



**Western Cape  
Government**

Local Government

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# **LOCAL GOVERNMENT MUNICIPAL PROPERTY RATES ACT GUIDELINE**

**(MPRA GUIDELINE)**

**2011/2012**

PROVINCIAL GOVERNMENT OF THE WESTERN CAPE

**DEPARTMENT OF LOCAL GOVERNMENT**

MPRA Guideline

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## **A. FOREWORD BY HEAD OF DEPARTMENT OF LOCAL GOVERNMENT**

The Constitution charges Provincial Governments to support municipalities and to promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs.

Similarly, the Constitution charges municipalities with a key developmental role in meeting the basic service needs of people, especially the poor and marginalized, facilitating opportunities for socio-economic development in their areas and contributing to economic growth in the local area, region and national economy.

The objective of the MPRA subsequently is to regulate the power of a municipality to levy rates on property. Rates represent a critical source of own-revenue for municipalities in order to achieve their constitutional developmental objectives.

The Department of Local Government of the Western Cape Government is thus mandated to support municipalities with the implementation of the MPRA. In order to give effect to this mandate the Department developed this Guideline specifically to serve as a tool to assist and guide all those involved with the effective implementation of the MPRA.

## **B. GLOSSARY**

GV	General Valuation
Department	Department of Local Government
MEC	Provincial Minister for Local Government in the Western Cape
MFMA	Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
MM	Municipal Manager
MPRA	Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)
MPRA Rate Ratio Regulations	Amended Municipal Property Rates Regulations on the Rate Ratios between Residential and Non-Residential Properties: Government Notice R.195, Government Gazette 33016 dated 12 March 2010.
MSA	Local Government: Municipal Systems Act, 2003 (Act 32 of 2000)
Minister	National Minister of Cooperative Governance and Traditional Affairs
SV	Supplementary Valuation

## CHAPTER 1

### SHORT OVERVIEW OF THE TRANSFORMATION OF PROPERTY RATES LEGISLATION

In order to move from the old order to a new democratic system the White Paper on Local Government was developed by the former Ministry for Provincial Affairs and Constitutional Development and issued during March 1998. The aim of the White Paper was to transform local government to meet the challenges of the next century. One of its objectives was to set out a framework for a new municipal financial system. This framework required Government to address the following four main issues with regard to property tax:

- Bringing untaxed areas into the tax net.
- Variation in the rating system with regard to the tax base. Property rates levied should be based on the market value of the property. The optimal method of valuation applicable to the South African situation should be determined.
- Valuation periods need to be addressed. In many areas, properties are not valued regularly. A process of regular assessments of property values needs to be entrenched.
- Development of criteria for evaluating alternative property valuation systems, within the framework of alleviating and addressing poverty. A municipality needs to develop a clear policy and set of procedures regarding the full or partial relief to those genuinely too poor to pay for rates. Any rebates allowed on property tax should be clearly indicated in a transparent and consistent manner in the budget of a municipality.

The White Paper also indicated the importance of local government having the discretion to make certain decisions concerning the nature of the property tax in their area of jurisdiction, which reflecting their unique circumstances and local economic objectives. The guidelines as set out in the White Paper resulted in the development of new local government legislation for property valuations and rates. Consequently, the Local Government: Municipal Property Rates Act, No 6 of 2004 was assented to on 11 May 2004 and signed into operation by the State President with an implementation date of 2 July 2005.

Before the commencement of the MPRA on 2 July 2005 and until 30 June 2006, rating in South Africa has historically been done differently in the various municipalities. Previous legislation (Provincial Ordinances) was never co-ordinated and made the system of property rating in the country cumbersome, which required a simpler and uniform system of valuation.

With the establishment of the new democratic state and the establishment of the new category A, B and C municipalities as from 5 December 2000, the following Provincial Ordinances were still in operation in the Western Cape:

- Valuation Ordinance No. 26 of 1944;
- Municipal Ordinance 20 of 1974; and
- Property Valuation Ordinance, 1993 (Proclamation No. 148 of 1993).

Alongside the aforementioned Ordinances certain provisions of the Local Government Transition Act 209 of 1993 also continued to operate pending the commencement of the new MPRA.

## CHAPTER 2

### **PURPOSE OF THE GUIDELINE**

The purpose of this guideline is-

- To provide a summary of the key requirements of the MPRA;
- To provide a summary of the responsibilities of the various role players involved in the MPRA;
- To provide practical information and guidelines with all the compliance requirements municipalities must adhere to regarding-
  - the levying of rates;
  - the compilation of valuation rolls;
  - the objection and appeals processes; and
  - provincial and national monitoring actions.

The purpose of this guideline is to inform and provide assistance with the implementation of the MPRA to municipalities in an easily comprehensible format. It is also intended to guide relevant provincial departments, ratepayers and any other members of the public where applicable.

## CHAPTER 3

### **SUMMARY OF THE KEY REQUIREMENTS OF THE LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATES ACT, 2004 (ACT 6 OF 2004) (MPRA)**

#### 3.1 Objectives of the MPRA

The MPRA sets out the following objectives:

- Regulating the discretionary power of municipalities to impose rates on property;
- Support development of sustainable local government; and
- Providing uniform national rules regarding -
  - Rates base;
  - Rating policy;
  - Valuation methods; and
  - Objections and appeals processes.

#### 3.2 Levying of Rates

The MPRA mandates the following:

- A uniform rates base for each category of rateable property.
- A rate levied on property must be based on the market value of property (willing seller/buyer).
- Each municipal council must adopt and annually review a rates policy and adopt by-laws to give effect to its implementation and enforcement.
- Before adopting its rates policy, each municipality must follow a process of community participation in accordance with Chapter 4 of the MSA.
- A resolution levying rates passed by a municipal council must be published in the Provincial Gazette on an annual basis.

#### 3.3 Rates Policy

The rates policy of a municipality must:

- Treat persons liable for rates equitably;
- Determine the criteria to be applied by a municipality if it-
  - levies different rates for different categories of properties;
  - exempts or grants rebates or reductions; and
  - increases rates.
- Determine categories of property and categories of owners;
- Provide for appropriate measures to alleviate rates burden on the poor;
- Take into account effect of rates on public service infrastructure;
- Take into account effect of rates on registered public benefit organisations; and
- Allow a municipality to promote local, social and economic development.

#### 3.4 Checks and Balances

The MPRA contains the following checks and balances to protect property owners:



- The Minister with the concurrence of the National Minister of Finance may-
  - Prescribe a ratio between rates levied on residential and non-residential property; and
  - Set an upper limit on the percentage by which rates on property may be increased.
- The Minister may limit the cent amount in the rand that municipalities impose if the rate on a specific category of property is materially and unreasonably prejudicing any of the matters listed in section 229(2)(a) of the Constitution i.e. national economic policies; economic activities across its boundaries; or the national mobility of goods, services, capital or labour.
- Any sector of the economy, after consultation with the municipality and organised local government, may request the Minister to evaluate evidence to the effect that a particular cent amount in the rand on any specific category of property materially and unreasonably prejudices any of the matters as listed in section 229(2)(a) of the Constitution.

### 3.5 Valuation Criteria

The basis of valuation is the market value of property. The market value of 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.

Property must be valued in accordance with generally recognised valuation practices, methods and standards, and the provisions of the MPRA.

When valuing property-

- Physical inspection of the property to be valued is optional;
- Other valuation techniques may be used such as-
  - Aerial photography;
  - Computer assisted mass appraisal systems or techniques; and
  - Property banding.

### 3.6 Valuation roll

A valuation roll of a municipality -

- Must list all rateable properties in the municipality; and
- Is valid for four financial years (but may be extended by one financial year by the MEC in certain specific situations listed in section 32(2) of the MPRA).

### 3.7 Valuation Objection and Appeal Processes

In terms of the valuation objection and appeal processes the MPRA stipulates that-

- Objections must be lodged with the MM of the specific municipality.
- Objections must be in relation to a specific individual property and not against the valuation roll in general.
- MM must submit objections to the municipal valuer for consideration and decision.

- The municipal valuer must in writing notify the objector of the decision and any adjustment made to the valuation roll.
- An objector who is not satisfied with the decision of the municipal valuer has the right to appeal against any such decision to a valuation appeal board.
- Valuation appeal boards are established by the MEC for local government.
- Lodging of an objection does not defer an objector's liability for payment of rates.

