

# uMFOLOZI LOCAL MUNICIPALITY



**DRAFT**

**TARIFFS POLICY**

**February 2018**

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## 1. PREAMBLE

Whereas section 74 of the Local Government: Municipal Systems Act 32 of 2000 requires a municipal council to adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The aforesaid policy should at least include the principles in section 74(2) and comply with the provisions of the Act and any other applicable legislation. Applicable to municipalities which have adopted the customer care and revenue management by-law prepared on their behalf by uMfolozi Local municipality:

A tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

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## 2. DEFINITIONS

In this tariff policy, unless inconsistency with the context, a word or expressions to which a meaning in the Act has been attached means:

**Agricultural consumers** include but are not limited to farms, smallholdings and agricultural show grounds;

**Break even** occurs where the volume sales are equal to the fixed and variable cost associated with the provision of the service;

**Charitable and welfare institutions and organisations** include but are not limited to any institution managed on a non profitable basis by a church association or a registered charity organisation for example old ages homes, pre-primary schools, care facility for pre primary children, old age facility, homes and/or care facilities for the homeless and children homes;

**Commercial consumers** include but are not limited to business undertakings, shops, offices, liquor stores, supermarkets, public garages, gathering places, nurseries, places of entertainment, service stations, hairdressings salons, banks, hotels, guesthouses, boarding houses and doctor-and dentist consulting rooms;

**Community service** are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature;

**Domestic consumers** include but are not limited to residence, group housing, town houses, semi-detached houses, and flats;

**Economic services** are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers;

**Educational and communal institutions** include but are not limited to-

schools, colleges, pre-primary schools not operated by a registered charity or welfare organisations, libraries, museums, churches, hospitals, clinics, correctional institutions, school hostels and community halls;

**Fixed costs** are costs which do not vary with consumption or volume produced;

**Geographical areas** identified as such by council due to service backlogs, social circumstances or any other similar reasons ;

**Indigent households** are households that are registered at the municipality as such and meet the criteria's as set by Council from time to time and occupying a property within the jurisdiction of the municipality;

**Industrial consumers** include but are not limited to-

industrial undertakings, factories, warehouses, workshop, scrap yards, stores, wine cellars, abattoir, dairy processing plants and fish markets;

**In season** refers to the period from the 1st December of a year up to 31 January of the following year and from the Monday before the Easter weekend up to and including Easter Monday;

**Lifeline tariffs** a unit charge calculated by dividing the total cost associated with the service by the volume consumed (units);

**Municipalities** include but are not limited to all properties registered in the name of the uMfolozi Local Municipality or controlled by the municipality excepting libraries, museums, and contagious diseases hospital and caravan parks;

**Resident** a person who is ordinary resident in the municipal area;

**Special agreements** are special tariff agreements entered into with users of municipal services making significant economic contribution to the community and create job opportunities;

**Sport and recreation** facilities include but are not limited to properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption and caravan parks;

**The Act** the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000)

**Total cost** is the sum of all fixed and variable costs associated with a service

**Trading services** are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services;

**Two-part tariffs** are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the total number of customers and the variable costs are recovered by dividing the total variable costs by the volume consumed;

**Units consumed** are the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in Section 7;

**Variable costs** are costs that vary with consumption or volume produced.

### 3. OBJECTIVES OF THIS POLICY

The purposed of this policy is to

- To ensure compliance with the provisions of section 75 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000)
- To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76 (b) of the Act.
- To give guidance to the Councillor responsible for the finance regarding tariff proposals that must be submitted to Council annually during the budget process.

### 4. SCOPE OF POLICY

- 4.1 It is intended that this policy document guides the annual setting (or revision) of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. Details pertaining to specific levels and applications of the various tariffs are published in the Tariff listing, which must be read in conjunction with this Policy, and is issued on annual basis together with the Municipal Budget.
- 4.2 The policy is applicable to all tariffs for electricity, water, sanitation and solid waste services including availability charges and capital contribution charges as applicable
- 4.3 This policy is also applicable to all sundry tariffs, as provided for in the Tariff listing of uMfolozi Local Municipality.

## 5. TARIFF POLICY PRINCIPLES

- 5.1 In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.
- 5.2 The Municipality wishes to record that the following tariff principles will apply:
- (a) Service tariffs imposed by the municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the financial ability of the relevant user the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the relief measures for poor households and deserving categories of users approved by the municipality from time to time).
  - (b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
  - (c) Tariffs for the two major services rendered by the municipality, are in respect of:
    - (i) Property Rates
    - (ii) Refuse removal (solid waste),
  - (d) Shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
  - (e) The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the four major services further generate an operating surplus each financial year as the council may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.
  - (f) The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.
  - (g) In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.
  - (h) The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be disclosed to users.

- (i) The municipality shall ensure that its tariffs shall be readily understandable by all users affected by the tariff policy.
- (j) The municipality undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery
- (k) In the case of directly measurable services, namely electricity and water, the consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.
- (l) In addition, the municipality shall levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of water and electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.
- (m) In considering the costing of its water, electricity and sewerage services, and the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may imply that the services may at times or for certain periods operate at less than full capacity, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.
- (n) The Municipality shall, by adopting what is fundamentally a two-part tariff structure, namely a fixed minimum charge coupled with a charge based on consumption, address the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- (c) Part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

5.3 The following principles will also apply:

- (a) Restricted free services will only be possible if the National Government pay to the municipality an equitable share subsidy which covers the full costs of the free services.

- (b) All users of municipal services will be treated equitably in the application of tariffs. Save for poor households and deserving categories of users, the various categories of customers will pay the same charges based on the same cost structure.
- (c) The amount payable by consumers will be in proportion to usage of the service.
- (d) Indigent households must at least have access to basic services through:
  - (i) Tariffs that cover only operating and maintenance costs;
  - (ii) Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of services; or
  - (iii) Any other direct or indirect method of subsidization of tariffs for poor households;
- (d) Tariffs must reflect the total cost reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- (e) Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the services concerned; Sustainability will be achieved by ensuring that:
  - (i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.
  - (ii) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services
- (f) Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- (g) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- (h) The economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- (i) The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed;
- (j) When-ever it is explicitly provided for in this policy and within limits, customers should be free to choose from a range of applicable tariffs.
- (k) Provision will be made in appropriate circumstances for a surcharge on a tariff. This will be required during a national disaster and periods of drought when a restriction of usage is required.
- (l) Efficient and effective use of resources will be encouraged by providing for penalties to prohibit exorbitant use.
- (m) The extent of subsidisation of tariffs will be disclosed.
- (n) VAT is excluded from all tariffs and will be additional to these tariffs when applicable.

- 5.4 A property used for multiple purposes must, for purposes of these tariffs be assigned to a category determined by the council for properties used for a purpose corresponding with the dominant use of the property if the Municipality cannot readily make an apportionment in relation to the services concerned and the categories of users.
- 5.5 In order to provide the Municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by customers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time. The level of the deposits shall be revised annually and the

### Categories of customers

- 5.6 Separate tariffs structure may be raised for the following categories of customers
- (a) Domestic consumers;
  - (b) Commercial consumers;
  - (c) Industrial consumers;
  - (d) Agricultural consumers;
  - (e) Municipalities;
  - (f) Consumers with whom special agreements were made;
  - (g) Consumers in certain geographical areas;
  - (h) Sport and recreation facilities
  - (i) Educational and communal institutions; and
  - (j) Charitable and welfare institutions and organisations.
- 5.7 Where there is a substantial difference between the infrastructure used to provide a service to a specific group of users within a category and/or standard of services provided, the Council can, after considering a report by the Municipal Manager or the relevant Head of Department, determine differentiated tariffs for the different consumers within the specific category. The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards.

### Service classification

- 5.8 The Chief Financial Officer shall, subject to the guidelines provided by the National Treasury of the Department of Finance and Executive Committee of the Council, make provision for the following classification of services.

#### (a) Trading services

Typically the consumption of a trading service is measurable and can be apportioned to an individual consumer. These services are managed like businesses. The tariffs for these services are determined in such a way that a net trading surplus is realized. The trading surplus is used to subsidise the tariffs of no trading services, in other words to relieve property rates. These services are as follows:

- (i) Water
- (ii) Electricity

**(b) Economic services**

The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service. These services relate to the following:

- (i) Refuse removal
- (ii) Sewerage disposal.

**(c) Community services**

Subsidised services are those services the consumption of which can be determined reasonably accurately and apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit from using the service, but also other persons. A user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service. These services include but not limited to:

- (i) Air pollution.
- (ii) Fire fighting services.
- (iii) Local tourism.
- (iv) Town planning.
- (v) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
- (vi) Storm water management system in built-up areas.
- (vii) Trading regulations.
- (viii) Fixed billboards and the display of advertisements in public places.
- (ix) Cemeteries.
- (x) Control of public nuisances.
- (xi) Control of undertakings that sell liquor to the public.
- (xii) Facilities for accommodation, care and burial of animals.
- (xiii) Fencing and fences.
- (xiv) Licensing of dogs.
- (xv) Licensing and control of undertakings that sell food to the public.
- (xvi) Local amenities.
- (xvii) Local sport facilities.
- (xviii) Municipal parks and recreation.
- (xix) Municipal roads.
- (xx) Noise pollution.
- (xxi) Pounds.
- (xxii) Public places.

- (xxiii) Street trading/street lighting.
- (xxiv) Traffic and parking.
- (xxv) Building control.
- (xxvi) Licensing of motor vehicles and transport permits.
- (xxvii) Nature reserves.
- (xxviii) Beaches

### **Expenditure classification**

5.9 Expenditure will be classified in the following categories.

#### **(a) Subjective classification:**

- (i) Employee related costs;
- (ii) Remuneration of Councillors
- (iii) Impairment loss (bad debt);
- (iv) Collection costs;
- (v) Depreciation and amortization;
- (vi) Repairs and maintenance;
- (vii) Interest paid;
- (viii) Bulk purchases;
- (ix) Contracted services;
- (x) Grants and subsidies paid;
- (xi) General expenditure;
- (xii) Contribution to Capital Replacement Reserve;
- (xiii) Income; and
- (xiv) Surplus/Deficit.

#### **(b) Objective classification:**

- (i) Cost centres will be created to which the costs associated with providing the service can be allocated:
  - Department.
  - Section/service.
  - Division/service.
- (ii) The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

### **Cost elements**

5.10 The following cost elements will be used to calculate the tariffs of the different services:

- (a) Fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable to the service and any other costs of a permanent nature as determined by the Council from time to time.
- (b) Variable cost: This includes all other variable costs that have reference to the service.
- (c) Total cost: consist of the fixed cost and variable cost.

