NXUBA MUNICIPALITY

PROPERTY RATES POLICY

TOGETHER IN UNITY

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PREAMBLE

WHEREAS the Constitution entitles municipalities to impose rates on property in their areas, subject to regulation in terms of national legislation;

AND WHEREAS 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;

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

AND WHEREAS income derived from property rates is a critical source of revenue for municipalities to achieve their constitutional objectives, especially in areas that have been neglected in the past due to racially discriminatory laws;

AND WHEREAS it is essential that municipalities exercise their power to impose rates within statutory framework that not only enhances certainty, uniformity and simplicity across the nation, but also takes into account historical imbalances and the rates burden on the poor;

AND WHEREAS the Constitution confers on Parliament the power to regulate the exercise by municipalities of their fiscal powers.

In applying this 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.

1. INTRODUCTION

The Local Government: Municipal Property Rates Act (2004) requires municipalities to develop and adopt rates policies consistent with the Act on the levying of rates on rateable property in the municipality.

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 include installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities; and building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

Municipal property rates are set, collected, and used locally. Revenue from property rates is spent within a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development Plans (IDPs) and budget processes, which a municipality invites communities to input prior municipal council adoption of the budget.

2. DEFINITIONS

"Act" means the Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004);

"Agricultural Purposes" 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 Property"** means a property used for forestation, animal husbandry or for the production of crops for human and animal consumption. In relation to the use of property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game.

"Eco-tourism" means a property used for the business of engaging in tourism that is focused on bringing visitors to its destination to view its cultural, traditions, land and marine environment with a minimal or intrusive effect.

"Game Farm" means a property used for propagating, breeding, raising or producing game in captivity for the purpose of marketing the game or its products, and captivity means having the game under positive control, as in a pen, pound, or an area of land or water which is completely enclosed by a generally escape – proof barrier.

"Business" means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, 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.

"Industrial" means a branch of trade or manufacturing, production assembling or processing of finished or partially finished products from raw materials or fabricated part, on such a large scale that capital and labour are significantly involved.

"**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;

"**Multiple use properties**" means properties that cannot be assigned to a single category due to different uses.

"Municipal properties" means those properties of which the municipality is the owner.

"Newly rateable property" means any rateable property on which property rates were not levied by 30 June 2005, excluding a property that was incorrectly omitted from a valuation roll and for that reason was not rated before that date.

"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, 2003.

"Public Benefits Organization" means an organization conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act 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 and 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 communications system serving the public;

(g) Runways or aprons at national or provincial airports;

(h) Breakwater, sea walls, channels, basin, 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 light houses, 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 as may be prescribed; or

(j) Rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

"Residential" means a suite 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, commune, boarding and under taking, hostel and place of instruction.

"State-owned properties" means properties owned by the State, which are not included in the definition of public service infrastructure in the Act These state-owned properties are classified as follows:

(a) State properties that provide local services.

(b) State properties that provide regional/municipal district-wide/metro-wide service.

(c) State properties that provide provincial/national service.

"Vacant land" means a land where no immovable improvements have been erected.

3. PRINCIPLES

The following principles will ensure that the municipality treats persons liable for rates equitably:

- Equity

The municipality will treat ratepayers with similar properties the same.

- 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. In order to minimize major shocks to ratepayers the market values in the new valuation roll will be phased - in over the entire period of the valuation cycle.

4. IMPOSITION OF RATES

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.

The council pledges itself to limit each annual increase as far as practicable to the increase in the consumer price index over the 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.

The council shall, in imposing the rate for each financial year, take proper cognisance 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.

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.