### 3.8 Liability for rates

The MPRA contains the following provisions with regard to the liability for rates:

#### (a) Method and time of payment of rates

- A municipality may recover a rate-
  - On a monthly basis or less often;
  - In a single amount annually as may be agreed with the owner of the property; and
- Payment of rates may be deferred in special circumstances, for example, where properties have been affected by drought, floods, wild fires and other natural disasters.

#### (b) Accounts to be issued

- It is the obligation of-
  - A municipality to send out written accounts; and
  - A ratepayer to request an account when a municipality does not provide a written account.

#### (c) Recovery of rates in arrears from tenants, occupiers and/or agents

- If a property owner fails to pay rates-
  - A municipality may recover the amount from a tenant, occupier or agent; and
  - The amount to be recovered is limited to the amount of rent due by the tenant or occupier to the owner or the amount received by the agent on behalf of the absent owner less any commission due to the agent.

## CHAPTER 4

### LEGAL FRAMEWORK

The key pieces of legislation governing property valuations and rates include:

#### 4.1 The Constitution of the Republic of South Africa (Act 108 of 1996)

The Constitution sets out the following provisions:

- Section 155(6)(a) and (b) obliges provincial government to support municipalities; and promote the development of local government capacity to enable municipalities to perform their functions and manage their own affairs;
- Section 229 (1) empowers municipalities to impose rates on property; and
- Section 229(2) (b) provides for national regulation of municipal power to levy rates.

#### 4.2. Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) as amended by Local Government: Laws Amendment Act, No 19 of 2008 and Local Government: Municipal Property Rates Amendment Act, No 19 of 2009, read together with Municipal Property Rates Regulations, 2006 dated 18 October 2006 and Municipal Property Rates Regulations, 2009 dated 27 March 2009

The MPRA regulates the power of a municipality to impose rates on property and sets out the following provisions:

- Section 2(1) provides that a municipality may levy a rate on property in its area; and
- Section 2(3) provides that a municipality must exercise its powers to levy a rate on property subject to-
  - section 229 and any other applicable provisions of the Constitution;
  - the provisions of the MPRA; and
  - the adopted rates policy of the municipality.

#### 4.3. Local Government: Municipal Systems Act (Act 32 of 2000)

Section 4(1)(c) provides that a municipality has the right to finance the affairs of the municipality by levying rates on property.

#### 4.4. Local Government: Municipal Finance Management Act (Act 56 of 2003)

Section 62(1)(f)(ii) provides that a MM must ensure that the municipality has and implements a rates policy.

## CHAPTER 5

### RESPONSIBILITIES OF KEY ROLE PLAYERS

The key role players and their responsibilities include the following (all sections mentioned in this Chapter refer to the MPRA unless otherwise specified):

#### 5.1 National Minister of Cooperative Governance and Traditional Affairs

The MPRA tasks the Minister with the following mandatory responsibilities and discretionary powers:

##### (a) Mandatory responsibilities of the Minister

- i) Section 16 of the MPRA      If a rate on a specific category of properties, or a rate on a specific category of properties above a specific amount in the Rand, is materially and unreasonably prejudicing national economic policies, economic activities across its boundaries or the national mobility of goods, services, capital or labour, after notifying the Minister of Finance the Minister must, by notice in the *Gazette*, give notice to the relevant municipality or municipalities that the rate must be limited to an amount in the Rand specified in the notice.
- ii) Section 84 of the MPRA      Before regulations in terms of section 83 are promulgated, the Minister must consult organized local government on the substance of those regulations and publish the draft regulations in the *Government Gazette* for public comment.

##### (b) Discretionary powers of the Minister

- i) Section 16(5) of MPRA      The Minister, after consultation with the Minister of Finance, may by notice in the *Gazette* issue guidelines to assist municipalities in the exercise of their power to levy rates consistent with section 16 (1).
- ii) Section 17(3) of MPRA      The Minister, acting with the concurrence of the Minister of Finance, may from time to time by notice in the *Gazette*, increase the monetary threshold referred to in subsection 17 (1) (h) to reflect inflation.
- iii) Section 17(4) of MPRA      The Minister may, by notice in the *Gazette*, lower the percentage referred to in subsection 17 (1) (a), but only after consultation with relevant Cabinet members responsible for the various aspects of public service infrastructure, organized local government and relevant public service infrastructure entities.
- iv) Section 19 of MPRA      The Minister may, with the concurrence of the Minister of Finance prescribe a ratio between the rates on the categories of non-residential property and the rate on residential properties.

v) Section 20(1) of MPRA	The Minister may, with the concurrence of the Minister of Finance and by notice in the <i>Gazette</i> , 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.
vi) Section 20(3) of MPRA	The Minister may, on written application by a municipality, and on good cause, exempt a municipality from a limit set in terms of section 20 (1).
vii) Section 30(2)(b) of MPRA	The Minister may fully or partially exempt a municipality from the obligation to value properties excluded from rates in terms of section 17 (1) (e) , (g) and (i) if the municipality can demonstrate that the valuation of those properties is too onerous for the municipality, given its financial and administrative capacity.
viii) Section 82(1) of MPRA	The Minister may monitor, and from time to time investigate and issue a public report on, the effectiveness, consistency, uniformity and application of municipal valuations for rates purposes.
ix) Section 83(1) of MPRA	<p>The Minister may make regulations not inconsistent with the MPRA concerning-</p> <ul style="list-style-type: none"> <li>- any matter that may be prescribed in terms of the MPRA;</li> <li>- the preparation, contents, adoption, and enforcement of a municipal rates policy;</li> <li>- the manner in which rates referred to in Section 21 must be phased in and the criteria that municipalities must take into account;</li> <li>- the property register;</li> <li>- the form and contents of any document referred to in the MPRA;</li> <li>- the valuation and rating of public service infrastructure;</li> <li>- the procedure that must be followed in connection with valuation appeals to and reviews by an appeal board;</li> <li>- the matters for which, or circumstances in which, an appeal board may condone non-compliance with a procedural requirement of the MPRA;</li> <li>- the giving of reasons by an appeal board for its decisions;</li> <li>- the funding of appeal boards by municipalities;</li> <li>- inquiries by investigating tribunals to establish alleged misconduct by, or alleged incompetence of, members of appeal boards;</li> <li>- inquiries by municipalities to establish alleged misconduct by, or alleged incompetence of, municipal valuers or assistant municipal valuers;</li> </ul>

- fees payable for information or the issue of documents in terms of the MPRA; and
- any matter which in the opinion of the Minister is necessary for the effective carrying out or furtherance of the objects of the MPRA.

x) Section 83(2) of MPRA      The Minister may by regulation in terms of Section 83 (1) declare a contravention of, or failure to comply with, any specific regulation an offence.

## 5.2 MEC for Local Government

The MPRA tasks the MEC for Local Government with the following mandatory responsibilities and discretionary powers:

### (a) Mandatory responsibilities of the MEC

i) Section 56(1) of MPRA      The MEC for local government must, by notice in the *Provincial Gazette*, establish as many valuation appeal boards in the province as may be necessary, but not fewer than one in each district municipality and each metropolitan municipality.

ii) Section 58(2) of MPRA      The chairperson and other members of an appeal board must be appointed by the MEC for local government in the province, taking into account the need for representivity, including gender representivity.

iii) Section 58(3) of MPRA      The MEC for local government must follow a transparent process complying with any prescribed norms and standards when making appointments to an appeal board.

iv) Section 72(3) of MPRA      The MEC for local government who established an appeal board must issue to a member of, or any person authorised by, that appeal board an identity card in the prescribed format containing a photograph of that person.

v) Section 81(1) of MPRA      The MEC for local government in a province must monitor whether municipalities in the province comply with the provisions of the MPRA.