## 6. TARIFF DETERMINATION

- 6.1 Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality and for rates on properties.
- 6.2 Tariffs may be calculated in various different ways, dependent upon the nature of the service being provided.
- 6.3 Tariffs may be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidise other non-economical services.
- 6.4 In special circumstances, such as significant increases in the wholesale price of goods and services that the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above.
- 6.5 Proposed tariffs will be presented to the community during the Council's public participation process. Immediately after the Council has determined or amended a tariff, the municipal manager must clearly display it at all the offices of the Municipality as well as at such other places within the municipal area as she / he may determine, a notice. The notice must state:
  - The general purpose of the resolution;
  - The date on which the determination or amendment comes into operation;
  - The date on which the notice is displayed;
  - That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed; and
  - That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice will assist that person to transcribe her/his objection.
- 6.6 If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council. Where an objection is lodged, the Municipality will consider every objection.
- 6.7 The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another tariff, on the date on which the determination or amendment will come into operation. After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council

## 7. TARIFF TYPES

In determining the type of tariff applicable to the type of service the municipality shall make use of the following five options or a combination of the same.

### 7.1 *Single tariff:*

This tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer the council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.

### 7.2 *Cost related two to three part tariff:*

This tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.

### 7.3 *Inclining block tariff:*

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield a result that would discourage excessive use of the commodity.

### 7.4 *Declining block tariff:*

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fix and variable cost and profit determined by council from time to time by the volume consumed. This tariff will only be used for special agreements.

### 7.5 *Regulating tariff:*

This tariff is only of a regulatory nature and the municipality may recover the full or a portion of the cost associated with rendering the service.

## 8. TARIFF STRUCTURE AND METHODS OF CALCULATIONS

The following tariff structure will, where possible, be used to determine tariffs:

### 8.1 Property Rates

- (i) Determine as per property rates policy.
- (ii) Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.

### 8.2 Electricity

#### (a) Tariff structure

- (i) kWh – Active Energy.
- (ii) kVA – maximum demand (thermal or block) register in a half an hour period.
- (iii) Peak, Standard and off-peak time periods – according to bulk purchase tariff structure.
- (iv) High and low consumption seasons – according to bulk purchase tariff structure.

#### (b) Method of calculation

- (i) The guidelines and policy issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.
- (ii) Cross subsidisation between and within categories of consumers will be allowed based on the load factors of the categories and consumers within the category. Portions of the fixed costs will be recovered through an energy or time-of-use charge. To apply the abovementioned principle the cost allocation basis, cost groupings, tariff components and tariff types reflected in the following tables will be used.
- (iii) The one-part single energy rate tariff:

All costs allocated to a user category which will normally make use of a one-part single energy rate tariff will be expressed in a single cents/kWh charge. The recommended methodology for allocating costs into this tariff is as follows:

- The maximum demand costs (rands/kVA/month) of all consumers that will normally use a single tariff will be calculated by considering the average load factor of the type of these customers and added to the variable cost.
- The fixed cost rand/customer/month and the energy cost (kWh) will also be added to the variable cost.
- The total cost (maximum demand, fixed and energy costs) allocated to consumers which will normally use a one-part-single-energy tariff will be calculated at a break-even point comparable with the number of kWh units determined by Eskom from time to time.
- The total cost will be expressed in a cents/kWh tariff.

- (iv) The two-part tariff:

- A portion of the fixed cost equal to the operating and administrative cost of the Electricity Department will be recovered through a rands/user/month charge.
  - The remaining portion of the fixed cost will be added to the variable cost and re covered through a unit charge (cent/kWh charge).
  - The tariff then consists of a fixed monthly charge plus a variable charge related to metered kWh consumption.
- (v) The three-part tariff:
- A portion of the fixed cost as described in section 2(b)(iv) will be recovered through a rand/user/month charge.
  - The remaining portion of the fixed cost will be recovered through a unit charge (cent/kWh) and maximum demand charge (rand/kVA/month).
  - The maximum demand charge (rand/kVA cost) will be recovered through the capacity charge where applicable.
  - The cent/kWh charge therefore recovers the total variable cost plus portions of reallocated fixed and demand charges (rand/customer/month and rand/kVA costs) where applicable.
- (vi) Time-of-use tariff:
- As with the standard three-part tariff, a portion of the rands/kVA/month charge needs to be reallocated into the various time-of-use cents/kWh charges. Again, the amount of the reallocation should be with regard to the customer's load factor. However, it is also necessary to consider the time-variation of the capacity costs in the reallocation of the rands/kVA charge into the various time-of-use cents/kWh charges where applicable.
  - The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVA charges where applicable.
  - The rands/customer/month charge is not reallocated.
- (vii) Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.
- (viii) Where a property is not connected to the electricity reticulation system but can reasonably be so connected, an availability tariff will be payable equal to the fixed costs calculated in accordance with the provisions of paragraph 5(3)(i).
- (ix) The structure of the time-of-use tariff will be calculated according to the purchase structure.
- (x) The time-of-use tariff will only be offered in areas where similar tariffs are available to the municipality.

### 8.3 Refuse removal

- (a) Unit of measurement
  - (i) Plastic bags per week (volume).
  - (ii) Containers per week (volume).
- (b) Method of calculation
  - (i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total volume of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the service. The unit charge per cubic meter will be converted to a cost per black bag. A cost per month will be calculated for domestic consumers based on the average number of bags removed per week.
  - (ii) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.
  - (iii) After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags or mass containers tariffs will be determined based on the estimated volume that will be removed per month.
  - (iv) Opportunity costs for once-off removals will be calculated by recovering the costs of the volume removed plus a 20% surcharge.
  - (v) Private dumping at the disposal site will be allowed after a tariff based on the estimated volume of the dumping has been paid.
  - (vi) A refuse removal tariff will be raised and is payable by all owners or occupiers of each developed property connected to the water and electricity distribution network of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.
  - (vii) No refuse removal tariffs will be raised where council has not introduced a refuse removal service.

#### 8.4 Community services

- (a) Tariff structure
  - (i) The tariff structure as reflected in table 1 here under will be used to determine regulatory community and subsidised services.
- (b) Method of calculation
  - (i) These tariffs will be adjusted annually by adjusting the tariff that applied during the previous financial year, by a percentage as determined by the majority councillors present at the meeting where the budget is approved or by a recalculation of the estimated actual cost.

## 9. SOCIAL BENEFITS

To measure social benefits enjoyed by the community, the standards as set out in the tables here-under shall be used to achieve cost recovery and to measure service delivery. These measures must be used to ensure that the service is affordable to both the Council and households. The measures must be used to determine whether the infrastructure provided is managed effectively and to indicate whether any of the services should be curtailed. Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

## 10. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- 10.1 The council will give notice of all tariffs approved at the annual budget meeting at least 30 days prior to the date that the tariffs become effective.
- 10.2 notice stating the purport of the council resolution and the date on which the new tariffs shall become operational, will be displayed by the municipality at a place installed for that purpose.
- 10.3 All tariffs approved must be considered at the annual budget meeting.

## 11. IMPLEMENTING AND PHASING IN OF THE POLICY

- 11.1 The principle contained in this policy will be reflected in the various budget proposals submitted to council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in section 75 of the Act.
- 11.2 The council may determine conditions applicable to community service of a regulators nature. These conditions will be reflected in the standing orders of council.

## 12. REVIEW

This policy framework will be reviewed on an annual basis.

Table 1

Function	Unit of Return
<b>1.SUNDRY SERVICE CHARGES</b>	
1.1 Information regarding valuation properties	Fixed amount per enquiry per property
1.2 Issuing of valuation certificate of	Fixed amount per certificate

<p>a property</p> <p>1.3 Issuing of second duplicate account</p> <p>1.4 Photocopying A4 size A3 size</p> <p>1.5 Copies of building plans and area map</p> <p>1.6 Computerized area maps</p> <p>1.7 Dishonoring charges payable when bank dishonors a cheque</p> <p>1.8 Facsimiles: Received and /or sent</p>	<p>Fixed amount per duplicate account</p> <p>Fixed amount per photo copy</p> <p>Fixed amount per copy</p> <p>Fixed amount per map for A0, A1, A2, A3 and smaller sizes respectively</p> <p>Amount equal to the cost levied by the bank</p> <p>Fixed amount per facsimile</p>
<p><b>2 LETTING OF TOWN HALLS AND COMMUNITY HALLS</b></p> <p>2.1 Hall reservation talking into account various uses thereof</p> <p>2.2 Hall reservations including kitchen by fixed users</p> <p>2.3 Use of side halls additional to main hall</p> <p>2.4 Use of kitchen additional to main hall or side ward</p> <p>2.5 Use of refreshment room additional to main hall or side ward</p> <p>2.6 Use of facilities one day prior to date of reservation</p> <p>2.7 Deposit payable in respect to the use of the hall and the facilities</p> <p>2.8 Cancellation of reservation</p>	<p>Fixed amount per reservation</p> <p>Fixed amount per annum</p> <p>Fixed amount per reservation</p> <p>A % of the rental payable to cover administration cost will be recovered from the deposit when a reservation is cancelled</p>
<p><b>3 LIBRARY FEES</b></p> <p>3.1 Fine for the late return of books, records, CD's tapes or art prints</p>	<p>Fixed amount per week or portion of a week per item.</p> <p>Fixed amount per day or portion of a day</p>

<p>3.2 Fine for late return of a video</p> <p>3.3 Booking of library material in stock</p>	<p>per video</p> <p>Fixed amount per bag</p> <p>Fixed amount per booking</p>
<p><b>4. ELECTRICAL SERVICE CONNECTION</b></p> <p>4.1. Service connections up to 25 meters 10mm<sup>2</sup>×2core with standard meter</p> <p>4.2. Service connections more than 25meters 10mm<sup>2</sup>×2core with standard meter</p> <p>4.3. Service connections up to 25 meters 16mm<sup>2</sup>×2core with standard meter</p> <p>4.4. Service connections more than 25 metres16mm<sup>2</sup> with standard meter</p> <p>4.5. Service connections up to 25 m 16mm<sup>2</sup>×4core with standard meter</p> <p>4.6. Service connection more than 25 meters</p> <p>4.7. Beforehand serviced plots: coupling of service connection</p> <p>4.8. Service connection larger than 50 KVA with three phase kwu meter and circuit breaker</p> <p>4.9. Service connection larger than 50 KVA with three phase kwu meter and circuit breaker</p> <p>4.10. 4.9Service connection larger than 50 KVA with single phase pre-paid meter</p> <p>4.11. Service connection large than 50 KVA with three phase prepaid meter</p> <p>4.12. Damages to service connections and reticulation-costs to be recovered</p>	<p>Estimated actual cost based on a 25 meter connection plus a % levy for administrative cost</p> <p>Estimated actual cost plus % levy for administration cost.</p> <p>Estimated actual cost based on a 25 meter connection plus %level for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost based on a 25 meter connection plus %level for administrative costs</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost plus % levy for administrative cost.</p> <p>Estimated actual cost plus % levy for administrative cost.</p>
<p><b>5. SALE OF PREPAID ELECTRICAL METERS</b></p> <p>5.1 Single phase meter</p> <p>5.2 Three phase meter</p>	<p>Actual purchase price plus % levy for administrative cost</p> <p>Actual purchase price plus % levy for administrative</p>
<p><b>6. SUNDRY SERVICES:ELECTRICAL</b></p>	