5. CATEGORIES OF PROPERTY

5.1 CRITERIA FOR CATEGORIES OF PROPERTY FOR THE PURPOSE OF LEVYING DIFFERENT RATES

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

5.2 USE OF THE PROPERTY

The following are the determined categories of properties by the municipality:

- Residential properties
- Business properties
- Industrial properties
- Mining properties
- Public service infrastructure
- Public Benefits Organization

- Agricultural properties used for agricultural purposes
- Agricultural properties used for eco-tourism or conversation
- Agricultural properties used for the trading in or hunting of game

- State owned properties:
    - State properties that provide local services
    - State properties that provide regional/municipal district-wide/ metro-wide service.
    - State properties that provide provincial/ national service.
- Protected properties
- Municipal properties
- Multiple use properties
- Vacant land

6. CRITERIA FOR RATING MULTIPLE USE PROPERTY

The following criterion is proposed by the municipality:

- By apportioning the market value of a property to the different purposes for which the property is used, for
- Applying the relevant cent amount in the Rand to the corresponding apportioned market value.

7. CRITERIA FOR EXEMPTIONS, REBATES AND REDUCTION

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 above, but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular annual budget so dictate.

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

- Indigent status of the owner of a property.
- Sources of income of the owner of a property.
- Market value of residential property below a determined threshold
- Social or economic conditions of the area where the owners of property is located e.g. an area declared by the national or provincial government to be a disaster area within the meaning of Disaster Management Act,2002, to the extent that the significantly negatively affected.

8. GRANTING OF EXEMPTIONS, REBATES AND REDUCTIONS

The exemptions, rebates and reductions will be considered after an application accompanied by relevant documents (SARS status, pension or social grant proofs) including affidavit has been lodged with the municipality on an annual basis. These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.

9. REBATES

Indigent household and owners depending on pensions or social grants for their livelihood:

- Household income between R0-R890 pm will qualify for a 100% rebate
- Household income between R891-R1782 pm will qualify for a 50% rebate

Further the Following Rebates will be given in terms of Section 17 (1) of the Act;

(a) On the first 30% of the market value of Public Service infrastructure;

(b) On a property belonging to a land reform beneficiary or his or hers or heirs, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds

(c) On the first R15000 of the market value of a property assigned in the valuation roll of a Municipality to a category determined by the Municipality –

(i) For residential properties

(ii) For properties used for multiple purposes, provided on or more components of the property are used for residential purposes; or

(iii) 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 service at that place of worship.

9.1 FURTHER REBATES ON PROPERTIES USED FOR AGRICULTURAL PURPOSE, ECO – TOURISM, GAME HUNTING

Taking into account the following factors:

A) The extent of municipal services provided to agricultural properties
The following rebates are proposed:

- 7.5% rebate, if there are no municipal roads next to the property.
- 7.5% rebate, if there is no municipal sewerage to the property.
- 7.5% rebate, if there is no municipal electricity to the property.
- 15% rebate, if water is not supplied by the municipality.

- 7.5% rebate, if there is no refuse removal that is provided by the municipality.
- These proposals also apply to the mining sector.

B) <u>The contribution of agriculture to the local economy</u>

The rebate of 7.5% be granted to agricultural property, Eco-tourism and Game hunting that contributes substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g. if they meet minimum standards set by government or if they are in line with the sector's average.

C) <u>The extent to which agriculture assists in meeting service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers.</u>

The following rebates will be granted:

- 7.5% rebate, if the owner is providing permanent residential property to the farm workers and such property is registered in the name of these farm workers, proof must be provided.
- 7.5% rebate, if such residential properties are provided with portable water.
- 7.5% rebate, if the farmer electrifies such residential properties for the farm workers
- 7.5% rebate, if the farmer is availing his land/buildings to be used for cemetery, education and recreational purposes of the farm workers' children and near by community in general, etc.

10. REDUCTIONS

Management of shocks (Newly Rateable properties)

A municipality will limit rates shocks to property owners due to the increase in the market value of their properties as a result of the compilation and implementation of a new valuation roll. This will be done by phasing-in of the new market value as reflected in the valuation roll over a period of four years. The table below makes the point clear:

Valuation Cycle	Value on a roll without phasing-in (in Rand)	Rates payable assuming 1Cent/Rand	Value on a roll after phasing-in (in Rand), assuming 25% phasing in	Rates payable assuming 1Cent/Rand
Last Year of cycle	60 000	**600**	60 000	**600**
1st Year in new cycle	70 000	**700**	62 500	**625**
2nd Year in new cycle	70 000	**700**	65 000	**650**
3rd Year in new cycle	70 000	**700**	67 500	**675**
4th (last) Year in cycle	70 000	**700**	70 000	**700**

Property A's market value has increased from R60 000 to R70 000 due to a compilation of a new general valuation roll. Rates payable by property A to the municipality will increase from R600 to R700 if the market value of this property is not phased-in and the Cent amount in a Rand is constant at one Cent.