### (b) Discretionary powers of the MEC

i) Section 32(2) of MPRA      The MEC for local government in a province may extend the period for which a valuation roll remains valid to five financial years if the Provincial Executive has intervened in the municipality in terms of Section 139 of the Constitution, or on request by a municipality, in other exceptional circumstances which warrant such extension.

ii) Section 63(2) of MPRA	The MEC for local government may remove from office a member of an appeal board but only on the grounds of misconduct, incapacity or incompetence.
iii) Section 63(3) of MPRA	A decision to remove a member of an appeal board on the grounds of misconduct or incompetence must be based on a finding to that effect by an investigating tribunal appointed by the MEC.
iv) Section 63(4) of MPRA	The MEC may suspend a member of an appeal board who is under investigation in terms of section 63(3).
v) Section 64(1) of MPRA	The MEC for local government may appoint alternate members of an appeal board.
vi) Section 71(1) of MPRA	The MEC for local government may, on request by an appeal board, authorise the board to establish one or more committees to assist it in the performance of its duties.
vii) Section 80(1) of MPRA	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 the MPRA requiring any act to be done within a specified period or permitting any act to be done only within a specified period.
viii) Section 80(2) of MPRA	Non-compliance however with sections 21, 31 or 32 may not be condoned in terms of section 80(1).
ix) Section 80(3) of MPRA	The powers conferred on an MEC for local government in terms of section 80 may only be exercised within a framework as may be prescribed.
x) Section 81(2) of MPRA	If a municipality fails to comply with a provision of the MPRA, 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.

### 5.3 Municipality

The MPRA tasks a municipality levying rates on property with the following responsibilities:

i) Section 3(1) of MPRA	The council of a municipality must adopt a rates policy consistent with the provisions of the MPRA.
ii) Section 3(2) of MPRA	A rates policy must be tabled with the municipality's annual budget at a municipal council meeting.
iii) Section 4(1) of MPRA	The municipality must follow a process of community participation in accordance with Chapter 4 of the Municipal Systems Act before adopting its first rates policy in terms of the MPRA.

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| iv) Section 4(3) of MPRA      | The municipal council must take all comments and representations made to it or received by it into account when it considers the draft rates policy.   |
| v) Section 6(1) of MPRA       | A municipality must adopt by-laws to give effect to the implementation of its rates policy.  |
| vi) Section 5(1) of MPRA      | A municipal council must annually review its rates policy.   |
| vii) Section 5(2) of MPRA     | Community participation in amendments to a rates policy must be effected through the municipality's annual budget process in terms of sections 22 and 23 of the MFMA.  |
| viii) Section 12(1) of MPRA   | When levying rates a municipality must levy a rate for a financial year.   |
| ix) Section 12(2) of MPRA     | The levying of rates must form part of a municipality's annual budget process as set out in Chapter 4 of the MFMA and a municipality must annually with the budget process review the amount in the Rand of its current rates in line with its annual budget for the next financial year.  |
| x) Section 14(1) of MPRA      | A municipal council must pass a resolution to levy rates.  |
| xi) Section 14(2) of MPRA     | The municipality must publish a resolution levying rates in the Provincial Gazette.  |
| xii) Section 15(3) of MPRA    | The MM must annually table to council a list of all exemptions, rebates, reductions and exclusions granted by the municipality during the previous financial year and a statement reflecting the income for the municipality foregone as a result during the previous financial year.  |
| xiii) Section 15(4) of MPRA   | Projections regarding the revenue foregone in terms of section 15(3) for a financial year must be reflected in the municipality's annual budget for that year.   |
| xiv) Section 19(1)(a) of MPRA | A municipality may not levy- <ul style="list-style-type: none"> <li>- different rates on residential properties, except as provided for in sections 11(2), 21 and 89;</li> <li>- a rate on a category of non-residential properties that exceeds a prescribed ratio to the rate on residential properties determined in terms of section 11(1)(a) provided that different ratios may be set in respect of different categories of non-residential properties;</li> <li>- rates which unreasonably discriminate between categories of non-residential properties; or</li> </ul> |



- additional rates except as provided for in Section 22.
- xv) Section 23 of MPRA A municipality must draw up and maintain a register of properties consisting of a Part A and a Part B, and must at regular intervals, but at least annually, update Part B of the register. Part A of the register must be updated in accordance with the provisions of the MPRA relating to the updating and supplementing of valuation rolls.
- xvi) Section 27(1) of MPRA A municipality must furnish each person liable for the payment of a rate with a written account.
- xvii) Section 30(1) of MPRA A municipality intending to levy a rate on property must cause a general valuation to be made of all properties in the municipality.
- xviii) Section 33(1) of MPRA A municipality must, before the date of valuation, designate a person as municipal valuer.
- xix) Section 33(2) of MPRA If a municipality decides to secure the services of a person in private practice as its municipal valuer, it must follow an open, competitive and transparent process in accordance with Chapter 11 of the MFMA.
- xx) Section 33(3) of MPRA A municipality must issue to the person designated as its municipal valuer an identity card in the prescribed format.
- xxi) Section 49 - 53 of MPRA The municipality must follow an objection process affording every person the opportunity to object to the valuation of his or her property.
- xxii) Section 54 of MPRA The municipality must follow an appeals process affording every person who is not satisfied with the decision of the municipal valuer in the objection process to lodge an appeal.
- xxiii) Section 77 of MPRA A municipality must at least once a year update its valuation roll if section 78 or 79 applies.
- xxiv) Section 78 of MPRA A municipality must whenever necessary, cause a supplementary valuation to be made in respect of any rateable property falling into categories listed in section 78(1).
- xxv) Section 79 of MPRA A municipality must regularly cause its valuation roll to be amended to reflect any changes to the particulars on the roll, except that changes to the roll in circumstances where section 78 applies may only be effected through a supplementary roll in accordance with that section.

#### 5.4. Municipal Valuer

Section 34 of the MPRA tasks a municipal valuer with the following functions:

- The valuation of all properties in the municipality;
- The preparation of a valuation roll of all properties in the municipality;
- The signing and certification of the valuation roll;
- The submission of the valuation roll to the MM;
- To consider and decide on objections to a valuation Roll;
- To attend every meeting of a valuation appeal board hearing appeals against or reviews of decisions of that valuer;
- The preparation of supplementary valuation rolls;
- To assist the municipality in the collection of postal addresses of owners; and
- Generally provides the municipality with administrative support incidental to the valuation roll.

#### 5.5 Assistant Municipal Valuer

Section 35 of the MPRA tasks an assistant municipal valuer with the following function:

- To assist the municipal valuer with the performance of any function as set out in paragraph 5.4 above.

#### 5.6 Data Collectors

Section 36(1) of the MPRA tasks a Data Collector with the following function:

- To assist the municipal valuer with the collection of data and other related work.

#### 5.7 Valuation Appeal Board

Section 57 of the MPRA tasks a valuation appeal board with the following functions:

- To hear and decide on appeals against decisions of a municipal valuer concerning objections to a valuation roll; and
- To review decisions of a municipal valuer where the valuation of a property is adjusted by more than 10% upwards or downwards.

## CHAPTER 6

### RATES POLICIES

Important factors to be taken into account when drafting or annually reviewing, and if necessary amending a municipality's rates policy:

#### 6.1 Equitable treatment of Rate Payers

Section 3(3)(a) of the MPRA stipulates that all ratepayers must be treated in an equitable manner.

Equitable treatment does not necessarily mean equal treatment of ratepayers. The circumstances of each ratepayer or category of ratepayers is to be considered on individual merit and within the limitations set out in Sections 19, 20, 21 and 22 of the MPRA. A municipality may adopt measures to ensure equitable and fair treatment of ratepayers. This may include but is not limited to the following:

- Establishing a help-desk to attend to all queries raised by ratepayers in relation to their rates accounts;
- Responding to all queries raised by ratepayers with regard to their rates accounts or the computation thereof within a reasonable period;
- Ensuring that ratepayers are made aware of any mechanisms, processes and procedures established by the municipality in order to facilitate local community participation; and
- Ensuring that the municipality takes heed of the provisions of the MPRA, by-laws and the rates policy in the process of rating properties, granting rebates, exemptions, objections, appeals and /or reductions.

Any differentiation in levying rates must not constitute unfair discrimination. Similarly, ratepayers with similar properties must be treated in like manner.

#### 6.2 Criteria for differential rates, exemptions, rebates and reductions

Section 3(3)(b) stipulates that a rates policy must determine the criteria to be applied if it -

- Levies different rates for different categories of properties;
- 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.

