. By doing so, the municipality will ensure that its revenue base and the collectability of its revenues remain sound.

### 3. EXEMPTIONS, REBATES AND REDUCTIONS ON RATES

- 3.1 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 annual budget so dictate.

- 3.2 In determining whether a property forms part of a particular category indicated below, the municipality shall have regard to the actual use 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.

3.2.1 Residential properties or properties of any category used for multiple purposes where the residential component represents on average 90% or more of the property's actual use	96%
3.2.2 Industrial properties	96%
3.2.3 Business and commercial properties	95%
3.2.4 Farm properties: residential component	99%
3.2.5 Farm properties: business and commercial component	99%

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3.2.6	Farm properties: agricultural component	99%
3.2.7	Farm properties: used for no purpose	99%
3.2.8	Smallholdings: residential component	99%
3.2.9	Smallholdings: business and commercial component	95%
3.2.10	Smallholdings: industrial component	96%
3.2.11	Smallholdings: agricultural component	99%
3.2.12	State-owned properties: residential	11%
3.2.13	State-owned properties: public service infrastructure	80%
3.2.14	State-owned properties: rural area and other	NONE
3.2.15	Municipal properties: residential	100%
3.2.16	Municipal properties: public service infrastructure	100%
3.2.17	Municipal properties: other	100%
3.2.18	Formal and informal settlements: all properties with a rateable value above R65 000	96%
3.2.19	Formal and informal settlements: all properties with a rateable value of R30 000 or more	50%
3.2.20	Communal land	50%
3.2.21	State trust land	50%
3.2.22	Protected areas	100%
3.2.23	Properties on which national monuments are situated, and where no business or commercial activities are conducted in respect of such monuments	100%
3.2.24	Properties on which national monuments are situated, but where business or commercial activities are conducted in respect of such monuments	40%
3.2.25	Properties owned by public benefit organisations and used to further the objectives of such organisations	100%
3.2.26	Properties belonging to a land reform beneficiary or his or her heirs for the first 10 years after the registration of the title in the office of the Registrar of Deeds	100%
3.2.27	Property registered in the name of and used primarily	

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as a place of worship by a religious community,  
including an official residence

100%

NOTE: In addition to the foregoing, the first R65 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, is exempt from the payment of rates in terms of Section 17(1)(h) of the Property Rates Act.

3.3 Municipal properties shall include properties owned by municipal entities  
Properties used for multiple purposes, other than those referred to under residential properties above, shall be rated on the value assigned to each component, and shall receive the rebate applicable to such component. Where one component on average represents 90% or more of the property's actual use, such property shall be rated as though it were used for that use only.

3.4 The following categories of owners of residential properties shall additionally receive the following rebates on the rates due in respect of such properties after deducting the rebate applicable to residential properties:

3.4.1 Property owners who are both the permanent occupants and the sole owners of the properties concerned and who are registered indigent in term of the municipality's indigency management policy will get 100% rebate of the rates based on the ratable value above R65 000

3.4.2 Property owners who are over 60 years of age, who are both the permanent occupants and the sole owners of the property concerned, and whose aggregate household income is proved not be exceeding R2 500-00 and they should register as

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indigent customers will get 100% rebate of the rates based on the rateable value above R65 000

3.4.3 Owners of properties being developed for approved commercial or industrial usage 90% of the rates based on the rateable value until the development is completed, 96% of the rates based on the rateable value for the municipality's financial year or part thereof immediately following the completion of the development.

3.5 The council grants the above rebates in recognition of the following factors:

3.5.1 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 the goods or services which they produce.

3.5.2 The need to accommodate indigents and less affluent pensioners.

3.5.3 The services provided to the community by public service organisations.

3.5.4 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.

3.5.5 The need to preserve the cultural heritage of the local community.

3.5.6 The need to encourage the expansion of public service infrastructure.

3.5.7 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.

3.5.8 The requirements of the Property Rates Act no. 6 of 2004.

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- 3.6 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.

### 4. FREQUENCIES OF PAYMENTS

- 4.1 Payments for rates shall be made monthly on or before the date specified in each monthly property rate account.

### 5. CORRECTIONS OF ERRORS AND OMISSIONS

- 5.1 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 or 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.

### 6. FREQUENCIES OF VALUATIONS

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- 6.1 The municipality shall prepare a new valuation roll at least **every 4 (four) years** and supplementary valuation rolls every 6 (six) months.