<p><b>METERS</b></p> <p>6.1 Call-out fee payable where service connection is over rated or short circuited on the user’s side-</p> <ul style="list-style-type: none"> <li>• Office hours</li> <li>• After hours and Saturdays</li> <li>• Public holidays and Sunday</li> </ul> <p>6.2 Application by consumers for circuit breaker with a higher or lower rating</p> <p>6.3 Temporary on off and reconnections</p> <p>6.4 Reconnection of electricity on receipt of false information by a defaulter</p> <p>6.5 Testing of meter on request of consumer single phase three phase- maximum demand and pre-paid meters</p> <p>6.6 Issuing of certificate of competence</p> <p>6.7 Repair of electricity cable or cable joint</p>	<p>Estimated actual cost plus % levy for administrative cost</p> <p>Estimated actual cost plus % levy</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Fixed amount per reconnection.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Fixed amount per certificate.</p> <p>Estimated actual cost plus % levy for administrative costs.</p>
<p><b>7. STREET LIGHTING</b></p> <p>7.1 Tariff payables per street light</p>	<p>Fixed amount per kWh.</p>
<p><b>8. ELECTRICITY DEPOSIT</b></p> <p>8.1 Electricity deposit included in consumers service deposit (water, electricity, refuse removal and sewage)</p>	<p>Fixed amount per consumer</p>
<p><b>9. WATER SERVICES CONNECTIONS</b></p> <p>9.1 15mm connection-low cost housing</p> <p>9.2 15mm connection-other connections</p>	<p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p>

<p>9.3 20mm connection</p> <p>9.4 Connection and per-paid meter- low cost housing</p> <p>9.5 Connections and per-paid meter- other connections</p> <p>9.6 Test of water meters</p> <p>9.7 Damages to service connections and reticulation- cost to be recovered</p>	<p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p>
<p><b>10. WATER SERVICES CONNECTIONS</b></p> <p>10.1. Water deposit included in consumers service deposit (water, electricity refuse removal sewage)</p>	<p>Fixed amount per consumer</p>
<p><b>11. SEWERAGE SERVICES CONNECTION</b></p> <p>11.1 100mm connections</p> <p>11.2 150mm connections</p> <p>11.3 Damages to service connections and reticulation- cost to be recovered</p>	<p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p>
<p><b>12. SUNDRY SERVICES – SEWERAGE WORK</b></p> <p>12.1. Emptying of sewerage tanks</p> <p>12.2. Emptying of sewerage tank(farms)</p> <p>12.3. Emptying of sewerage tanks after ordinary office hours</p> <p>12.4. Partial connection (draining)</p> <p>12.5. Industrial effluent per kl</p> <p>12.6. Selling of purified sewerage per kl</p>	<p>Fixed amount per load.</p> <p>Fixed amount per load.</p> <p>Fixed amount per load.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for</p>

<p>12.7. Sewerage blockages (after hours)</p>	<p>administrative costs.  Estimated actual cost plus % levy for administrative costs.</p>
<p><b>13. SUNDRY ENGINEERING SERVICES</b></p> <p>13.1 Construction of single motor vehicle entrance</p> <p>13.2 Construction of motor vehicle entrance</p> <p>13.3 Construction of motor vehicle; entrance with storm water grid</p> <p>13.4 Tarring and patch work</p>	<p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p>
<p><b>14 CEMETERY FEES</b></p> <p>14.1 Single grave site – purchase price</p> <p>14.2 Reservation of site</p> <p>14.3 Digging of grave</p> <p>14.4 Covering of grave</p> <p>14.5 Pointing out of grave site</p> <p>14.6 Digging of extra deep grave</p> <p>14.7 Opening up of extra deep grave</p> <p>14.8 Construction of brick lining –</p> <ul style="list-style-type: none"> <li>• Single grave</li> <li>• Extra deep grave</li> </ul> <p>14.9 Wall of remembrance: purchases</p>	<p>Fixed amount per site.</p> <p>Fixed amount per site.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Fixed amount per site.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Estimated actual cost plus % levy for administrative costs.</p> <p>Fixed amount per urn.</p>
<p><b>15 BUILDING PLAN FEES</b></p> <p>15.1 Standard building plan fees</p> <p>15.2 Building plan fees: rural areas</p> <p>15.3 Building plan fees: low cost housing</p> <p>15.4 Minimum building pan plan fees</p> <p>15.5 Minor building work /boundary</p>	<p>Fixed amount per m2.</p> <p>25% of standard building plan fees.</p> <p>Fixed amount per building plan.</p> <p>Fixed amount per building plan.</p>

15.6	walls Approval of advertisement signs	Fixed amount per building plan.
15.7	Building deposit in respect to new	Fixed amount per advertisement sign. Fixed amount per building plan.
<b>16</b>	<b>FIRE DEPARTMENT : CHARGES</b>	
16.1.	GMC and crew (call out and first hour)	Fixed amount per service
16.2	GMC and crew (following hours)	Fixed amount per hour
16.3	4×4 and crew (call out and first hour)	Fixed amount per service
16.4	4×4 and crew (following hours)	Fixed amount per hour
16.5	Use of chemicals	Estimated actual cost plus % levy ffor administrative cost
16.6	Service vehicle	Fixed amount per km
16.7	Rescue vehicle	Fixed amount per service
16.8	Filling up of swimming pools]	Fixed amount per service

### Category

- (a) in relation to property, means a category of property determined in terms of section 8 (2) of the Act;
- (b) in relation to ownership of property, means a category of owners determined in terms of section 15 (2) of the Act;

**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 category C municipality;

**Exclusion** in relation to a municipality's rating power means a restriction of that power as provided for in section 17 of the Act;

**Exemption in relation to the payment of a rate** means an exemption granted in terms of section 15 of the Act;

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

**Game farming** means agricultural property on which the trading in - or the hunting of game take place.

**Household income** means the income accruing to all members of the household permanently residing at the address. It includes income of spouses;

**Income tax act** means the Income Tax Act, 1962 (Act 58 of 1962)

**Indigent person** means a person whose household income does not exceed the minimum household income as predetermined by the council;

**Industrial in relation to property**, means the use of a property for a branch of trade or manufacturing, production, assembly or processing of finished partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, including any office or other accommodation on the even, the use of which is identical the use of the factory.

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

- (a) acquired the property through
  - (i) the Provincial Land and Assistance Act, 1993 (Act 126/1993);
  - (ii) the Restitution of Land Rights Act, 1994 (act 22/1994);
- (b) holds the property subject to the Communal Property Associations Act, 1996 (Act 28 of 1996); or
- (c) holds or acquires 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 (Act no.11of 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 organisations and non-governmental, private sector or labour organisations 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.
- (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** 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 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;

**Multiple purposes in relation to a property** means the use of a property for more than one purpose and cannot be assigned to a single category.

**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 56 /2003);

**Municipality** (a) as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and (b) as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998); “municipal manager” means a person appointed in terms of section 82 of the Municipal Structures Act;

**Municipal properties** mean those properties of which the municipality is the owner;

**Municipal Systems Act** means the Local Government: municipal Systems Act, 2000 (Act 32 /2000);

**Nature Reserves, Eco-tourism properties, Conservation Areas, Open Space Zone III** means land that is proclaimed in terms of the National Environmental Management: Protected Areas Act, 2003, Act 57 of 2003, or the National Environmental Management: Biodiversity Act, 2004, Act 10 of 2004.

**Newly rateable property** means any rateable property on which property rates were not levied before the end of the financial year (2004) preceding the date on which this Act took effect,(2 July 2005) excluding a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date;

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

**Owner-**

- (a) in relation to 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; or
- (a) 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, 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 the following cases:
  - (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 curatorship;

- (vi) an usufructuary or other 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 and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

**Permitted use** 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 the state;

**Prime rate** means the prime rate of the bank where the primary account of the municipality is kept plus 1%

**Private open space** means any land in private ownership used primarily as a private site for play, rest or recreation without financial gain.

- **Private Service Infrastructure properties in this category include:**
  - (a) Privately owned land within a complex that cannot be sold separately. This includes road infrastructure, access control, storm water control measures etc.
  - (b) Private open space including recreational, sporting facilities, wetlands or open space within a residential complex.
- **Properties within this category shall be rated at the tariff equivalent to residential vacant land.**

**Property** means

- (a) immovable property registered in the 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;

**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, 2003;

**Public benefits organisation** means an organisation 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.

**Publicly controlled** means owned by or otherwise under the control of an organ of the state, including

- (a) a public entity listed in the Public Finance Management Act, (Act 1/1999)
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act

**Public service infrastructure** means publicly controlled infrastructure as determined in terms of chapter 1 of the Local Government Municipal Property Rates Act (Act 6/2004)

### **Occupational Practice**

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

**Rateable property** means property on which a municipality may in terms of section 2 of the Act 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 on the amount of the rate payable on the property;

**Reduction** in relation to a rate payable on a property means the lowering of the amount for which the property was valued and the rating of the property at that lower amount;

**Residential property** means a property included in the valuation roll in terms of section 48(2) of the Act (read with section 8) as residential inclusive of a suite of rooms which forms a living unit that is used for habitation purposes, or a multiple number of such units on a property, including establishments with 3 or less bedrooms, used for the purpose of letting individual rooms for residential accommodation, excluding of accommodation establishments with 4 or more bedrooms, hotels, boarding and undertaking, hostel, place of instruction and sectional title units.

**Rural Lifestyle** means non-urban domestic properties primarily used for residential purposes.

**Sectional titles Act** means the Sectional Titles Act, 1986 (Act 95/1986)

**Sectional title unit** means a unit defined in section 1 of the Sectional Titles Act;

**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 properties** mean 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.

**Act** the Local Government: Municipal Systems Act No. 32 of 2000, as amended from time to time.

**Vacant land** means a land where no immovable improvements have been erected. Vacant land can be classified as follows:

- (a) Residential vacant, means a property included in the valuation roll in terms of section 48(2) of the Act (read with section 8 ) as vacant.
- (b) Business vacant means a property in means a property included in the valuation roll in terms of section 48(2) of the Act (read with section 8 ) as vacant.
- (c) Industrial vacant means a property included in the valuation roll in terms of section 48(2)of the Act (read with section 8 ) as vacant.