Criteria for different rating on different categories of properties may include the following:

- Use of the property;
- Permitted use of the property; or
- Other criteria determined by the municipality.

Criteria for exempting a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties and for

granting 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 may be according to-

- Indigent status of the owner of a property as determined by the income level of the owner;
- Limited income of owners of a property who are pensioners or dependent on social grants;
- Owners of property situated within an area affected by-
  - A disaster within the meaning of the Disaster Management Act, 2002 (Act No.57 of 2002); or
  - Any other serious adverse social or economic conditions;
- Owners of residential properties with a market value below a determined threshold;
- Owners of agricultural properties who are bona fide farmers; or
- Other criteria determined by the municipality.

#### Criteria for Rate increases

Rates increases are annually considered by a municipality during the budget process. Reasons to increase the rates may be due to –

- The increase in operating costs of rates funded services;
- Salary and wage increases as agreed at the South African Local Government Bargaining Council;
- Inflation;
- The cost of capital;
- Statutory increases affecting the municipality; and
- Increases or decreases on operating subsidies received.

### 6.3 Categories of property

Section 3(3)(c) stipulates that a municipality must determine criteria for the determination of categories of properties for the purpose of levying different rates and for the purpose of granting exemptions, rebates and reductions.

Categories of ratable property may be determined by a municipality according to, but not limited to the use of property, permitted use of property, or any other criteria.

When determining categories of property a municipality may include the categories as listed in Section 8(2) of the MPRA. This list, however, is not exhaustive with respect to categories of properties that municipalities may use for differential rating purposes and the granting of exemptions, rebates and reductions. A municipality may use any of the categories listed in section 8(2) of the MPRA and may add other categories that would make implementation of its rates policy possible. Municipalities could also allow a category for vacant land.

### 6.4 Multi-purpose properties

Section 3(3)(d) states that a municipality's rates policy must determine how it would categorise properties used for multiple purposes for rating purposes. Based on its

circumstances, a municipality must determine the category of a property used for multiple purposes based on the following:

- The entire property can be categorised in terms of the permitted use;
- The entire property can be categorised in terms of the dominant use; or
- The property can be categorised as being used for multiple purposes. If a property falls into this category, the market value of the property must be apportioned, and each portion of the property must be categorised according to its individual use and rated accordingly. If the market value of the property cannot be apportioned to its various use purposes, then such a property must be categorised as one of the two aforementioned categories.

Rates on properties used for multiple purposes can be levied in accordance with the permitted or actual use of the property and not necessarily according to its zoning.

Examples of properties used for multiple purposes are the following:

- A block of flats with businesses on the ground floor;
- A double storey-building with a shop on the ground floor and the residential quarters on the top floor;
- A residential property with a spaza shop;
- A farm that consists of the residential portion, a farm portion and an unused land, etc.

#### 6.5 Exemptions, rebates and reductions

Section 3(3)(e) states that a rates policy must identify and provide reasons for exemptions, rebates and reductions.

The following may be taken into consideration for the purpose of granting exemptions, rebates and reductions to categories of owners of property:

- indigent status of the owner of a property;
- income of the owner on a property;
- market value of residential property below a determined threshold;
- owners of property situated within an area affected by–
  - a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
  - any other serious adverse social or economic conditions; and
- owners of agricultural properties who are *bona fide* farmers.

Section 8(2) of the MPRA is not exhaustive in outlining categories of properties that municipalities may use for the granting of exemptions, rebates and reductions. A municipality may use any of the categories of properties listed in section 8(2) and any of the categories of owners listed in section 15(2) of the MPRA. A municipality may add other categories that would make implementation of its rates policy possible.

#### 6.6 Dealing with the Poor

Section 3(3)(f) of the MPRA states that municipalities must take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them. Municipalities should, through their rates policies, target indigents within their

own jurisdictions and ensure that they are not overburdened with rates liabilities. Municipalities have to deal with the circumstances of the indigents through relief measures such as exemptions, rebates or reductions. It is important that exemptions, rebates and reductions be well targeted to indigents. This would avoid a situation whereby the wealthy and middle-income people benefit from such relief measures to the detriment of the indigents.

The alleviation of poverty should be addressed by all spheres of government in order for people to enjoy life in dignity. National government has already put a number of initiatives in place to address poverty. These include the offering of state subsidies for building houses, social assistance in the form of grants (such as the old age grant, disability grant, etc.), allocation of the Local Government Equitable Share to municipalities to subsidise the provision of basic services and free basic services, and the Municipal Infrastructure Grant (MIG) to put in place the necessary infrastructure for people to access basic and free basic services. Similarly Section 17(1)(h) of the MPRA also stipulates that a municipality may not levy a rate on the first R 15 000 of the market value of residential property in order to alleviate the rates burden on the poor.

#### 6.7 Public Benefit Organisations (PBO's)

In terms of section 3(3)(g) of the MPRA, a rates policy must take into account the effect of rates on PBO's.

The MPRA Rate Ratio Regulations stipulate that any property owned by PBO's and used for any specified public benefit activity listed in Item 1, Item 2 and Item 4 of Part 1 of the Ninth Schedule to the Income Tax Act, 58 of 1962, must be rated at 25% of the residential property cent-in-the-rand amount.

#### **Example**

If the cent-in-the-rand amount for residential property is R 0.013 (which is 1.3 cent), then the cent-in-the-rand amount for PBO's will be calculated as follows:

$$\begin{aligned} &= (0.013 - 75\%) \\ &= (0.013 \times 75\%) - 0.013 \\ &= 0.00975 - 0.013 \\ &= 0.00325 \end{aligned}$$

Cent-in-the-rand amount for PBO's = 0.00325 (which is 0.325 cent).

#### 6.8 Dealing with Public Service Infrastructure (PSI)

Section 3(3)(h) of the MPRA states that municipalities in developing their rates policies must "take into account the effect of rates on public service infrastructure." The components of public service infrastructure such as public roads and railway lines are defined in the MPRA. Public service infrastructure plays a strategic role in the economy, sustaining of human life, facilitating trade and investment activities within the domestic economy and positioning of the country in the global economy. For instance Telkom and similar institutions provide a communication network to the community, Eskom provides electricity to the community which is a basic service for the community, the water services providers provide a life sustaining service to the community. Transnet's railway network and its other infrastructure at harbours and airports, coupled with public roads play a significant role in promoting intra-domestic trade and the competitiveness of South Africa in the global trading system, and

influence foreign perceptions about the desirability of South Africa as an investment destination. These have an effect on government's goal of job creation as the competitiveness of the local economies and the entire South African economy vis-à-vis the international economy may be compromised through excessive rating of public service infrastructure.

When municipalities are exercising their power to rate with regard to public service infrastructure, they must ensure that their rates policies are not a strong inhibitor of public service infrastructure businesses located within their jurisdictions.

The MPRA Rate Ratio Regulations mandate that public service infrastructure property must be rated at 25% of the residential property cent-in-the-land amount.

**Example**

If the cent-in-the-land amount for residential property is R 0.025 (which is 2.5 cent), then the cent-in-the-land amount for PSI will be calculated as follows:

$$\begin{aligned} &= (0.025 - 75\%) \\ &= (0.025 \times 75\%) - 0.025 \\ &= 0.01875 - 0.025 \\ &= 0.00625 \end{aligned}$$

Cent-in-the-land amount for PSI = 0.00625 (which is 0.625 cent).

**6.9 Promotion of local, social and economic development**

Section 3(3)(i) states that a rates policy must allow the municipality to promote local, social and economic development.

Municipalities should annually review prevailing rates policies, and if necessary amend its rates policy to ensure that it continues to serve the needs of communities within their municipal jurisdiction area. For example it could be that the prevailing municipal rates policy is a strong inhibitor of attracting businesses due to excessive rating of particular economic sectors such as commercial, industrial and farming.

Although property rates do not influence the level of consumer inflation directly, the cost eventually works its way into the costs of doing business and thus, affecting producer inflation. In order to facilitate planning by economic sectors and households it is important for a municipality to undertake medium to long term planning indicating what projected rates will be charged in line with the provisions of the MFMA.

