



PRINCE ALBERT MUNICIPALITY

PROPERTY RATES POLICY

MARCH 2016

TABLE OF CONTENTS

	PREAMBLE.....	2
1.	OBJECTIVE.....	2
2.	DEFINITIONS.....	3
3.	SCOPE OF THE POLICY.....	6
4.	POLICY PRINCIPLES.....	6
5.	CLASSIFICATION OF SERVICES AND EXPENDITURE.....	7
6.	CATEGORIES OF PROPERTY.....	7
7.	CATEGORIES OF OWNERS.....	8
8.	LIABILITY FOR RATES.....	8
9.	DIFFERENTIAL RATES.....	9
10.	EXEMPTIONS, REBATES AND DEDUCTIONS.....	9
	10.1 EXEMPTIONS.....	10
	10.2 REBATES.....	10
	10.3 REDUCTIONS.....	13
11.	RATE INCREASES	13
12.	MULTI PURPOSE PROPERTIES.....	13
13.	COSTS OF EXEMPTIONS, REBATES, REDUCTIONS.....	14
14.	LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT.....	14
15.	REGISTER OF PROPERTIES.....	14
16.	NOTIFICATION OF RATES.....	14
17.	CORRECTIONS OF ERRORS AND OMISSIONS.....	15

PRINCE ALBERT MUNICIPALITY

PREAMBLE

WHEREAS section 3 of the Local Government: Municipal Property Rates Act, 2004 (No6 of 2004) determines that a municipality must adopt a rates policy in accordance to the determination of the Act., this document sets out the policy of Prince Albert Municipality on the levying of rates on rateable property.

The Municipality will, as part of each annual operating budget process, impose a rate in the rand on the market value of all rateable properties as recorded in the Municipality's valuation roll or supplementary valuation roll(s). Rateable property includes any rights registered against the property, with the exception of a mortgage bond. Generally, all land within a municipal area is rateable unless it is specifically exempted in terms of section 15 of the MPRA. Such exemptions apply to cemeteries, amateur sports grounds and properties owned by welfare organisations. A municipality must, in accordance with section 3 of the MPRA, adopt a rates policy that sets out the broad policy framework within which the municipality rates its area and must, in accordance with section 5 of the MPRA, review and if necessary amend its rates policy annually.

1. OBJECTIVE

In developing and adopting this rates policy, the council has sought to give effect to the requirements as set out in the preamble of the Property Rates Act, namely that:

- the Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;
- there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental responsibilities;
- revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and
- it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation and which takes account of historical imbalances and the burden of rates on the poor.

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

The objective of this policy is also to ensure that-

- all ratepayers within a specific category are treated equal and reasonable;

- rates are levied in accordance with the market value of the property;
- the rate will be based on the value of all rateable property and the amount required by the municipality to balance the operational budget, taking into account the surplus obtained from the trading- and economical services and the amounts required to finance exemptions, reductions and rebates that the municipality approve from time to time;
- income from rates will be used to finance community- and subsidized services and not trading- or economical services;
- to optimally safeguard the income base of the municipality through exemptions, reductions and rebates that is reasonable and affordable.

2. DEFINITIONS

(1) In this policy, unless the context indicates otherwise—

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

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

“**category**” –

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

“**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;

“**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;

“multiple purposes”, in relation to a property, means the use of a property for more than one purpose;

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

“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;

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

(c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation,

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**”, in relation to a property, means the limited purposes for which the property may be used in terms of –

- (a) any restrictions imposed by –
 - (i) a condition of title;
 - (ii) a provision of a town planning or land use scheme; or
 - (iii) any legislation applicable to any specific property or properties; or
- (b) any alleviation of any such restrictions;

“**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;

“**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 15A 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 property included in a valuation roll in terms of section 48(2)(b) of the Act as residential;

“**vacant land**” means a property where no immovable improvements have been erected.

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

- (2) In this policy, a word or expression derived from a word or expression defined in subsection (1) has a corresponding meaning unless the context indicates that another meaning is intended.

3. SCOPE OF THE POLICY

The policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the various property rates are determined when the budget is considered and approved every year.

4. POLICY PRINCIPLES

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

4.2 As allowed for in the Act, the municipality may choose to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality does not, however, grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties, on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.

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

a. **Equity**

The municipality will treat all similar ratepayers with similar properties the same.

b. **Affordability**

The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, and/or reductions and/or rebates.

c. **Sustainability**

Rating of property will be implemented in a way that it supports-

- i. sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
- ii. local social and economic development.

d. **Cost efficiency**

Rates will be based on the value of all rateable property and the amount required by the municipality to balance the operating budget after taking into account the amounts required to finance exemptions, rebates and reductions as approved by the municipality from time to time. The implementation of the policy must be as cost-effective as possible.