To minimise rates shocks from R600 to R700, the phasing-in of market values over a period of four years is used in the manner illustrated on the above table and outlined below:

Year 1: the market value of R62 500 at one Cent will yield rates payable of R625 instead R700 if the phasing-in was not used.

Year 2: the market value of R65 000 and at one Cent will yield rates payable of R650 instead of R700 if the phasing-in was not used. The same principle applies for year 3 and year 4.This means a municipality has spread the rates burden over a period of four years based on the life cycle of its valuation roll.

As the table illustrates although the phasing-in is effected on the market values of properties as listed in the valuation roll, the effect works itself to the total rates liabilities of property owners as well as the property rates income in the municipal budget.

No rate may be levied during the first year on newly rateable property owned and used by organisations conducting specified public benefit activities. Thereafter the phasing in discount shall apply as for other newly rateable property except that the 75% discount shall apply to the second year, the 50% to the third year, and the 25% to the fourth year.

A rate levied on newly rateable property may not be higher than the rate levied on similar property or categories of property in the municipality

11. EXEMPTIONS

11.1 EXEMPTION OF RATES ON PUBLIC BENEFIT ORGANISATION

Taking into account the effects of rates on Public Benefits Organisations performing a specific public benefits activity and registered in terms of the Income Tax Act for tax reduction because of those activities, Public Benefits Organisations (POBs) performing the following specified public benefits activities be exempted from rating

- Welfare and humanitarian, for example POBs providing disaster relief.
- Health Care, for example counseling and treatment of person afflicted with HIV and AIDS including the care of their families and dependents in this regard.
- Education and Development, for example a POBs providing early childhood development services for pre- school children.

11.2 EXEMPTION OF RATES ON PUBLIC SERVICE INFRASTRUCTURE

All components of Public Service Infrastructure are exempted from payment of rates as they provide essential service to the community.

12. OTHER EXEMPTIONS

- 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 in terms of section 17(1)(i) of the Act. The exemption is applicable also on a property registered in the name of and used primarily as a place of public worship by a religious community that does not erect buildings.
- Municipal properties that are not leased or rented out by the municipality.

13. RATES INCREASES/DECREASES

13.1 CRITERIA FOR INCREASING OF RATES

The following will be taken into account for the purpose of increasing/decreasing rates:

- Priorities of municipality reflected in its Integrated Development Plan.
- The revenue needs of the municipality.
- A need for management of rates shocks.
- Affordability of rates to ratepayers.

14. LIABILITY FOR RATES

14.1 LIABILITY FOR RATES BY PROPERTY OWNERS

A rate levied by a municipality on property must be paid by the owner of the property.
Joint owners of a property are jointly and severally liable for the amount due for rates on that property.

In the case of agricultural property owned by more than one owner in undivided shares, the municipality will consider whether in the particular circumstances it would be more appropriate for the municipality to:

- hold any one of the joint owners liable for all rates levied in respect of the agricultural property, or
- to hold any joint owner only liable for that portion of the rates levied on the property that represent that joint owner's undivided share in the agricultural property.

(b) Method and time of payment

- The municipality will recover rates on annual basis.

- The municipality makes provision for the recovery of rates on a monthly basis if the owner communicates such a wish through application, subject to the conditions outlined in the credit control policy of the municipality.

15. AMOUNT DUE FOR RATES

A rate (Cent amount in a Rand) will be reflected in the budget.

16. ANNUAL REVIEW OF RATES POLICY

The municipality will annually review, and if necessary amend its rates policy taking into account public comments and inputs.

17. THE EFFECTIVE DATES OF THE RATES POLICY

The rates policy takes effect from the 1st of July the year 2009.