Municipalities, in exercising their power to levy rates should be responsive to the demands of the South African economy. Municipalities therefore as zones for the location of small businesses must take note of this overall objective and not impose excessive rates that will have a negative impact on the development of SMMEs and export businesses.

The need to promote economic growth requires a balance between the social need of the community and the requirements of economic sector and revenue needs of a municipality. Local government rates policy should also be based on political, social and economic cohesion and inclusion to better facilitate economic growth and development.

Rating of property will be implemented in a way that supports sustainable local government by providing a stable revenue source within the discretionary control of the municipality and that would support local and social economic development with consideration and compliance with the local economic development strategy of the municipality.

#### 6.10 Properties not rated

Section 3(3)(j) states that a rates policy must identify, on a basis as may be prescribed, all rateable properties in the municipality that are not rated in terms of section 7(2)(a).

A municipality is not obliged to levy rates on the following properties:

- Properties owned by the municipality;
- Public Service Infrastructure;
- Rights registered against immovable property in the name of a person, excluding a mortgage bond registered against the property; or
- Properties of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices;

#### 6.11 Agriculture

Section 3(4) of the MPRA states that when a municipality is intending to grant relief measures like exemptions, rebates or reductions on properties used for agricultural purposes, it 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 to 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.

In terms of Section 3(4) municipalities are not mandated to grant relief measures on agricultural properties.

Municipalities are, however, mandated in terms of The MPRA Rate Ratio Regulations that the rate on agricultural property as defined in Section 8(2)(d)(i), (e) and (f)(i) of the MPRA must not exceed the prescribed ratio to the rate on residential property. This means that farm properties used for agricultural purposes or not used for any purpose, as well as smallholdings used for agricultural purposes, must be rated at 25% of the residential property cent-in-the-rand amount.

#### **Example**

If the cent-in-the-rand amount for residential property is R 0.015 (which is 1.5 cent), then the cent-in-the-rand amount for agricultural properties will be calculated as follows:

$$\begin{aligned} &= (0.015 - 75\%) \\ &= (0.015 \times 75\%) - 0.015 \\ &= 0.01125 - 0.015 \\ &= 0.00375 \end{aligned}$$

Cent-in-the-rand amount for agricultural properties = 0.00375 (which is 0.375 cent).



## 6.12 Relief

Section 3(6) stipulates that a municipality may not grant relief in respect of the payment of a rate-

- To a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in its rates policy and granted in terms of section 15; or
- To the owners of properties on an individual basis.

## CHAPTER 7

### LEVYING OF RATES

Rates are a Cent amount in the Rand levied on the market value of immovable property, that is, land and buildings, rights of way, easements and servitude.

All property owners are liable for the payment of rates. Therefore, all property owners, including commercial, residential (homes), agriculture, government, etc. are included in the definition of property.

The financial liabilities for property rates are calculated by multiplying the market value of immovable property by the cent-in-the-rand amount that a municipal council has determined.

#### **Example**

If the market value of immovable property is R 750 000, and the cent-in-the-rand amount is R 0.015 (which is 1.5 cent), then the amount due for property rates will be calculated as follows:

= R 750 000 X 0.015

= R 11 250 per year, which means that every month the property owner will pay R 937-50.

Property rates are set, collected and used locally. National and Provincial Governments do not have the power to levy rates (Section 229 of the Constitution vests the power with municipalities), nor do they share in the revenue collected. Revenue from property rates is spent by a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the municipality's Integrated Development Plans (IDP'S) and Budgets. The Cent amount in the Rand is decided by the municipal council taking into account public comments, submissions and inputs on the municipal council's draft or amended rates policy and annual budget that are subjected to the process of community participation in line with Chapter 4 of the MSA and the MFMA.

#### 7.1 MPRA Rate Ratio Regulations between Residential and Non-Residential Categories of Property

The MPRA Rate Ratio Regulations prescribe the following rebates:

- Agricultural properties receive a rebate of 75% of the rate that a municipality levies on residential property;
- Public Service Infrastructure properties receive a rebate of 75% of the rate that a municipality levies on residential property; and
- Public Benefit Organisation properties receive a rebate of 75% of the rate that a municipality levies on residential property.

#### 7.2 Levying of Rates on Sectional Title Schemes

In terms of section 10 of the MPRA, an owner of the sectional title unit is liable for a rate levied by a municipality on such a unit.

Although section 25(3) of the MPRA states that the body corporate controlling a sectional title scheme may not apportion and collect rates from the owners of the sectional title units in the scheme, this section does not preclude a municipality from

taking an initiative of entering into an agreement with a body corporate to collect amounts due for rates on behalf of the municipality.

Common property, although it is one of the value forming attributes of a unit (the other two being exclusive use areas and the unit section) cannot be valued separately when a unit in a sectional title scheme is valued. The market value determined for each sectional title unit must include the value of-

- Any allocation to that unit of an exclusive use area; and
  - An exclusive use area is a part or parts of the common property for the exclusive use by the owner of one or more units, (e.g. garage and small garden). The body corporate transfers the right to an exclusive use of the common property by way of registration of a notarial deed (legal endorsement on the document in the deeds office) , entered into by the unit owners and the body corporate.
- Any other interest pertinent to the unit.
  - A sectional title unit comprises of a section and the undivided share of the common property (e.g. swimming pool and a garden). A section is a portion of the building, flat, shop or an office, that is owned by a person. The undivided share in a common property is apportioned to that unit in accordance with its participation quota. Participation quota of a unit means the percentage determined by dividing the floor area of the unit by the total floor area of all units in the sectional scheme.

### 7.3 Limitations on the levying of Rates

In terms of Section 17 of the MPRA, municipalities are prohibited from levying rates on-

- The first R 15 000 of the market value of residential property;
- Property belonging to a land reform beneficiary or his/her heirs, (this exclusion lapses ten years from the date on which the title was registered);
- Any part of the sea-shore as defined in the Sea Shore Act, 21 of 1935;
- Any part of the territorial waters of the Republic as determined in terms of the Maritime Zones Act, 15 of 1994;
- Any islands of which the state is the owner, including the Prince Edward Islands referred to in the Prince Edward Islands Act, 43 of 1948;
- Mineral rights within the meaning of section 1(b) of the MPRA;
- The first 30% of the market value of public service infrastructure;
- Property registered in the name of and used primarily as a place of worship by a religious community including the official residence occupied by the office-bearer of the religious community who officiates at services at that place of worship; and
- Parts of a special nature reserve, national park, nature reserve or a national botanical garden which are not developed or used for commercial, business, agricultural or residential purposes.

### 7.4 Identification and quantification of costs and benefits

Section 15 (3) of the MPRA stipulates that the MM must annually table in the council of the municipality, a list of all exemptions, rebates and reductions granted during the previous financial year in terms of Section 15(1) and a statement reflecting the income forgone during the previous financial year by way of such exemptions, rebates and

reductions, and exclusions referred to in Section 17(1)(a), (e), (g), (h) and (i) of the MPRA. Projections regarding revenue to be foregone for a financial year due to exemptions, rebates reductions and exclusions must be reflected in the municipality's budget for that financial year.

## CHAPTER 8

### **ADDITIONAL RATES (SPECIAL RATING AREAS)**

8. A municipality may by 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 an additional rate.

Before determining a special rating area, a municipality must-

- consult the local community on the following matters-
  - the proposed boundaries of the area; and
  - the proposed improvement or upgrading of the area; 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.

When a municipality determines a special rating area, the municipality-

- must determine the boundaries of the area;
- must indicate how the area is to be improved or upgraded by funds derived from the additional rate;
- must establish separate accounting and other record-keeping systems regarding-
  - the revenue generated by the additional rate; and
  - the improvement and upgrading of the area; and
- may establish a committee composed of persons representing the community in the area to act as a consultative and advisory forum for the municipality on the improvement and upgrading of the area, provided representivity, including gender representivity, is taken into account when such a committee is established. Such a committee must be a subcommittee of the ward committee or committees in the area, if the municipality has a ward committee or committees in the area.

Special rating areas 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 integrated development plan.