5. CLASSIFICATION OF SERVICES

The Chief Financial Officer shall, subject to the guidelines provided by the legislation and the Executive Mayor, provide for the classification of services as outlined in the Municipality's annual budget into trading and economic services.

6. CATEGORIES OF PROPERTY

Properties will be categorised as follows:-

- (a) Residential properties.
- (b) Industrial properties.
- (c) Business and commercial properties.
- (d) Agricultural properties
- (e) Mining properties
- (f) Properties owned by an organ of state and used for public service purposes
- (g) Public service infrastructure properties .
- (h) Properties owned by public benefit organisations and used for specified public benefit activities
- (i) Properties used for multiple purposes.

7. CATEGORIES OF OWNERS

- (1) Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to-
 - (a) indigent owners;
 - (b) owners dependent on pensions or social grants for their livelihood;
 - (c) owners temporarily without income;
 - (d) owners of property situated within an area affected by-
 - (i) a disaster within the meaning of the Disaster Management Act, 2002 (No. 57 of 2002);
 - (ii) any other serious adverse social or economic conditions;
 - (e) owners of residential properties with a market value lower than an amount determined by the municipality; or
 - (f) owners of agricultural properties who are *bona fide* farmers.

8. LIABILITY OF RATES

(1) Method and time of payment

Prince Albert 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 must be charged for any late payments received.

(2) 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 30 June for this option. The Chief Financial Officer will consider any applications after 30 June.

(3) Recovery of arrear rates 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. 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.

(4) Supplementary Valuation Debits

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

(5) 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.

(6) Clearance Certificate

Rates Clearance Certificates will be valid till 30 June, 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 new year's rates become payable in full.

(7) Levying of rates on property in sectional title schemes

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

9. DIFFERENTIAL RATES

(1) The following criteria as provided for in section 8(1) of the Act will be used when levying different rates for different categories of properties-

- (a) Use of the property; or
- (b) Permitted use of the property.

(2) Section 19 rate ratio between residential and non-residential categories of property as per Government Notice Number R363 of 27 March 2009-

<u>Property Category</u>	Ratio
Residential	1:1
Agricultural property	1:0.25
Public service infrastructure property	1:0.25
Public benefit organisation property	1:0.25

10. EXEMPTIONS, REBATES AND REDUCTIONS ON RATES

The council grants rebates in recognition of the following factors:

- (a) The services provided to the community by public service organisations.
- (b) The need to preserve the cultural heritage of the local community.
- (c) The need to encourage the expansion of public service infrastructure.
- (d) The indispensable contribution which property developers (especially in regard to commercial and industrial property development) make towards local economic development, and the continuing need to encourage such development.
- (e) The requirements of the Property Rates Act no. 6 of 2004.

10.1 EXEMPTIONS

(1) In terms of section 17(1) of the Act the owners of the following categories of properties are exempted from paying rates:

- (a) subject to paragraph (aA), on the first 30% of the market value of public service infrastructure;
- (aA) on any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of "public service infrastructure";

This will be phased in over 5 years as per section 93A of the Act

- (b) on any part of the seashore as defined in the National Environmental Management: Integrated Coastal Management Act, 2008 (Act 24 of 2008);
- (c) on any part of the territorial waters of the Republic as determined in terms of the Maritime Zones Act, 1994 (Act 15 of 1994);
- (d) on any islands of which the state is the owner, including the Prince Edward Islands referred to in the Prince Edward Islands Act, 1948 (Act 43 of 1948);
- (e) on those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act 57 of 2003), or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004 (Act 10 of 2004) which are not developed or used for commercial, business or residential or agricultural purposes;
- (f) on mining rights or a mining permit within the meaning of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), excluding any building, other immovable structures and infrastructure above the surface of the mining property required for purposes of mining;
- (g) on a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse:
Provided that this exclusion lapses:
 - (i) ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds; or
 - (ii) upon alienation of the property by the land reform beneficiary or his or her heirs, dependants or spouse;
- (h) on the first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality:
 - (i) for residential properties; or
 - (ii) for properties used for multiple purposes, provided one or more components of the property are used for residential purposes; or
- (i) on a property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community which is occupied by the office-bearer of that community who officiates at services at that place of worship.

