

**DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING
WESTERN CAPE**



MUNICIPALITY

**GENERIC
RATES BY-LAW**

PLEASE FORWARD ANY COMMENTS TO
Mogamat Abrahams
Email: moabraha@pgwc.gov.za

..... MUNICIPALITY

RATES BY-LAW

Whereas Section 6 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) requires a municipality to adopt by-laws to give effect to the implementation of its rates policy.

Now therefore the Municipal Council of Municipality approves and adopts the following rates by-law.

1. Definitions

For the purpose of these by-laws any word or expression to which a meaning has been assigned in the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) shall bear the same meaning in these by-laws and unless the context indicates otherwise-

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

“**municipality**” means the municipal council for the municipal area of

2. Rating of property

In terms of section 2(3) of the Act the power of the municipality to levy rates on property is subject to-

- (a) Section 229 and other applicable provisions of the Constitution
- (b) The provisions of the Act
- (c) The municipality’s rates policy; and
- (d) This by-law

3. General principles

- (1) Rates are levied as an amount in the rand based on the market value of all rateable property contained in the municipality’s valuation roll
- (2) Criteria are provided for the determination of categories of property and owners and for the purpose of levying different rates on categories of property and owners.
- (3) Different rates will be levied for different categories of rateable property.
- (4) Relief measures in respect of payment for rates will not be granted to any category of property or owners on an individual basis, other than by way of an exemption, rebate or reduction.

- (5) All ratepayers with similar properties will be treated the same.
- (6) The ability of a person to pay rates will be taken into account.
- (7) Provision will be made for the promotion of local social development and sustainable local government.
- (8) Rates will be based on the value of all rateable property and the amount required by the municipality to balance the operating budget.

4. Classification of services and expenditure

- (1) The municipal manager or his/her nominee subject to the guidelines provided by the National Treasury and Executive Mayor or Committee and principles contained in the rates policy will classify services, categorise expenditure and create cost centres to prevent that property rates subsidise trading and economic services
- (2) Trading and economic services will be ringfenced and financed from service charges while community and subsidised services will be financed from profits on trading and economic services, regulatory fees and rates and rates related income.

5. Categories of properties and owners

- (1) In terms of Section 3(3) of the Act the municipality must determine the criteria for the determination of categories of property and owners for granting exemptions, reductions and rebates and criteria if it levies different rates for different categories of property.
- (2) In terms of sections 8(1) and 15(1) read in conjunction with section 19 of the Act the municipality may exempt a category of owner of property from rates or grant a rebate or reduction in the rates.
- (3) The criteria for categories of property and owners and the different categories of property and owners are reflected in the

municipality's rates policy and adjusted annually, if required, during the budget process.

6. Properties used for multiple purposes

Rates on properties used for multiple purposes will be levied on properties used for-

- (a) a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated;
- (b) a purpose corresponding with the dominant use of the property;
or
- (c) by apportioning the market value of a property to the different purposes for which the property is used; and
- (d) applying the relevant cent amount in the rand to the corresponding apportioned market value.

7. Differential rating

(1) Criteria for differential rating on different categories of properties in terms of section 8(1) of the Act will be according to-

- (a) The use of the property.
- (b) Permitted use of the property; or
- (c) Geographical area in which the property is situated.

(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

and/or

by way of reductions and rebates

8. Criteria for exemptions, reductions and rebates

Criteria for determining categories of owners of property for the purpose of granting exemptions, rebates and reductions in terms of section 15(2) of the Act will be according to-

- (a) indigent status of the owner of a property
- (b) sources of 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

9. Exemptions

- (1) Over and above the exemptions provided for in sections 16 and 17 of the Act specific categories of property as indicated in the table below are exempted from the payment of rates within the meaning of section 15(1)(a) of the Act and 9(2) to 9(7) of this by-law.

| Description of category of property | Criteria |
|--|-----------------|
| Residential | 9(3)) |
| Municipal properties | 9(2) |
| Public service infra-structure | 9(5) and 9(7) |
| Cemetaries and crematoriums | 9(4) and 9(7) |
| Public Benefit organizations | 9(6) and 9(7) |