## CHAPTER 9

### COMMUNITY PARTICIPATION

#### 9.1 Community Participation in terms of the Municipal Systems Act (MSA)

The key provisions governing community participation include:

- i) Section 17 of the MSA      A municipality must establish appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality and must for this purpose provide for-
- the receipt, processing and consideration of petitions and complaints lodged by members of the local community;
  - notification and public comment procedures, when appropriate;
  - public meetings and hearings by the municipal council and other political structures and political office bearers of the municipality, when appropriate;
  - consultative sessions with locally recognized community organisations; and
  - report-back to the local community.

When establishing mechanisms, processes and procedures the municipality must take into account the special needs of-

- people who cannot read or write;
- people with disabilities;
- women; and
- other disadvantaged groups.

- ii) Section 18 of the MSA      When communicating information a municipality must take into account language preferences and usage in the municipality and the special needs of people who cannot read or write.

- iii) Section 20 of the MSA      A municipality may not exclude the public when considering or voting on a draft by-law tabled in the municipal council.

- iv) Section 21 of the MSA      When anything must be notified by a municipality through the media to the local community, it must be done-
- in the local newspaper or newspapers of its area;
  - in a newspaper or newspapers circulating in its area and determined by the municipal council as a newspaper of record; or
  - by means of radio broadcasts covering the area of the municipality.

A copy of every notice that must be published in the Provincial Gazette or the media, must be displayed at the Municipal Offices.

When the municipality invites the local community to submit written comments or representations on any matter before the municipal council, it must be stated in the invitation that any person who cannot write may come during office hours to a place where a staff member of the municipality named in the invitation, will assist that person to transcribe that person's comments or representations.

- v) Section 21A of the MSA All documents that must be made public by the municipality must be conveyed to the local community-
- by displaying the documents at the municipality's head and satellite offices and libraries;
  - by displaying the documents on the municipality's official website; and
  - by notifying the local community, in accordance with Section 21 of the MSA, of the place, including the website address, where detailed particulars concerning the documents can be obtained.

## 9.2 Community Participation as prescribed in the Municipal Property Rates Act (MPRA)

The MPRA stipulates in four instances where community participation in terms of Chapter 4 of the Municipal Systems Act needs to be complied with. The applicable Sections include-

- i) Section 4 of the MPRA Before a municipality adopts its rates policy it must follow a process of community participation in accordance with Chapter 4 of the MSA.
- ii) Section 5 of the MPRA Community participation with respect to amendments to a rates policy must be effected through the municipality's annual budget process in terms of Section 22 and 23 of the MFMA.

Section 22 of the MFMA stipulates that immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must in accordance with Chapter 4 of the MSA make public the annual budget and the draft resolutions (approving the budget of the municipality, and imposing, amongst others, any municipal tax as may be required for the budget year) and invite the local community to submit representations in connection with the budget.

Section 23 of the MFMA stipulates that when the annual budget has been tabled, the municipal council must consider any views of the local community.

iii) Section 6 of the MPRA      A municipality must adopt by-laws to give effect to the implementation of its rates policy.

Section 20(2) of the MSA stipulates that a municipality may not exclude the public, including the media when considering or voting on a draft by-law tabled in the municipal council.

iv) Section 49(1)(b) of the MPRA      The MM must disseminate the substance of the notice to the local community in terms of Chapter 4 of the MSA, informing the public that a certified valuation roll is open for public inspection and inviting every person who wishes to lodge an objection to do so



CHAPTER 10

STEP BY STEP GUIDELINES

**Guideline 1: Appointment of Valuation Appeal Board Members**

No	Activity	Driver	Sign off by	Suggested Time frame	MPRA Reference (compliance matter)
<b>1. Identification of need</b>					
1.1	As soon as the need exists (e.g. resignation, death of a member, etc.) the municipality advertises in their local newspaper/s calling for interested individuals to serve on the valuation appeal board.  <ul style="list-style-type: none"> <li>- Chairperson of the valuation appeal board must have legal qualifications and sufficient experience in the administration of justice.</li> <li>- At least one member must be a registered professional valuer.</li> <li>- Other members must have sufficient knowledge of or experience in the valuation of property.</li> </ul>	Municipality's Property Valuations Unit with guidance from the Department.	MM or assignee	As soon as the need exists.	Section 58
1.2	Applications should be submitted within 30 days after the advertisement appeared in the local newspaper.				
<b>2. Recommendation process</b>					
2.1	All applications received by the municipality are screened to determine suitable candidates to serve on the valuation appeal board in accordance with the requirements of the MPRA.	Municipality's Property Valuations Unit.	MM or assignee	6 weeks	
2.2	For transparency purposes, it is recommended that interviews should be conducted with all individuals who meet the requirements. The Department may attend these interviews.	"	"		Section 58
2.3	The Executive Mayor considers which applicants should serve on the valuation appeal board and makes a recommendation in this regard to the MEC.	"	Executive Mayor		Chapter 7 of the MPRA Regulations, 2006
2.4	All applications received by the municipality together with a copy of the Executives Mayor's recommendation are submitted to the Department.	"	MM or assignee		
<b>3. Verification by Department</b>					
3.1	On receipt of the Executive Mayor's recommendation, all applications and copy of the advertisement, the Department acknowledges receipt of the request.	Department's Property Valuations and Rates	Head of Department of Local Government	4 weeks.	

3.2	A desk top verification process is performed with respect to all applications to confirm that the applicants, as recommended by the municipality, meet the requirements of the MPRA.	Unit			
3.3	Should the applicants recommended by the Executive Mayor meet the requirements of the MPRA, the Department will refer the matter back to the municipality for reconsideration.	“	Head of Department of Local Government		
3.4	If the recommendation is in line with the requirements of the MPRA, a submission is drafted and forwarded to the MEC to appoint the members as recommended.	“	Head of Department of Local Government		
<b>4. Approval by MEC</b>					
4.1	MEC considers applications and recommendations and makes a decision based thereon. MEC grants approval for the appointment of these members to serve on the valuation appeal board.	Department's Property Valuations and Rates Unit	MEC	4 weeks.	Section 58.
4.2	The approved submission is returned to the Department to complete the appointment process.	“			
4.3	The Department on receipt of the approved submission from the MEC prepares a request for the publishing of the appointed members in the <i>Provincial Gazette</i> .	“			
4.4	On receipt of the official Publication Notice in the <i>Provincial Gazette</i> , appointment letters are than drafted and provided to the relevant members.  With the appointment letters, each member is also requested to provide the Department with 2 passport size photos to prepare the prescribed identity cards.	“		2 weeks.	Section 72 (3)
4.5	The municipality is informed and copies of the appointment letters are sent to the municipality.	“	Head of Department of Local Government		
<b>5. Issuing of identification cards</b>					
5.1	On receipt of the passport photos, the identity cards are prepared as prescribed.	Department's Property Valuations and Rates Unit		2 weeks.	Sec 72 (3)
5.2	The completed identity cards with a covering letter are sent via registered post to the respective valuation appeal board members.	“			

5.3	Copies of the identity cards are also provided to the municipality.				
<b>6. Declaration before Commissioner of Oaths</b>					
6.1	The declaration by a member of a valuation appeal board must be lodged with the Office of the MEC for Local Government within 30 days of appointment, but before assumption of duty.	Department's Property Valuations and Rates Unit.	Valuation Appeal Board member.	Period is indicated in activity.	Chapter 10 of the MPRA Regulations of 2006.

**Important legal requirements**

- Activities numbers 1 and 2 are specifically followed in order for the MEC to comply with Sections 58(2) and (3) of the MPRA and Chapter 7 of the MPRA Regulations, 2006.

## Guideline 2: Annual review of Rates Policy

NB: This guideline must be read together with Chapter 6 of the MPRA.