## 4. OBJECTIVES

The objectives of this Policy are to –

- (a) ensure that all owners of rateable property are informed about their liability to pay assessment rates;
- (b) specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates contemplated in paragraph 8 of this policy;
- (c) set out the criteria to be applied by the Council if it increases rates and levies differential rates on different categories of property;
- (d) provide for categories of public benefit organisations, approved in terms of Section 30(1) of the Income Tax Act, 1962 (Act no 58 of 1962) as amended, which ratepayers are eligible for exemptions, reductions and rebates and therefore may apply to the Council for relief from rates;
- (e) recognise the state, organs of state and owners of public service infrastructure as property owners;
- (f) not discourage the development of property;
- (g) ensure that all persons liable for rates are treated equitably as required by the Act.

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 in the **Provincial Gazette** and the municipality schedule of tariffs, which must be read in Conjunction with this policy

## 5. PURPOSE OF THE POLICY

The purposes of the policy are to:

- (a) comply with the provisions of section # of the Act
- (b) determine criteria to be applied for:
  - (i) the levying of differential rates for different categories of properties
  - (ii) exemptions
  - (iii) grants and rebates and
  - (iv) rate increases
- (c) determine or provide criteria for the determine of
  - (i) categories of properties for the purpose of levying different rates; and
  - (ii) categories of owners of properties for the purpose of the granting of exemptions, rebates and reductions.
- (d) determine how the municipality's powers must be exercised in relation to multi purpose properties
- (e) identify and provide reasons for:
  - (i) exemptions, rebates and reductions

- (ii) exclusions; and
- (iii) rates on properties that must be phased in.
- (f) take into account the effect of rates on the poor
- (g) take into account the effect of the rates on organisations conducting specified public benefit activities and registered in terms of the Income Tax Act for exemptions because of those activities, in the case of property owned and used by such organisation for such activities
- (h) take into account the effect of rates on public service infrastructure.
- (i) determine measures to promote local economic and social development
- (j) identify all rateable property that is not rated.

## 6. APPLICATION

In imposing the rates in the rand for each annual operating budget component, the municipality shall grant exemptions, rates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

## 7. LEGAL MANDATE

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

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

In terms of Section 62(1) (f) (ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy. In applying its rates policy, the Council shall adhere to all requirements of the Property Rates Act, 2004 (Act no. 6 of 2004) including any regulations promulgated in terms of the Act.

## 8. POLICY PRINCIPLES

The rates policy will be based on principles of equity, affordability, sustainability and cost efficiency.

The council shall as part of its annual budget process impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll or supplementary valuation roll

The council must annually consider the levying of rates during the budget process and, if necessary, amend its rates policy taking into account public comments and inputs.

In determining the level of increases in the rates, the criteria to be applied include the following:

- (a) the inflation rate as indicated by the consumer price index;
- (b) take into consideration the medium term budget growth factors as determined by National Treasury guidelines.

The council shall further. In imposing the rates for each financial year, strive to ensure that the aggregate budgeted revenues from property rates, less revenues forgone and less any contributions to the provisions 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 its revenue base and the collection ability of its revenues remain sound.

Other policy principles include:

- (a) All ratepayers in a specific category as determined by council from time to time will be treated equitably

- (b) Rates will be raised in proportion to the market value or the value as determined by the municipal valuer through a valuation process.
- (c) The rates tariff will be based on the value of all rateable properties and the amount required by the municipality to balance the operating budget after taking in account profits generated on trading and economic services and the amounts required to finance exemptions, rebates and grants in-aid of rates as approved by council from time to time.
- (d) Trading and economic services will be ring fenced and tariffs and service charges calculated in such a manner that the income generated covers the cost of the services or generates a profit.
- (e) Property rates will be used to finance community and subsidised services and not to subsidise trading and economic services.
- (f) Profits on trading and economic services can be used to subsidise community and subsidised services.
- (g) The provision for working capital for community and subsidised services must be equal rates to the non-payment of rates during the previous financial year and must not include any working capital provision relating to trading and economic services.
- (h) The income base of the municipality will be protected at all costs, by limiting exemptions, reductions and rebates.
- (i) The policy will annually, during the budget process be reviewed

## 8. CLASSIFICATION OF SERVICES AND EXPENDITURE

8.1 The Chief Financial Officer shall, subject to the guidelines provided by the National Treasury and Executive Committee of the Council, make provision for :

- (a) Trading Services
  - (i) Water
  - (ii) Electricity
- (b) Economic services
  - (i) Refuse removal
  - (ii) Sewerage disposal
- (c) Community services
  - (i) Air pollution.
  - (ii) Fire fighting services.
  - (iii) Local tourism.
  - (iv) Municipal planning.
  - (v) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
  - (vi) Storm water management system in built-up areas. (

- vii) Trading regulations.
  - (viii) Fixed billboards and the display of advertisements in public places.
  - (ix) Cemeteries.
  - (x) Control of public nuisances.
  - (xi) Control of undertakings that sell liquor to the public.
  - (xii) Township development.
  - (xiii) Facilities for accommodation, care and burial of animals.
  - (xiv) Fencing and fences.
  - (xv) Licensing of dogs.
  - (xvi) Licensing and control of undertakings that sell food to the public.
  - (xvii) Local amenities
  - (xviii) Local sport facilities.
  - (xix) Municipal parks and recreation.
  - (xx) Municipal roads.
  - (xxi) Noise pollution.
  - (xxii) Pounds.
  - (xxiii) Public places.
  - (xxiv) Street trading/street lighting.
  - (xxv) Traffic and parking.
  - (xxvi) Building control.
  - (xxvii) Licensing of motor vehicles and transport permits.
  - (xxviii) Nature reserves.
- (d) Subsidised services
- (i) Health and ambulance.
  - (ii) Libraries and museums.
  - (iii) Proclaimed roads.
- 8.2 Trading and economic services must be ring fenced and financed from service charges while community and subsidised services will be financed from rates, rates related income and regulatory fees. Surpluses on the trading and economic services may be transferred to subsidise the community and subsidised services
- 8.4 Cost Centres  
Cost centres will be created to which the costs associated with providing the service can be allocated-
- (a) by Department;
  - (b) by Section/service; and
  - (c) by Division/service.
- 8.5. The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

## 9. CATEGORIES OF PROPERTIES

- 9.1 Criteria for determining categories of properties for the purpose of levying different rates and for the purpose of granting exemptions will be according to the
- (a) use of the property permitted
  - (b) use of the property, or
  - (c) geographical area in which the property is situated.
- 9.2 Categories of property for the municipality will include-
- (a) Residential properties;
    - (i) Single Residential vacant
    - (ii) Single Residential built – up
    - (iii) Single Residential departure use
    - (iv) General Residential vacant
    - (v) General Residential built - up
    - (vi) General Residential departure use
    - (vii) Sectional Title Schemes
  - (b) Business and commercial properties;
    - (i) Central business and commercial properties
    - (ii) Peri-urban business and commercial properties
  - (c) Industrial properties;
    - (i) Restricted Industrial properties.
    - (ii) Industrial properties
    - (iii) Nuisance Industrial properties
    - (iv) Unrestricted properties
  - (d) Public service infrastructure;
  - (e) Public benefit organisations;
  - (f) Farm properties and small holdings used for;
    - (i) Agricultural purposes properties
    - (ii) Business and commercial properties
    - (iii) Industrial
    - (iv) Residential accommodation
    - (v) Eco- tourism
    - (vi) Game Farming & hunting
    - (vii) Other
  - (g) State-owned properties;
    - (i) State properties that provide local services
    - (ii) State properties that provide regional/municipal district-wide / metro-wide services.
    - (iii) State properties that provide provincial/national services including open space
  - (h) municipal properties;
  - (i) Multiple use properties;

- (j) vacant land.
- (k) accommodation establishments
- (l) Mine property
- (m) Sundry properties acquired through Provision of Land and assistance Act, 1993 (No. 126 of 1993) or the Restitution of Land Rights Act, 1994 (No. 22 of 1994); or subject to the Communal Property Associations Act, 1996 (No. 28 of 1996). Protected areas. National monuments
- (j) Privately owned towns/developments and open spaces serviced by the owner.
- (l) Formal and informal settlements on stands not subdivided into formal residential stands.
- (m) Commercial land as defined in the Communal Land Rights Acts.
- (n) State trusted land
- (o) Properties
  - (i) acquired through Provision of Land and assistance Act, 1993 (No. 126 of 1993) or the Restitution of Land Rights Act, 1994 (No. 22 of 1994).
  - (ii) subject to the Communal Property Associations Act, 1996 (No. 28 of 1996).
- (p) Protected areas.
- (q) National monuments
- (r) Properties owned by public benefit organisations (Part 1 of the Ninth Schedule of the Income Tax Act (58 of 1962).
- (s) Properties used for multiple purposes.

## 10. MULTIPLE PURPOSE PROPERTIES

- 10.1 Where two thirds or more of a property is used for residential purposes, the whole property will be placed in the residential category. The two third dominant uses will apply. If more than one third is used for purposes other than residential, the entire property will be placed in the use category applicable to more than one third uses.
- 10.2 Where one use is exempt, the property will be categorised under a “Multiple Use” category and the exempt portion will be treated separately to the remainder. Where the remainder is also used for multiple uses, “dominant use” will apply.
- 10.3 In the case of agricultural property, the multiple use categories will apply where:
- (a) a portion is used for residential purposes other than residential purposes that is incidental to the farming activity; or
  - (b) a portion is used for non-residential and non-agricultural purposes.

## 11. CATEGORIES OF OWNERS

Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to the:

- (a) indigent status of the owner of a property
- (b) sources of income or/and monthly household income of the owner of a property
- (c) owners of property situated within an area affected by
  - (i) a disaster within the meaning of the Disaster Management Act, 2002 (Act no 57 of 2002; or
  - (ii) any other serious adverse social or economic conditions;
- (d) owners of residential properties with a market value below a determined threshold; or
- (e) owners of agricultural properties who are bona fide farmers.