10.2 REBATES

- (1) Rebates for the following categories of owners will be considered:
 - a) Indigent owners
 - b) Owners dependent on pensions or social grants
 - c) Owners temporarily without income
 - d) Owners of residential property with a market value lower than an amount determined by the municipality
 - e) Owners of agricultural property who are *bona fide* farmers
 - f) State owned property (Excluding state owned property that qualify for an exemption or differential rate)
- (2) The abovementioned owners may be granted a rebate on the rates payable on their property if they meet the following criteria-

- Registered owner of the property;
 - Must reside on the property;
 - Income must not exceed an amount annually set by the Council; and
 - Applications for the rebate must be submitted before 30 June. Late applications will be considered by the Director of Financial Services.
 - Agricultural property (excluding mixed use and game farming) and state owned property rebates will automatically be applied based on the classification of the property in the valuation roll.
- (3) Rebates will be considered for the following organisations conducting public benefit activities, municipal properties, health and welfare institutions and charitable institutions:
- (a) Public benefit activities (welfare and humanitarian):
- (i) 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 section of the ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962).
 - (ii) Rateable property, registered in the name of a trustee or trustees or any organisation, which is maintained for the welfare of war veterans.
- (b) Public benefit activities (cultural)
- (i) 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.
 - (ii) The promotions, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives and libraries.
- (c) Public benefit activities (sport)
- (i) Sports grounds used for the purpose of amateur and any social activities, which are connected with such sport.
- (d) Public benefit activities (conservation, environment and animal welfare)
- (i) 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.
 - (ii) 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.

- (e) Public benefit activities (education and development)
 - (i) Rateable property registered in the name of an educational institution established, declared or registered by or under any law.
 - (f) Public benefit activities (health care)
 - (i) 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.
 - (g) Agricultural
 - (i) 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.
 - (ii) A rate of 25% of the rate applicable to residential property will be applicable to the rural area.
 - (h) Municipal property and usage
 - (i) 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.
 - (ii) 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.
 - (i) Rateable property registered in the name of the Council, if such property is used in supplying electricity, water, and gas or sewerage services;
 - (j) State hospitals, state clinics and institutions for mentally ill persons, which are not operated for gain;
 - (k) Rateable property registered in the name of an institution or organisation which, in the opinion of the Council, performs charitable work;
 - (l) Road reserves are exempted from payment of rates in accordance with Act 7 of 1998 on Road Agencies;
 - (m) Railway reserves are exempted from payment of rates in accordance with the Railway Act.
- (3) Rebates will be granted subject to:
- (a) A certificate issued by the registered auditor of the organisation or institution stating that the activities performed are 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.

10.3 REDUCTIONS

- (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, floods or any other serious adverse social or economic conditions.
- (2) The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.
- (3) Reductions will only be granted as per Council resolution.

11. RATE INCREASES

- (1) The municipality will consider increasing rates annually during the budget process.
- (2) Rate increases will be used to finance the increase in operating costs of community and subsidised services.
- (3) Relating to community and subsidised services, 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 and 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.
- (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.
- (5) All increases in the property rates will be communicated to the local community in terms of the council's policy on community participation.

12. MULTI PURPOSE PROPERTIES

Rates on properties used for multiple purposes will be levied on the dominant use as defined in section 9(1) (b) of the Act.

Properties used for multiple purposes, other than those referred to under residential properties above, shall be rated on the value assigned to each component, and shall

receive the rebate applicable to such component. Where one component on average represents 90% or more of the property's actual use, such property shall be rated as though it were used for that use only.

13. COSTS OF EXEMPTIONS, REBATES, REDUCTIONS, PHASING IN OF RATES AND EXCLUSIONS OF RATES

- (1) During the budget process the Chief Financial Officer must inform council of all the costs associated with the suggested exemptions, rebates, reductions, phasing in of rates and exclusions.
- (2) Provisions must be made on the operating budget –
 - (a) the full potential income associated with property rates; and
 - (b) the full costs associated with exemptions, rebates, reductions, phasing in of rates and grants-in-lieu of rates.

14. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT

- (1) The municipality may grant rebates to organisations that promotes 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
 - (c) creation of infrastructure for the benefit of the community.
- (2) Rebates will be restricted to 50% of the rates payable and must be phased out within 3 years from the date that the rebate was granted for the first time.

15. REGISTER OF PROPERTIES

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

16. NOTIFICATION OF RATES

- (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.

- (2) A notice stating the purpose of the council resolution, date on which the new rates shall become operational and invitation for objections will be displayed by the municipality at places installed for that purpose.
- (3) All objections shall forthwith be considered by council before final approval and implementation.

17. CORRECTION OF ERRORS AND OMISSIONS

Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll. In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the rate applicable to outstanding debts.

- 18.** This policy will be referred to as the Rates Policy of the Prince Albert Municipality.

Municipal Manager's confirmation

The Rates Policy was approved by council at a meeting held on 27 May 2016

Signed at Prince Albert on 27 May 2016



HFW Mettler

Municipal Manager