No	Activity	Driver	Sign off by	Time frame	MPRA Reference (compliance matter)
<b>1. Development of a Rates Policy</b>					
1.1	MM appoints an official to determine whether the provisions of the rates policy are still in line with the aims and objectives of the municipality and the MPRA.	MM		December (annually)	Section 5
1.2	Appointee reviews the prevailing rates policy to ensure that it continues to serve the needs of the community and the aims and objectives of the municipality.	Appointee			
1.3	Appointee if necessary amends the rates policy and submits draft rates policy amendments to MM.	Appointee			
1.4	MM verifies the amendments and tables draft rates policy together with the municipality's annual budget to council in terms of Section 16(2) of the MFMA.	MM		February (annually)	Section 5(1)
1.5	Community participation in amendments to a rates policy must be effected through the municipality's annual budget process in terms of Sections 22 and 23 of the MFMA.	MM		February (annually)	Section 5 (2)
1.6	Municipal council must at least 30 days before the start of the budget year consider approval of the annual budget including the amendments to the rates policy in terms of Section 24 of the MFMA.	MM	Municipal Council	31 May (annually)	

<b>2. Resolution to levy property rates</b>					
2.1	A resolution levying rates in a municipality must be annually promulgated by publishing it in the Provincial Gazette.	MM	Municipal Council	To be published before 1 July of the new budget year.	Section 14(1) and (2)
2.2	The resolution must without delay be displayed at the municipality's offices, libraries and website.	MM		The resolution must be displayed for at least 30 days.	Section 14(3)(a)
2.3	The MM must also advertise in the media stating that a resolution levying rates on property has been passed by council and that it is available at the Municipality's offices, libraries and website for public inspection.	MM		The advertisement must be placed without delay in the local media.	Section 14(3)(b)

### Important legal requirements

- A municipal council must annually review its rates policy.
- Community participation in amendments to a rates policy must be effected through the municipality's annual budget process in terms of section 22 and 23 of the MFMA.

### Guideline 3: Drafting of Rates By-laws

No	Activity	Driver	Sign off by	Time frame	MPRA Reference (compliance matter)
1. Rates By-laws					
1.1	Draft rates by-laws to give effect to the implementation of the rates policy. Rates by-laws must be in conjunction with the provisions of the rates policy.	MM Assignee	or Municipal Council	Dec (before 1 July) (annually)	Section 6
1.2	Publish by-laws in <i>Provincial Gazette</i> to give them legal effect.	MM Assignee	or Municipal Council		
1.3	By-laws should be reviewed annually and amended in accordance with the rates policy as necessary.	MM Assignee	or Municipal Council		

#### Important legal requirement

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

#### Guideline 4: General Valuations (GV) and Compilation of a Valuation Roll

NB: For practical purposes this Guideline has been drafted for a municipality that has decided to implement its next valuation roll with effect from 1 July 2014. In instances where a different valuation date will apply, the time frames should be adjusted accordingly.

No	Activity	Driver	Sign off by	Time frame	MPRA Reference (compliance matter)
1. Advise council that new GV needs to be undertaken					
1.1	MM must at least 24 months before the implementation of the new valuation roll- - Draft and table a council resolution to proceed with the implementation of the valuation roll on 1 July 2014 with 1 July 2013 as date of valuation; and - Table a recommendation to council for the MM to appoint a project team to co-ordinate the new GV.	MM	Municipal Council	July 2012	Section 31
1.2	Important requirement The MM must ensure that there are adequate budget funds made available to compile a new valuation roll.	MM	Municipal Council		Section 31
1.3	Important legal requirements - The date of valuation may not be more than 12 months before the start of the financial year in which the valuation roll is first to be implemented. - A valuation roll must be submitted to the MM 5 months before is the start of the financial year in which it is implemented.				Section 34 (d) and Chapter 3(1) of MPRA Regulations, 2006.
2. MM establish Project Team to implement new GV					
2.1	MM establish Project Team comprising of- - CFO or finance representative; - SCM representative; - Official responsible for property valuation matters; and - Legal representative (if municipality has the capacity)	MM	MM	July 2012	
2.2	MM appoints the project manager.				
3. Project Team's Scope of work					
	The Project Team role is to- - Decide on scope of work, roles and responsibilities of the team. - Decide on frequency of meetings. - Define reporting procedures. - Compile budget requirements for MPRA roll out. - Make sure that MPRA activities for 2012/13, 2013/14 and 2014/15 have been catered for within the budget.	Project Manager.	MM.	July 2012	

	<ul style="list-style-type: none"> <li>- Decide on the scope of work for the municipal valuer (see activity 5).</li> <li>- Develop a communication strategy.</li> <li>- Provide for regular feedback to the MM /MAYCO.</li> </ul>				
4. Scope of work for municipal valuer					
4.1	<p>The key deliverables for the General Valuation should be-</p> <ul style="list-style-type: none"> <li>- Prepare and create or update Property Register</li> <li>- Communications <ul style="list-style-type: none"> <li>▪ Develop public awareness campaign and communication plan (include if not to be carried out by the municipality itself)</li> <li>▪ Implement public awareness campaign and communication plan</li> </ul> </li> <li>- Valuation roll <ul style="list-style-type: none"> <li>▪ Compile and print final valuation roll certified by municipal valuer and submit to the MM on 31 January 2013.</li> <li>▪ Upload valuation roll and objection forms to the municipality's website</li> <li>▪ Finalise report – General Valuation</li> </ul> </li> <li>- Objections/Appeals management <ul style="list-style-type: none"> <li>▪ Process objections to valuation roll</li> <li>▪ Report on objections</li> <li>▪ Finalise report on objections</li> <li>▪ Process Appeals</li> <li>▪ Finalise report on appeals</li> </ul> </li> <li>- Supplementary valuation roll <ul style="list-style-type: none"> <li>▪ Compile and print supplementary roll</li> <li>▪ Upload supplementary roll and objection forms to the municipality's website</li> <li>▪ Process objections</li> <li>▪ Report on objections</li> <li>▪ Process Appeals</li> <li>▪ Finalise report on objections and appeals</li> </ul> </li> <li>- Objection and Appeal process</li> <li>- Communication with ratepayers</li> <li>- Ongoing feedback to the MM.</li> </ul>	Project Team	MM	July 2012	Section 34
4.2	<p>The brief for the procurement of private valuers should highlight that the identification of gaps in the data base, the verification of existing information and data cleansing is the responsibility of the municipal valuer.</p>				
4.3	<p>NB: If a municipality decides that the municipal valuer preparing the valuation roll should also prepare the supplementary valuation roll than this should be included in the scope of work.</p> <p>Note that a municipality is not compelled to use the services of the municipal valuer who prepared the valuation roll to prepare the</p>	Project Team	MM		
			MM		



4.4	supplementary valuation roll.	Project Team			Section 78(2)(a)
<b>5. Community general awareness campaign</b>					
5.1	The municipality should make the community aware that it is planning a new GV and provide basic information to the public with respect to what the project will entail.	Project Team/Municipal Valuer	MM/Project Manager	August 2012	
5.2	Basic information for ratepayers can be effected through flyers, posters, ward councils, notices with utility accounts, municipal newsletters, newspapers, Mayors's Izimbizo, CDW's, radio, community meetings, etc.  Appropriate intervention should be developed for each respective category of ratepayers (e.g. ratepayers associations, business forums, chambers of commerce, ward committees, youth groups, women's groups, NGO's, agricultural associations, etc.)				
5.3	The information as provided for in Annexure G (Frequently asked questions) may be used for this purpose.				
5.4	Important Notice If the municipality is not executing this activity it should then be included as part of the Scope of work of the municipal valuer.				
<b>6. Procurement of municipal valuer (according to the municipality's Supply Chain Policy)</b>					
	The following tasks must be executed:  - Advertise for services of an experienced and suitably qualified valuer; - Convene compulsory briefing session with bidders; - Bids close; - Adjudication of bids 60 days; - Appointment of service provider; and - Signing of prescribed declaration by municipal valuer.			1 Aug 2012  15 Aug 2012  31 Aug 2012 31 Oct 2012 15 Nov 2012 15 Nov 2012	Section 33(2)
<b>7. Information municipality must provide to municipal valuer on his/her appointment</b>					
	Information to be provided is as follows: - Current valuation roll; - Copies of supplementary valuation rolls; - Building plans; - Cadastre; - GIS; - Monthly clearance certificates; - Monuments and heritage building declared from time to time; - Occupation certificates where available; - Town planning scheme, etc.; - Sectional title register; - Municipal register of properties; - List of all approved but unregistered	Municipality's Property valuation Unit/Project Team		30 Nov 2012	