- (2) Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers.
- (3) All residential properties with a market value of less than R 17 000 are exempted from paying rates. The R 15 000 impermissible rates contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the R 17 000 amount. This is an important part of the council's indigent policy and is aimed primarily at alleviating poverty
- (4) Cemeteries and crematoriums registered in the names of private persons and operated not for gain.
- (5) Public service infrastructure is exempted from paying rates as they provide essential services to the community
- (6) Public benefit organisations as provided for in the Rates Policy may apply for the exemption of property rates subject to producing 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):
- (7) Exemptions will be subject to the following conditions:

- (a) all applications must be addressed in writing to the municipality;
- (b) a SARS tax exemption certificate must be attached to all applications;
- (c) the municipal manager or his/her nominee must approve all applications;
- (d) 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
- (e) the municipality retains the right to refuse exemptions if the details supplied in the application form were incomplete, incorrect or false.

10. REBATES

(1) Categories of properties

- (a) The municipality may grant rebates within the meaning of section 15(1) (b) of the Act on the rates to the owners of the following categories of properties and subject to the criteria and conditions contained in 10(1)(b) to 10(1)(f) of this by-law:

| Description of category of property | Criteria |
|---|-----------------|
| (a) Residential | 10(1)(d) |
| (b) Industrial | 10(1)(b) |
| (c) Business/commercial | 10(1)(b) |
| (d) Agricultural | 10(1)(e) |
| (e) state-owned properties | 10(1)(c) |
| (f) Property below a prescribed valuation level | 10(1)(f) |

- (b) The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction, based on its Local, Social and Economic Development Policy.

i. 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.

- ii. Rebates will be granted on application subject to:
 - a. a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
 - b. a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives;
 - c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies; and
 - d. a municipal resolution.

- (c) State properties
Receive a rebate of 20%.

- (d) Residential properties
The municipality grants a 20 % rebate, which applies to improved residential property that is:
 - i. used predominantly for residential purposes, with not more than two dwelling units per property,
 - ii. registered in terms of the Sectional Title Act,
 - iii. owned by a share-block company,
 - iv. a rateable residence on property used for or related to educational purposes

- (e) Agricultural property rebate
 - i. Agricultural properties will be granted a rebate certain information in an affidavit by 30 September each year.
 - ii. Qualifying requirements are that the owner should be taxed by SARS as a farmer and the last tax assessment must be provided as proof,
or
 - iii. where the owner is not taxed as farmer, proof is required that income from farming activities exceeds 40% of the household income.
 - iv. The following rebates will apply:
 - a. 7.5% rebate, if there are no municipal roads next to the property.
 - b. 7.5% rebate, if there is no municipal sewerage to the property.
 - c. 7.5% rebate, if there is no municipal electricity to the property.

- d. 20% rebate, if water is not supplied by the municipality
- e. 7,5% rebate, if there is no refuse removal that is provided by the municipality.
- f. A rebate of 5% will be granted to agricultural property that contributes substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g. if they meet minimum standards set by government or if they are in line with the sector's average.
- g. 5% rebate, if the owner is providing permanent residential property to the farm workers and such property is registered in the name of these farm workers, proof must be provided.
- h. 5% rebate, if such residential properties are provided with potable water.
- i. 5% rebate, if the farmer for the farm workers electrifies such residential properties.
- j. 5% rebate, if the farmer is availing his land/buildings to be used for cemetery, education and recreational purposes of the farm workers' children and nearby community in general, etc.

(f) Properties with a market value below a prescribed valuation level may instead of a rate determined on the market value may be a uniform fixed amount per property.