## 12. LEVYING OF RATES

### 12.1 Liability for rates by property owners:

Rates levied by a municipality on a property must be paid by the owner of the property, subject to section 9 of the Municipal Systems Act. Joint owners are jointly and severally liable for the amount due for rates on that property. In a case of agricultural property owned by more than one owner in undivided shares where the holding of such undivided shares was allowed before the commencement of the subdivision of the Agricultural Land Act (Act 70 of 1970) the municipality may consider the following options for determining the liability for rates:

- (a) If the joint owners are all available, the issue of who is liable for rates will be dealt with in the context of whether they have entered into an agreement or not regarding payment of rates liabilities. Where the joint owners have a written agreement that a specific joint owner is liable for all the rates, the municipality will hold such a joint owner liable in respect of all the rates. A certified copy of the agreement must be submitted to the municipality. Where there is no agreement, the municipality will hold anyone of the joint owners responsible for the whole property or hold any joint owner only liable for his undivided share
- (b) If the joint owners are not traceable with the exception of one joint owner and such joint owner is occupying or using the entire property or a significant larger portion the municipality will hold that joint owner liable for the total rates bill.
- (c) If the traceable joint owner is only using or occupying a small portion of the entire property, the municipality will hold that joint owner only responsible for his own undivided share in that property

## 12.2 Method and time of payment

The municipality will recover the rate levied in periodic instalments of equal amounts in twelve months. The instalment is payable on or before the 15th day of every month, following the month in which it has been levied. Interest will be charged at 1% above the prime interest rate for any late payments received.

## 12.3 Annual Payment Arrangements

By prior arrangement with the municipality the rate may be paid in a single amount before 30 September of the year it is levied in, however, application must be submitted before 31 May prior to the financial year of implementation of the arrangement. The Director: Financial Services will consider any applications after this date.

## 12.4 Recovery of arrear rates

### (a) from owner

As soon as the annual rates becomes overdue or the monthly rates have been raised for the remaining months in the financial year, an overdue notice must be issued on the owner at the address selected by the owner. If there is no response from the owner, a further overdue notice should be served at the property with a rider that the services to the property will be terminated within a reasonable period, the minimum being 30 days, should the rates not be paid or satisfactory arrangements made. This notice should enquire whether the occupier is paying rent and other monies to an agent of the owner and the state that the municipality can, legally, attach the net payment. (I.e. gross receipts by the agent less commission due to the agent on those gross receipts) due to the owner by the agent to settle the arrears. Should the tenant refuse to co-operate, the services should be disconnected and the other debt management actions implemented

### (b) from tenants, occupiers and agents

If an amount due for rates levied in respect of a property is unpaid after the day determined, the municipality may recover the amount in whole or in part from a tenant or occupier of the property. The amount the municipality might recover from the tenant or occupier of the property is limited to the amount of the rent or other money due and payable by the tenant or occupier to the owner of the property. Any amount the municipality recovers from the tenant or occupier of the property may be set off, by the tenant or occupier, against any money owed by the tenant or occupier to the owner. The municipality may recover the amount due for rates from an agent of the owner after it has given written notice to that agent or person. The amount the municipality may recover from the agent or other person is limited to the amount of that rent received by the agent or person, less the commission due to that agent or person. (Subject to the Estate Agents Act, 1976 (Act No. 112 of 1976). The agent or other person must, on request by the municipality, furnish the municipality with a written statement specifying all payments for rent on the property received by that agent or person during a period determined by the

municipality. If the managing agent is identified through the tenant's assistance, a copy of the notice, which was served on the tenant, must be served on the agent stating that failure to co-operate would lead to action being taken against the agent as well as the termination of the services at the supply address. Should the payments by the agent not be able to redeem the arrears within the next 12 months, the monies must be attached and the next step in the debts management plan of the municipality implemented. The municipality may however decide to extend the 12 month period to such longer period that they deem fit based on the merit

## 12.5 Deferral of payment of rates liabilities

The municipality will consider each and every application for deferral of rates, taking into account the merits and demerits of each and the financial implications thereof in so far the cash-flow of the municipality is concerned.

## 12.6 Supplementary Valuation Debits

12.6.1 In the event that a property has been transferred to a new owner and a Supplementary Valuation took place, the previous owner as well as the new owner will jointly and separately be held responsible for the settling the supplementary rates account.

- (a) Incorrectly omitted from the valuation roll;
- (b) Included in a municipality after the last general valuation;
- (c) Subdivided or consolidated after the last general valuation;
- (d) Of which the market value has substantially increased or decreased for any reason after the last general valuation;
- (e) Substantially incorrectly valued during the last valuation; or
- (f) That must be revalued for any other exceptional reason

12.6.2 Rates on a property, based on the valuation of that property in a supplementary valuation roll become payable with effect from –

- (a) The effective date of the supplementary roll, in the case of a property referred to in, 5.1 a, e or f.
- (b) The date on which the property was included in the municipality, in the case of a property referred to in 5.1b.
- (c) The date on which the subdivision or consolidation of the property was registered in the Deeds Office, in the case of a property referred to in 5.1 (c); or
- (d) The date on which the event referred to in subsection 5.1(d) has occurred

## 12.7 Ownership

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

### **12.8 Clearance Certificate**

Rates Clearance Certificates will be valid until 30 June of a financial year, if monies paid in full until such a date. However, should attorneys request to extend the certificate for 120 days beyond this date, and this extension of time surpasses the date of 30 June the full New Year's rates or estimated rates become payable in full.

### **12.9. Levying of rates on property in sectional title scheme**

A rate on property, which is subject to a sectional title scheme, will be levied on the individual sectional title units in the scheme.

## **13. DIFFERENTIAL RATES**

### **13.1 Criteria for differential rating on different categories of properties**

The following has been taken into consideration for the purpose of differential rating:

- (a) The nature of the property, including its sensitivity to rating e.g. agricultural properties used for farming purposes.
- (b) Vacant land may be rated higher (in terms of cent amount in a rand) as the municipality is encouraging owners of vacant land to develop it and that owners should not use the vacant land for speculation purpose.
- (c) Promotion of social and economic development of the municipality.

### **13.2 Differential rating among the various property categories will be done by way of setting different Cent amount in the Rand for each property category, rather than by way of reductions and rebates. This method is much easier for rate payers to understand and promotes the principle of transparency**

- (a) Differential rates will be based on the extent to which community services contemplated in Section 7(1) (c) and subsidised services in 7(1) (d) of this policy are provided by the municipality in respect of categories of properties contemplated in Section 8 of the policy.
- (b) The Director: Financial Services will annually calculate the costs of these services and determine through a public participation process to which extent these services are used by the various categories of ratepayers.

Inputs from representatives from the various categories of ratepayers must be considered and agreed upon.

- (c) Different categories of properties may pay different rates in the rand based on the market value of their properties.

## 14. IMPERMISSIBLE RATES

14.1 A municipality may not levy the following rates in terms of sections 16 (1) and 17 (1) of the Act:

- (a) Rates that would prejudice national economic policies.
- (b) Rates that would prejudice economic activities across boundaries
- (c) Rates that would prejudice national mobility of goods, services, capital or labour
- (d) On the first 30% of market value of public service infrastructure
- (e) On any part of the seashore as defined in the Seashore Act
- (f) On any part of the territorial waters of the Republic in terms of the Marine Zones Act (15/1994)
- (g) On any island of which the state is the owner including the Prince Edward Islands
- (h) On a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act no 57 of 2003), or of a national botanical garden within the meaning of the National Environment Management: Biodiversity Act of 2004 (Act no 10 of 2004) which are not developed or used for commercial, business or residential agricultural purposes.
- (i) On a mineral right within the definition of property
- (j) On a property belonging to a land reform beneficiary or his or her 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
- (k) On the first R15, 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined as residential property or multiple used property provided that one or more component is used for residential purposes.
- (l) On 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 is, officiates at services at that place of worship.

***(The exclusion lapses if not used for the purposes as indicated above)***

## 15. EXEMPTIONS, REBATES AND REDUCTIONS

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

In determining whether a property forms part of a particular category indicated, 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, the permitted use (zoning) of the property shall determine into which category it falls. Municipal properties shall include properties owned by municipal entities.

**NOTE: In terms of Section 17(1)(h) of the Property Rates Act, 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, is exempt from the payment of rates. This amount is R15 000.**

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

- 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.
- The need to accommodate indigents, less affluent pensioners and people depending on social grants for their livelihood.
- Owners temporarily without income
- The services provided to the community by public service organisations.
- 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.
- The need to preserve the cultural heritage of the local community.
- The need to encourage the expansion of public service infrastructure.
- The indispensable contribution which property developers (especially in regard to commercial and industrial property development) make towards local economic development and the continuing needs to encourage such development.
- Owners of property situated within an area affected by a disaster within the meaning of the Disaster management Act or any other serious social or economic conditions
- Owners of residential properties with a market value lower than an amount determined by the municipality
- The requirements of the Property Rates Act no. 6 of 2004.

The municipal manager shall ensure that the revenues forgone in respect of the foregoing rebates etc. are appropriately disclosed in each annual operating budget component, in the annual financial statements and annual report as stipulated in section 15(3) &(4) of the act and that such rebates are also clearly indicated on the rates accounts submitted to each property owner.

All applications must be addressed in writing on the prescribed application form to the municipality;

A SARS tax exemption certificate / sufficient proof of status / income of household / affidavits for proof of reasons / identity documents must be attached to all applications; Applicants must occupy the property and not be the owner of more than one property; Where the owner is for acceptable reasons due to no fault of his/her own unable to occupy the property, the spouse or minor children may satisfy the occupancy requirements; The municipal manager or his/her nominee must approve all applications;

Applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought; and the municipality retains the right to refuse exemptions if the details supplied in the application form were incomplete, incorrect or false.

Applications for Agricultural properties must reach the municipality by 30 September preceding the start of the new municipal financial year for which relief is sought. The last tax assessment proving the owner is taxed by SARS as a bona fide farmer must be attached to the application.

## 15.1 EXEMPTIONS

Categories of properties & owners exempted from the rates levy:

- (a) municipal properties
- (b) municipal public infrastructure
- (c) informal settlements
- (d) museums
- (e) national monuments
- (f) property lower in value than the amount determent by the municipality
- (g) a right registered against immovable property
- (h) public benefit organisations uses their property for specific public benefit activities and listed in part 1 of the 9th schedule of the Income Tax Act **Including those owners within the same income group.**
- (i) Cemeteries & Crematoriums

Applications for Public Benefit organizations must reach the municipality before end October preceding the start of the new municipal financial year in which relief is sought. A tax exemption certificate issued by the South African Revenue Services(SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act ,1962 No 58 of 1962.The municipal manager or his nominee must approve all applications.

## 15.2 REBATES

### 15.2.1 Categories of properties & owners where rebates will be considered:

- (a) Rebates in respect of income categories: The following owners may be granted a rebate on or a reduction in the rates payable on their property if they meet the following criteria
- (i) Registered owner of the property that resides on the property;
  - (ii) Income must not exceed an amount annually set by the Council
- (b) Public benefit organisations:
- (i) **Welfare and humanitarian:**  
Rateable property registered in the name of an institution or organisation, which, in the opinion of the council, performs welfare and humanitarian work as contemplated in the ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962). Rateable property, registered in the name of a trustee or trustees or any organisation, which is maintained for the welfare of war veterans.
  - (ii) **Cultural:**  
Rateable property registered in the name of Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any other organisation which in the opinion of the council is similar or any rateable property let by a council to any of the said organizations. The promotions, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, proclaimed national heritage sites, museums, including art galleries, archives and libraries.
  - (iii) **Sports:**  
Sports grounds used for the purpose of amateur and any social activities, which are connected with such sport. **Sport grounds and sport clubs used for the purpose of amateur and social activities, which are connected with such sport, which in the opinion of council is similar to other properties which council let premises to**
    - Land not earmarked for development
    - Land with improvement on separate even of (a) above: (clubhouses etc)
    - This category excludes sport facilities within private developments Properties within this category shall be rated at the tariff equivalent to residential or residential vacant, respectively.
  - (iv) **Conservation, environment and animal welfare:**  
Properties that is in the name if an organisation or institution, that is engaging in the conservation, rehabilitation or protection of the natural environment, including flora and fauna. Rateable property registered in the name of an institution or organisation, which has as its exclusive objective the protection of tame or wild animals or birds.

(v) ***Education and development:***

Rateable property registered in the name of an educational institution established, declared or registered by or under any law.

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(vi) **Health care:**

Rateable property registered in the name of an institution or organisation which has as its exclusive objective is health care or counselling of terminally ill persons or persons with a severe physical or mental disability and persons affected with HIV/AIDS.

## (c) Agricultural (Experimental Farms)

Rateable property, registered in the name of an agricultural society affiliated to or recognised by the South African Agricultural Union, which is used for the purposes of such a society.

## (d) Municipal property and usage:

A pro-rata rebate will be granted where the municipality is engaged in land sales transactions which have taken place after the financial year has started. Where the municipality register a road reserve or servitude on a privately owned property a pro-rata rebate equal to the value of the reserve or servitude will be given to the owner of the property.

## (e) Municipal interim valuation:

When a municipal interim valuation is effected during a financial year a pro-rata rebate will be given from the beginning of the financial year until the interim valuation became effective as per Section 78 (2) b of the Act

## (f) Rateable property registered in the name of the Council, if such property is used in supplying electricity, water, or sewerage service

## (g) State hospitals, state clinics and institutions for mentally ill persons, which are not operated for gain;

## (h) Rateable property registered in the name of an institution or organisation which, in the opinion of the Council, performs charitable work;

## (i) Owners of agricultural properties who are bona fide farmers and Owners of agricultural properties use for eco-tourism, game farming and hunting. When considering grants on property used for agricultural purposes the council must take into account the following factors:

(i) The extent of municipal services provided to such property  The contribution of agriculture to the local economy

(ii) The assistance of agriculture to meet the service delivery- and development obligations of the municipality and

(iii) The contribution to the social and economic welfare of the farm workers. These proposals also apply to the mining sector. The following rebate may be applicable to bona fide farmers.

15.2.2 The rate ratio that the Minister for Provincial and Local Government in concurrence with the Minister of Finance from time to time may determine and publish in the Government Gazette

15.2.3 Grants-in-lieu-of-rates will be granted subject to:

- (a) A certificate issued by the registered auditor of the organisation or institution stating that the activities performed is not for gain.
- b) A certified income and expenditure statement and balance sheet that indicate the inability to pay for rates.
- (c) An assessment by the Chief Financial Officer, which indicates that the organization or institution qualifies in terms of council's policy.
- (d) Council's approval on annually providing credible proof of the ratepayers' circumstances/needs to the municipality

15.2.4 Applications for the rebate must be submitted before the end of October preceding the new financial year for which relief is sought.

#### **MUNICIPALITY TO DECIDE ACCORDING TO THEIR CIRCUMSTANCES/NEEDS WHAT PERCENTAGE REBATE TO GRANT**

### **15.3 REDUCTIONS**

Categories of property to be granted a re

- 15.3.1 A reduction in the municipal valuation as contemplated in section 15(1) (b) of the Act will be granted where the value of a property is affected by fire damage, demolition or floods or any area declared as a disaster area in terms of the Disaster Management Act The reduction will be in relation to the certificate issued for this purpose by the municipal valuer
- 15.3.2 any other serious adverse social or economic condition;
- 15.3.3 Management of rates shocks: The municipality may 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 the new valuation roll by phasing-in the new market value as reflected in the valuation roll over the four year life cycle of the valuation role or by reducing the rate in the Rand levied on the new valuation roll drastically

## **16. COMPULSORY PHASING-IN OF CERTAIN RATES**

Rates levied on newly rateable properties must be phased in over a period of three years; the MEC for local government may extend, on written request by the municipality, this period to a maximum of six financial years.

When extending a phasing-in period, the MEC must determine the minimum phasing-in discount on the rate payable during each financial year in the extended period.

## **17. COSTS OF EXEMPTIONS, REBATES, REDUCTIONS, PHASING IN OF RATES AND GRANTS-IN-LIEU OF RATES**

- 17.1 During the budget process the Director: Financial Services must inform council of all the costs associated with the suggested exemptions, rebates, reductions, phasing in of rates and grants-in-lieu of rates.
- 17.2 Provisions must be made in the operating budget
- (a) for the full potential income associated with property rates; and
  - (b) for the full costs associated with exemptions, rebates, reductions, phasing in of rates and grants-in-lieu of rates.
  - (c) Projections regarding revenue foregone for a financial year in relation to exemptions, rebates, reductions, exclusions, phasing – in etc. must be reflected in the council's annual budget for that year.
  - (d) A list of all exemptions, rebates, reductions, exclusions, phasing in etc. must be tabled before council.

## **18. SPECIAL RATING AREA**

The municipality may by council resolution determine an area within its boundaries as a special rating area for the purpose of raising funds for improving or upgrading that area; and differentiate between categories of property when levying an additional rate

Before determining a special rating area the municipality must consult the local community on the proposed boundaries of the area, the proposed improvement or upgrading of the area and obtain the consent of the majority of the ratepayers in that proposed special rating area. The municipality must determine the boundaries and indicate how the area is to be improved or upgraded by the funds derived from the additional rate. Establish a separate accounting and record-keeping system regarding the revenue generated by the special rate and the improvement or upgrading of the area.

The municipality may establish a committee composed of persons representing the community to act as a consultative and advisory forum. Representivity, including gender must be taken into account when such a committee is established

## 19. RATE INCREASES

- 19.1 The municipality shall consider increasing rates annually during the budget process taking into account the following criteria:
- (a) Priorities of the municipality reflected in its Integrated Development Plan (IDP)
  - (b) The revenue needs of the municipality
  - (c) The need for management of rates shocks (iv) Affordability of rates to ratepayers
- 19.2 Rates increases will be used to finance the increase in operating costs of community and subsidised services.
- 19.3 Relating to community and subsidised services:-
- (a) The following annual adjustments will be made:-
    - (i) All salary and wage increases as agreed at the National Bargaining Council.
    - (ii) An inflation adjustment for general expenditure, repairs, maintenance, and contributions to funds.
    - (iii) Additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.
- 19.4 Extraordinary expenditure not foreseen during the previous budget period and approved by the council during a budget review process will be financed by an increase in property rates.
- 19.5 All increases in the property rates will be communicated to the local community in terms of the council's policy on community participation
- 19.6 The Minister may, with the concurrence of the Minister of Finance and by notice in the Gazette, set an upper limit on the percentage by which rates on property categories or a rate on a specific category of properties may be increased; or the total revenue derived from rates on all property categories or a rate on a specific category of properties may be increased.

## 20. DISREGARDED ITEMS FOR VALUATION PURPOSES

- 20.1 The following must not be taken into account in determining the market value of a property:
- (a) Any building or other immovable structure under the surface of the property which is the subject matter of any mining authorization or mining right defined in the Mineral and Petroleum Resources Development Act, 2002 (Act no 28 of 2002)
  - (b) the value of any equipment or machinery which, in relation to the property concerned, is immovable property, excluding-
    - (i) a lift
    - (ii) an escalator
    - (iii) an air-conditioning plant

- (iv) fire extinguishing apparatus
  - (v) a water pump installation for a swimming pool or for irrigation or domestic purposes; and
  - (vi) any other equipment or machinery that may be prescribed; and
- (c) an unregistered lease in respect of the property
- (d) in respect of property used for agricultural purposes the value of any annual crops or growing timber on the property that have yet not been harvested at the date of valuation.

## **21. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENTS**

21.2 The municipality may grant rebates to organisations that remotes local, social and economic development in its area of jurisdiction based on the criteria determined in its local, social and economic development policy. The following criteria will apply:

- (a) job creation in the municipal area;
- (b) social upliftment of the local community; and poverty alleviation to the indigents
- (c) improve local economic growth
- (d) promote service delivery

## **22. REGISTER OF PROPERTIES**

The Chief Financial Officer must draw up and maintain a register of properties as contemplated in section 23 of the Act.

## **23. NOTIFICATION OF RATES**

23.1 The council will give notice of all rates approved at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days notice will be based on the new rates.

23.2 A notice stating council's resolution, date on which the new rates shall become operational will be published in the media and the Provincial Gazette and displayed by the municipality at places installed for that purpose.

## **24. CORRECTION OF ERRORS AND OMISSIONS**

Where the rates levied on a particular property have been incorrectly determined, whether by 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 because 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.

## **25. FREQUENCY OF VALUATIONS**

The municipality shall prepare a new valuation roll every 4 (four) years and a supplementary valuation roll annually.

## **26. GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS**

A municipality intending to levy a rate on property must cause a general valuation to be made of all properties in the municipality, and must prepare a valuation roll of all properties in terms of such valuation. All rateable properties in a municipal area must be valued during such general valuation, including all properties fully or partially excluded from rates in terms of Section 17 of the present Act. However, if the municipality does not intend to levy rates on its own property, on public service infrastructure owned by a municipal entity, on rights in properties, and on properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racial discrimination, the municipality is not obliged to value such properties as part of the valuation process. A municipality may also apply to the Minister for exemption from the obligation to value properties excluded from rates in terms of Section 17 if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity. Properties which have not been valued, because of any of the foregoing considerations, must nevertheless be included in the valuation roll.

## **27. DATE OF VALUATION**

For the purposes of a general valuation a municipality must determine a date that may be not more than 12 months before the start of the financial year in which the valuation roll is to be first implemented. The general valuation must reflect the market values of properties in accordance with market conditions which apply as at the date of the valuation, and in accordance with any other applicable provisions of the present Act.