(2) Categories of owners

(a) The following categories of owners of rateable properties may be granted a rebate on rates within the municipality within the meaning of section 15(1) (b) of the Act:

| Description of Category of Owners | Criteria |
|--|-----------------|
| Retired and disabled persons | 10(2)(b) |

(b) Criteria for granting rebates to category of owners

i. Retired and Disabled Persons Rate Rebate

To qualify for the rebate a property owner must:

a. occupy the property as his/her normal residence;

- b. be at least 60 years of age or in receipt of a disability pension from the Department of Welfare and Population Development;
 - c. be in receipt of a total monthly income from all sources (including income of spouses of owner) not exceeding R2 700;
 - d. not be the owner of more than one property; and
 - e. provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
- ii. Property owners must apply on a prescribed application form for a rebate as determined by the municipality.
 - iii. Applications must be accompanied by-
 - a. a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
 - b. sufficient proof of income of the owner and his/her spouse;
 - c. an affidavit from the owner;
 - d. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
 - e. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
 - iv. These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.
 - v. The municipality retains the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false.

11. Reductions

- (1) Categories of property and owners
 - (a) 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-
 - 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
 - (b) The reduction will be in relation to the certificate issued for this purpose by the municipal valuer

- (c) All categories of owners can apply for a reduction in the rates payable as described above
- (d) Owners of the following categories of rateable property situated within the municipality may be granted a reduction within the meaning of section 15(1) (b) of the Act on the rates payable in respect of their properties and subject to the conditions contained in 11(1)(e) of this by-law:

| Description of category of property | Criteria |
|--|-----------------|
| (a) Residential | 11(1)(e) |
| (b) Industrial | 11(1)(e) |
| (c) Business | 11(1)(e) |
| (d) Agricultural | 11(1)(e) |
| (e) state-owned properties | 11(1)(e) |
| (f) Municipal properties | 11(1)(e) |
| (g) Public service infrastructure | 11(1)(e) |
| (h) Informal settlements | 11(1)(e) |
| (i) Properties - | |
| (i) Acquired through the Provision of Land Assistance Act, 1993, or the Restitution of Land Rights Act, 1994, or | 11(1)(e) |
| (ii) which is subject to the Communal Property Associations Act, 1996 | 11(1)(e) |
| (j) Protected areas | 11(1)(e) |
| (k) National monuments | 11(1)(e) |
| (l) Public benefit organizations (Part 1 of the Ninth Schedule to the Income Tax Act) | 11(1)(e) |
| (m) Multiple purposes | 11(1)(e) |
| (n) Private towns serviced by the developers | 11(1)(e) |
| (o) private towns serviced and maintained by the developers | 11(1)(e) |

- (e) Criteria for granting reductions

- i. 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.
- ii. The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.

12. Rates increases

- (1) The municipality will consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time.
- (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:
 - (a) All salary and wage increases as agreed at the South African Local Government Bargaining Council
 - (b) An inflation adjustment for general expenditure, repairs and maintenance and contributions to statutory funds, and
 - (c) Additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.
- (4) Extraordinary expenditure related to community services 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) Affordability of rates to ratepayers.
- (6) All increases in property rates will be communicated to the local community in terms of the municipality's policy on community participation.

13. Notification of rates

- (1) The municipality 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 purport of the municipality's resolution and the date on which the new rates become operational will be displayed by the municipality at places installed for that purpose.

14. Payment of rates

- (1) Ratepayers may choose between paying rates annually in one instalment on or before 30 September or in twelve equal instalments on or before the seventh day of the month following on the month in which it becomes payable.
- (2) If the owner of property that is subject to rates, notify the municipal manager or his/her nominee not later than 31 May in any financial year, or such later date in such financial year as may be determined by the municipal manager or his/her nominee that he/she wishes to pay all rates in respect of such property in instalments, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year in twelve instalments until such notice is withdrawn by him/her in a similar manner.
- (3) Interest on arrears rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.
- (4) If a property owner who is responsible for the payment of property rates in terms of this policy, fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control, Debt Collection and indigent policy of the Municipality.
- (5) Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act.
- (6) 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.
- (7) In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall

be levied at the maximum rate permitted by prevailing legislation.

15. Short title

This by-law is the rates by-law of the Municipality.

16. Commencement

This by-law comes into force and effect on 1 July