## **28. COMMENCEMENT AND PERIOD OF VALIDITY OF VALUATION ROLLS**

A valuation roll takes effect from the start of the financial year following completion of the public inspection period required by the present Act, and remains valid for that financial year or for one or more subsequent financial years, as the municipality may decide, but in total not for more than four financial years. Section 32(2) provides for the extension of the period of validity of the valuation roll by the MEC for Local Government, but only up to a period of five financial years, and only in specified circumstances.

## **29. GENERAL BASIS OF VALUATION**

The market value of a property is the amount the property would have realised if sold on the date of valuation in the open market by a willing seller to a willing buyer.

## **30. VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES**

When valuing a property which is subject to a sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme.

## **31. GENERAL**

A municipality must regularly, but at least once a year, update its valuation roll by causing a supplementary valuation roll to be prepared, or the valuation roll itself to be amended.

## **32. ENFORCEMENT / IMPLEMENTATION**

This policy has been approved by the Municipality in terms of resolution dated .....and comes into effect from.....

## **33. LEGAL REQUIREMENTS**

A paraphrase and in some instances an abridgement of the key requirements of the Local Government: Property Rates Act no. 6 of 2004 is attached as an Addendum "A" to this policy.

## 34. REPORTING

- 34.1 The municipal manager must annually table in the Council:
- (a) a list of all exemptions, reductions and rebates granted by the Municipality during the previous financial year; and
  - (b) a statement reflecting the income, which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates.
- 34.2 All exemptions, reductions and rebates projected for a financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side. Debtors can at any time pay a higher instalment than those described above.

## ANNEXURE A

### LEGAL REQUIREMENTS

#### CAUTIONARY NOTE

This paraphrase is not meant to cover the complete contents of the Property Rates Act, but is focused rather on those requirements, which are immediately relevant to a municipality's rates policy. Thus, the section dealing with transitional arrangements has been omitted, and so have most of the provisions dealing with the valuation process.

#### SECTION 2: POWER TO LEVY RATES

A metropolitan or local municipality may levy a rate on property in its municipal area. A municipality 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 present Act, the regulations pertaining thereto and the rates policy it must adopt in terms of this Act.

#### SECTION 3: ADOPTION AND CONTENTS OF RATES POLICY

Logical order of processes for implementation of the Act.

- (a) Rates policy development and adoption including categorization of properties for the purpose of compiling the valuation roll.
- (b) Compilation of the valuation roll in order to determine the market value of properties so as to inform the determination of a reasonable amount in a Rand to be determined in respect of the various categories of rateable property taking into account the budget.
- (c) Tabling of the municipal budget accompanied by an adopted rates policy in terms of section 3 (2) of the Act. Section 3 (3) (e) of the Act must be complied with by providing a general description of that which may be foregone by the municipality without quantifying it in Rand & Cent

The council of a municipality must adopt a policy consistent with the present Act on the levying of rates on rateable property in the municipality.

Such a rates policy will take effect on the effective date of the first valuation roll prepared by the municipality in terms of the present Act, and such policy must accompany the municipality's budget for the financial year concerned when that budget is tabled in the council in terms of the requirements of the Municipal Finance Management Act.

A rates policy must:

- treat persons liable for rates equitably;
- determine the criteria to be applied by the municipality if it: - levies different rates for different categories of property; -
- exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties;

- grants to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties; or - increases rates;
- determine or provide criteria for the determination of categories of properties for the purposes of levying different rates, and categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions;
- determine how the municipality's powers in terms of Section 9 must be exercised in relation to properties used for multiple purposes;
- identify and quantify in terms of cost to the municipality and any benefit to the local community, exemptions, rebates and reductions; exclusions; and rates on properties that must be phased-in in terms of Section 21;
- take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;
- take into account the effect of rates on organisations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organisations for those activities;
- take into account the effect of rates on public service infrastructure;
- allow the municipality to promote local, social and economic development; and
- identify, on a basis as may be prescribed, all rateable properties in the municipality that are not rated in terms of Section 7.

When considering the criteria to be applied in respect of any exemptions, rebates and reductions on properties used for agricultural purposes, a municipality must take into account:

- the extent of services provided by the municipality in respect of such properties;
- the contribution of agriculture to the local economy;
- the extent of which agriculture assists in meeting the service delivery and development obligations of the municipality; and
- the contribution of agriculture to the social and economic welfare of farm workers.

Any exemptions, rebates or reductions granted and provided for in the rates policy adopted by a municipality must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organized local government.

No municipality may grant relief in respect of the payment of rates to:

- a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, rebate or reduction as

provided for in its rates policy and granted in terms of Section 15 of the present Act; or

- the owners of properties on an individual basis.

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#### **SECTION 4: COMMUNITY PARTICIPATION**

Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Municipal Systems Act; and comply with the following requirements, as set out below.

The municipal manager of the municipality must:

- conspicuously display the draft rates policy for a period of at least 30 days at the municipality's head and satellite offices and libraries, and, if the municipality has an official website or a website available to it, on that website as well; and
- publish in the media a notice stating that a draft rates policy has been prepared for submission to the council, and that such policy is available at the various municipal offices for public inspection, and (where applicable) is also available on the relevant website; and inviting the local community to submit comments and representations to the municipality within a period specified in the notice, but which period shall not be less than 30 days.

The council must take all comments and representations made to it into account when it considers the draft rates policy.

#### **SECTION 5: ANNUAL REVIEW OF RATES POLICY**

The council must annually review, and – if needed – amend its rates policy. Any amendments to the rates policy must accompany the municipality's annual budget when it is tabled in the council in terms of the Municipal Finance Management Act. When the council decides to amend the rates policy, community participation must be allowed for as part of the municipality's annual budget process.

#### **SECTION 6: BY-LAWS TO GIVE EFFECT TO RATES POLICY**

A municipality must adopt by-laws to give effect to the implementation of its 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.

#### **SECTION 7: RATES TO BE LEVIED ON ALL RATEABLE PROPERTY**

When levying rates a municipality must levy such rates on all rateable property in its area, but it is nevertheless not obliged to levy rates on:

- properties of which the municipality itself is the owner;
- public service infrastructure owned by a municipal entity;
- rights registered against immovable property in the name of a person;
- properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure attributable to past racially discriminatory laws or practices.

The requirement to levy rates on all rateable properties does not prevent a municipality from granting exemptions or rebates on, or reductions in rates levied.

### **SECTION 8: DIFFERENTIAL RATES**

A municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of rateable property, and these categories may be determined according to the:

- use of the property;
- permitted use of the property; or
- geographical area in which the property is situated.

Categories of rateable property that may be determined include the following:

- residential properties
- industrial properties
- business and commercial properties
- farm properties used for:
  - agricultural purposes
  - other business and commercial purposes
  - residential purposes
  - industrial
  - eco-tourism
  - game farming and hunting
  - purposes other than those specified above
- farm properties not used for any purpose
- smallholdings used for: -
  - agricultural purposes
  - residential purposes
  - industrial purposes
  - business and commercial purposes
  - eco-tourism
  - game farming and hunting
  - purposes other than those specified above
- state owned properties
- municipal properties
- public service infrastructure
- privately owned towns serviced by the owner
- formal and informal settlements
- communal land
- state trust land

- properties acquired through the provision of Land Assistance Act 1993 or the Restitution of Land Rights Act 1994 or which is subject to the Communal Property Associations Act 1996
- protected areas
- properties on which national monuments are proclaimed
- properties owned by public benefit organisations and used for any specific public benefit activities
- properties used for multiple purposes.

#### **SECTION 9: PROPERTIES USED FOR MULTIPLE PURPOSES**

A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for:

- a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated;
- a purpose corresponding with the dominant use of the property; or
- multiple purposes, as specified in Section 8 above.

A rate levied on a property assigned to a category of properties used for multiple purposes must be determined by:

- apportioning the market value of the property, in a manner as may be prescribed to the different purposes for which the property is used; and
- applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments.

#### **SECTION 10: LEVYING OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES**

A rate on a property, which is subject to a sectional title scheme, must be levied on the individual sectional title units in the scheme, and not on the property on a whole.

#### **SECTION 11: AMOUNT DUE FOR RATES**

A rate levied by a municipality on property must be stated as an amount in the rand:

- on the market value on the property;
- in the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value;
- in the case of property to which Section 17(1)(h) applies, on the market value of the property less the amount stated in that section (note the section concerned deals with the requirement that the first R15 000 of the market value of certain properties is not rateable).

#### **SECTION 12: PERIODS FOR WHICH RATES MAY BE LEVIED**

In levying rates, a municipality must levy the rate for a financial year. A rate lapses at the end of the financial year for which it was levied.

The levying of rates forms part of the municipality's annual budget process, and the municipality must therefore annually, at the time of its budget process, review the amount in the rand of its current rates in line with the annual budget for the next financial year.

### **SECTION 13: COMMENCEMENT OF RATES**

A rate becomes payable as from the start of the particular financial year, or if the municipality's annual budget is not approved by the start of the financial year, as from such later date when the municipality's annual budget, including the resolution levying the rates, is approved by the provincial executive in terms of section 26 of the Municipal Finance Management Act.

### **SECTION 14: PROMULGATION OF RESOLUTIONS LEVYING RATES**

A rate is levied by a municipality by a resolution passed by the council with a supporting vote of a simple majority of its members.

The resolution for levying the rates must be promulgated by publishing the resolution in the provincial gazette.

Whenever a municipality passes a resolution to levy rates, the municipal manager must, without delay, conspicuously display the resolution for a period of at least 30 days at the municipality's head and satellite offices and libraries, and if the municipality has an official website or a website is available to it, on that website as well; and advertise in the media a notice stating that the resolution levying the property rates has been passed by the council, and that the resolution is available at the municipality's head and satellite offices as so forth.

### **SECTION 15: EXEMPTIONS, REDUCTIONS AND REBATES**

A municipality may in terms of the criteria, which it has set out in its rates policy:

- exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of the rate levied on their property; or
- grant to a specific category of owners, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.
- In granting exemptions, reductions and rebates in respect of owners or categories of properties, a municipality may determine such categories in accordance with Section 8 of the Act, and when granting exemptions, reductions or rebates in respect of categories of owners of properties, such categories may include:

- indigent owners;
- owners dependent on pensions or social grants for their livelihood including owners of properties within the income group of pensions or social grants
- owners temporarily without income;
- owners of property situated within an area affected by a disaster or any other serious adverse social or economic conditions;
- owners of residential properties with a market value lower than an amount determined by the municipality; and
- owners of agricultural properties who are bona fide farmers.
- owners of eco-tourism properties

The municipal manager must annually table in the council:

- a list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
- a statement reflecting the income, which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates, exclusions referred to in the Act, and the phasing in discount granted in terms of Section 21.

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

#### **SECTION 16: CONSTITUTIONALLY IMPERMISSIBLE RATES (ABRIDGED)**

In terms of the Constitution, a municipality may not exercise its power to levy rates on property in a manner that materially and unreasonably prejudices national economic policies, economic activities across its boundaries, or the national mobility of goods, services, capital and labour.

If a rate on a specific category of properties, or a rate on a specific category of owners of properties above a specific amount in the rand, is materially and unreasonably prejudicing any of the matters referred to above, the Minister of Provincial and Local Government may, by notice in the gazette, give notice to the relevant municipality that the rate must be limited to an amount in the rand specified in the notice.

#### **SECTION 17: OTHER IMPERMISSIBLE RATES (ABRIDGED)**

A municipality may not levy a rate on:

- the first 30% of the market value of public service infrastructure;  any part of the seashore;
- any part of the territorial waters of the Republic;

- any islands of which the state is the owner;
- those parts of a special nature reserve, national park or nature reserve or national botanical garden which are not developed or used for commercial, business, agricultural or residential purposes;
- mineral rights;
- property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses 10 years from the date on which such beneficiary's title was registered in the office of the registrar of deeds;
- the first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined by the municipality for residential purposes or for properties used for multiple purposes, provided one or more components of the property are used for residential purposes;
- 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 and who officiates at services at that place of workshop.

(The remainder of this Section deals with situations where the various exemptions lapse).

#### **SECTION 18: EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 17**

The municipality may apply in writing to the Minister for Provincial and Local Government to be exempted from applying the exemptions granted in respect of the first 30% of the market value of public infrastructure, the exemptions on nature reserves, national parks and national botanical gardens, the exemption on property belonging to land beneficiaries, and the exemption applying to the first R15 000 of the market value of residential and multiple used property. If the municipality can demonstrate that such exclusions are compromising or impeding its ability or right to exercise its powers or perform its functions within the meaning of the Constitution.

#### **SECTION 19: IMPERMISSIBLE DIFFERENTIATION**

A municipality may not levy:

- different rates on residential properties (except where transitional arrangements apply or where some of the properties are newly rateable) as [provided for in terms of section 11(i) (b) and section 89 of the act supra.
- a rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;
- rates which unreasonably discriminate between categories of non-residential properties; and
- additional rates, except as provided for in Section 22.

- The municipality will comply with the ratios set by the Minister of Provincial and Local Government in concurrence with the Minister of Finance.

## **SECTION 20: LIMITS ON ANNUAL INCREASES OF RATES**

The Minister of Provincial Local Government may, with the concurrence of the Minister of Finance and by notice in the gazette, set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased. Different limits may be set for different kinds of municipalities or different categories of properties.

The Minister may, on written application by a municipality, and on good cause shown, exempt such municipality from a limit set in terms of the foregoing. This section must be read with section 43 of the Municipal Finance Management Act

## **SECTION 21: COMPULSORY PHASING IN OF CERTAIN RATES**

A rate levied on newly rateable property must be phased in over a period of three financial years. Similarly, a rate levied on property owned by a land reform beneficiary must, after the exclusion period of ten years has lapsed, be phased in over a period of three financial years.

A rate levied on a newly rateable property owned and used by organisations conducting specified public benefit activities must be phased in over a period of four financial years.

The phasing in discount on a property must:

- in the first year, be at least 75% of the rate for that year otherwise applicable to that property;
- in the second year, be at least 50% of the rate for that year otherwise applicable to that property, and;
- in the third year, be at least 25% of the rate for that year otherwise applicable to that property.

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.

## **SECTION 22: SPECIAL RATING AREAS (ABRIDGED)**

A municipality may by a resolution of its council determine an area within that municipality as a special rating area, levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area, and differentiate between categories of properties when levying such additional rate.

For determining such a special rating area, the municipality must undertake a prescribed process of consultation with the local community, and obtain the consent of the majority of the members of the local community in the proposed special rating area who will be liable for paying the additional rate.

The levying of an additional rate may not be used to reinforce existing inequities in the development of the municipality, and any determination of a special rating area must be consistent with the objectives of the municipality's IDP.

### **SECTION 23: REGISTER OF PROPERTIES**

The municipality must draw up and maintain a register in respect of all properties situated within that municipality, dividing such register into a part A and a part B. Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls prepared from time to time.

Part B of the register specifies which properties on the valuation roll or any supplementary valuation rolls are subject to:

- an exemption from rates in terms of Section 15 of the present Act;
- a rebate on or a reduction in the rate in terms of Section 15;
- a phasing in of the rate in terms of Section 21; and
- exclusion referred to in Section 17.

The register must be open for inspection by the public during office hours, and if the municipality has an official website or a website available to it, the register must also be displayed on that website.

The municipality must at regular intervals, but at least annually, update part B of the register.

### **SECTION 24: PROPERTY RATES PAYABLE BY OWNERS**

The owner of the property must pay a rate levied by a municipality on 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 must 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.

### **SECTION 25: PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES**

The rate levied by a municipality on a sectional title unit is payable by the owner of the unit. The municipality may not recover the rate on such sectional title unit, or any

part of such rate, from the body corporate controlling the sectional title scheme, except when the body corporate itself is the owner of any specific sectional title unit.

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**SECTION 26: METHOD AND TIME OF PAYMENT**

A municipality must recover a rate on a monthly basis, or less often as may be prescribed in terms of the Municipal Finance Management Act, or annually, as may be agreed to with the owner of the property. If the rate is payable in a single annual amount, it must be paid on or before a date determined by the municipality.

If the rate is payable in instalments, it must be paid on or before a date in each period determined by the municipality. Payment of rates may be deferred but only in special circumstances

**SECTION 27: ACCOUNTS TO BE FURNISHED**

A municipality must furnish each person liable for the payment of a rate with a written account specifying:

- the amount due for rates payable;
- the date on or before which the amount is payable;
- how the amount was calculated;
- the market value of the property;
- if the property is subject to any compulsory phasing in discount in terms of Section 21, the amount of the discount, and
- if the property is subject to any additional rate in terms of Section 22, the amount due for additional rates.

The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, that person must make the necessary enquiries from the municipality.

**SECTION 28: RECOVERY OF RATES IN ARREARS FROM TENANTS AND OCCUPIERS**

If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined for payment by the municipality, the municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. The municipality may recover an amount only after it has served a written notice on such tenant or occupier.

The amount that the municipality may recover from the tenant or occupier is limited to the amount of the rent or other money due or payable, but not yet paid, by such tenant or occupier to the owner of the property.

**SECTION 29: RECOVERY OF RATES FROM AGENTS**

A municipality may recover the amount due for rates on a property in whole or in part from the agent of the owner, if this is more convenient for the municipality, but only after the municipality has served a written notice on the agent in this regard.

The amount that the municipality may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.

### **SECTION 30: GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS**

A municipality intending to levy a rate on property must cause a general valuation to be made of all properties in the municipality, and must prepare a valuation roll of all properties in terms of such valuation.

All rateable properties in a municipal area must be valued during such general valuation, including all properties fully or partially excluded from rates in terms of Section 17 of Act. However, if the municipality does not intend to levy rates on its own property, on public service infrastructure owned by a municipal entity, on rights in properties, and on properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racial discrimination, the municipality is not obliged to value such properties as part of the valuation process.

A municipality may also apply to the Minister for exemption from the obligation to value properties excluded from rates in terms of Section 17 if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity.

Properties, which have not been valued, because of any of the foregoing considerations, must nevertheless be included in the valuation roll.

### **SECTION 31: DATE OF VALUATION**

For the purposes of a general valuation, a municipality must determine a date that may be not more than 12 months before the start of the financial year in which the valuation roll is to be first implemented.

The general valuation must reflect the market values of properties in accordance with market conditions, which apply as at the date of the valuation, and in accordance with any other applicable provisions of the present Act.

### **SECTION 32: COMMENCEMENT AND PERIOD OF VALIDITY OF VALUATION ROLLS (ABRIDGED)**

A valuation roll takes effect from the start of the financial year following completion of the public inspection period required by the present Act, and remains valid for that financial year or for one or more subsequent financial years, as the municipality may decide, but in total not for more than four financial years.

Section 32(2) provides for the extension of the period of validity of the valuation roll by the MEC for Local Government, but only up to a period of five financial years, and only in specified circumstances

**SECTION 46: GENERAL BASIS OF VALUATION (ABRIDGED)**

The market value of a property is the amount the property would have realised if sold on the date of valuation in the open market by a willing seller to a willing buyer.

**SECTION 47: VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES**

When valuing a property, which is subject to a sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme.

**SECTION 77: GENERAL**

A municipality must regularly, but at least once a year, update its valuation roll by causing a supplementary valuation roll to be prepared, or the valuation roll itself to be amended.

**SECTION 80: CONDONATION OF NON-COMPLIANCE WITH TIME PERIODS:**

- (1) The MEC for local government in a province may, on good cause shown, and on such conditions as the MEC may impose, condone any non-compliance with a provision of this Act requiring any act to be done within a specified period or permitting any act to be done only within a specific period.
- (2) Non-compliance with section 21, 23 or 32 may not be condoned in terms of subsection (1)
- (3) The powers conferred in terms of this section on an MEC for local government may only be exercised within a framework as may be prescribed.

**SECTION 81: PROVINCIAL MONITORING:**

- (1) The MEC for local government in a province must monitor whether municipalities in the province comply with the provisions of this Act
- (2) If the municipality fails to comply with the provisions of this Act, the MEC may take any appropriate steps to ensure compliance, including proposing an intervention by the provincial executive in terms of section 139 of the Constitution.

**SECTION 87: APPLICATION WHEN IN CONFLICT WITH OTHER LAWS**

This Act prevails in the event of any inconsistency between this Act and any other legislation regulating the levying of municipal rates.

**ANNEXURE B**

<b>COMMUNITY SERVICES</b>	<b>RESIDENTIAL</b>	<b>INDUSTRIAL</b>	<b>BUSINESS</b>	<b>AGRICULTURAL</b>
Administration				
Air Pollution				
Cemeteries				
Control of undertaking selling liquor to the public				
Fencing and fences				
Fixed billboards and advertisements				
Facilities of accommodation, care and burial of animals				
Fire Fighting				
Local Tourism				
Local amenities				
Licensing for undertakings that sell food to the public				
Municipal public works				
Municipal planning				
Municipal parks and recreation				
Public nuisances				
Storm water				
Township Development				
Trading regulations				
Municipal road				
Noise pollution				
Pounds				
Public places				
Street trading/ street lighting				
Traffic and Parking				
Building Control				
Licensing of Motor vehicles and transport permits				
<b>SUBSIDISED SERVICES</b>				
Health and ambulance				
Libraries and Museums				
Proclaimed Roads				