	<ul style="list-style-type: none"> <li>properties;</li> <li>- List of Usage categories;</li> <li>- Aerial photographs/imagery;</li> <li>- Project plan; and</li> <li>- Reporting requirements.</li> </ul>				
<b>8. Identity cards for municipal valuer</b>					
	Issue identity cards to municipal valuer, data collectors, and other authorized persons for valuation purposes.	Municipality's Property valuation Unit	MM	30 Nov 2012	Section 33(3), 35(4) and 36(4),
<b>9. Community participation with ratepayers: Data collection for compilation of GV</b>					
	<p>Undertake the following actions:</p> <ul style="list-style-type: none"> <li>- Advise ratepayers regarding identity of the municipal valuer appointed to compile valuation roll;</li> <li>- Include information about the following activities of the municipal valuer; <ul style="list-style-type: none"> <li>- Inspection of the property;</li> <li>- Access to information;</li> </ul> </li> <li>- Indicate service provider broad programme for the data collection; and</li> <li>- Provide information or contact details and hours regarding Help Desk at municipality.</li> </ul>	Municipality's Property valuation Unit/Municipal Valuer		Nov-Dec 2012	
<b>10. Compilation of valuation roll by municipal valuer</b>					
	<p>The valuer must execute the following tasks:</p> <ul style="list-style-type: none"> <li>- Project sales review; market and valuation methodology reports- <ul style="list-style-type: none"> <li>▪ Residential contract sales review, market and valuation methodology reports; and</li> <li>▪ Non-residential contract sales review, market and valuation methodology reports.</li> </ul> </li> <li>- Data collection Residential- <ul style="list-style-type: none"> <li>▪ Develop and submit data collection/data capture methodology including digitized footprint plan;</li> <li>▪ Prepare and submit data collection/data capture training manuals and data collection forms per property type;</li> <li>▪ Recruit and train data collectors;</li> <li>▪ Collect/verify and capture data (data, sketch, photos, etc.);</li> <li>▪ Collect/verify and capture postal address data;</li> <li>▪ Quality assurance data review; and</li> <li>▪ Maintain data.</li> </ul> </li> <li>- Residential Valuations- <ul style="list-style-type: none"> <li>▪ Generate values (draft value per property/draft valuation roll);</li> <li>▪ Undertake value review and quality assurance;</li> <li>▪ Value finalization (final value per property/final valuation roll);</li> </ul> </li> <li>- Data collection non-residential; <ul style="list-style-type: none"> <li>▪ Develop and submit data collection and quality assurance plan;</li> </ul> </li> </ul>	Municipal Valuer	Municipal Valuer	1 Jan - 31 Dec 2013	

	<ul style="list-style-type: none"> <li>▪ Prepare and submit training manuals and data collection forms per property type;</li> <li>▪ Recruit and train data collectors;</li> <li>▪ Collect/verify and capture data (data, sketch, photos, etc.);</li> <li>▪ Collect/verify and capture postal address data;</li> <li>▪ Quality assurance data review; and</li> <li>▪ Maintain data.</li> </ul> <p>- Non Residential Valuations-</p> <ul style="list-style-type: none"> <li>▪ Generate values (draft value per property/draft valuation roll);</li> <li>▪ Undertake value review and quality assurance; and</li> <li>▪ Value finalization (final value per property/final valuation roll).</li> </ul>				
<b>11. Submission of draft Valuation Roll</b>					
11.1	Draft valuation roll may be internally checked and/or monitored by the municipality.	Municipal Valuer	Municipal Valuer	31 December 2013	
11.2	Municipal valuer will be required to correct any entry that has been found to be incorrect in terms of size, description, zoning, ownership, etc. as well as incorrect valuations based on sales ratio analysis and other factually indicated market trends.				
11.3	The draft valuation roll may be subjected to external monitoring by the municipality.				
<b>12. Submission of certified Valuation Roll</b>					
12.1	After correcting draft valuation roll, municipal valuer certifies the valuation roll.	Municipal Valuer	Municipal Valuer	31 January 2014	Section 34(c).
12.2	Municipal valuer submits certified valuation roll to municipality.	Municipal Valuer	Municipal Valuer	31 January 2014	Section 49.
<b>13. Public Notice calling for inspection of the valuation Roll and lodging of objections</b>					
13.1	<p>MM must within 21 days of receipt of the certified valuation roll from the municipal valuer-</p> <ul style="list-style-type: none"> <li>- Publish in the prescribed form in the Provincial Gazette; and once a week for two consecutive weeks advertise in the media, a notice- <ul style="list-style-type: none"> <li>▪ Stating that the roll is open for public inspection for a period that may not be less than 30 days from the date of publication of the last notice; and</li> <li>▪ Inviting every person who wishes to lodge an objection in respect of any matter in, or omitted from, the roll to do so in the prescribed manner within the stated period.</li> </ul> </li> <li>- Make a hard copy of the notice available at municipality's offices and libraries.</li> </ul>	MM		<p>21 Feb 2014</p> <p>9 Feb and 16 Feb 2014</p>	Section 49 and Chapter 4 of MPRA Regulations, 2006.

13.2	<ul style="list-style-type: none"> <li>- Serve, by ordinary mail, extracts from the valuation roll and a hard copy of the notice to every owner of property listed in the valuation roll. (extract must include registered description of the property, physical address of the property, extent, market value, name of the owner, any other prescribed particulars).</li> <li>- Publish the valuation roll on the municipal website.</li> </ul> <p>The public notice must include at least the following minimum information:</p> <ul style="list-style-type: none"> <li>- Name of the municipality;</li> <li>- Location where the valuation roll may be inspected;</li> <li>- Duration for inspection of the valuation roll and lodging of objections;</li> <li>- Location where objection forms can be obtained from and submitted to after completion;</li> <li>- Full names of the MM; and</li> <li>- Contact details for making enquiries.</li> </ul>				
<b>14. Objections to Valuation Roll</b>					
14.1	A MM must within 14 days of the end of the 30-day public inspection period of the valuation roll, submit all objections to the municipal valuer.		MM	30 April 2014	Section 50(5)
14.2	A municipal valuer must consider the objections and make a decision based on facts.	Municipal Valuer	Municipal Valuer	May-Jun 2014	Section 51
14.3	<p>If a municipal valuer adjusts the valuation of a property by more than 10 per cent upwards or downwards-</p> <ul style="list-style-type: none"> <li>- The municipal valuer must give written reasons to the MM; and</li> <li>- The MM must promptly submit to the valuation appeal board the municipal valuer's decision, the reasons for the decision and all relevant documentation, for review.</li> </ul>	Municipal Valuer	Municipal Valuer		Section 52(1)(a) and (b)
14.4	The valuation appeal board must review any such decision and either confirm, amend or revoke the decision.	Valuation Appeal Board	Chairperson of Valuation Appeal Board and Municipal Valuer.		Section 52(2)
14.5	The Chairperson of the valuation appeal board and the municipal valuer must ensure that the valuation roll is adjusted in accordance with the decisions taken by the valuation appeal board.	Chairperson of Valuation Appeal Board and Municipal Valuer.			Section 52(3)
14.6	A municipal valuer must, in writing, notify every person who has lodged an objection and the owner of the property concerned if	Municipal Valuer.			Section 53(1)

	<p>the objector is not the owner, of-</p> <ul style="list-style-type: none"> <li>- The valuer's decision;</li> <li>- Any adjustments made to the valuation roll in respect of the property concerned; and</li> <li>- Whether the property has been adjusted by more than 10 per cent upwards or downwards and, if so, that the valuation will be reviewed by the valuation appeal board.</li> </ul>				
14.7	The municipal valuer must also notify all objectors, owners of property who are affected by such a decision if the objector was not the owner, or the council of the municipality concerned if the municipality's interests are affected, that they may lodge an appeal against the decision of the municipal valuer.				Section 54
14.8	After the notification of the outcome of the objections, an objector or owner may in writing, apply to the MM for the reasons for the decision. A prescribed fee must accompany the application.	Objector or owner		Applications must be submitted within 30 days after the notification of outcome of objections.	Section 53(2)
14.9	The municipal valuer must after receipt of such application by the MM, provide the reasons for the decision to the applicant, in writing.	Municipal Valuer.		Reasons must be provided within 30 days after receipt of such applications.	Section 53(3)
15.	Right of Appeal			Jun 2009	
15.1	Objectors and property owners who are not satisfied with the decision of the municipal valuer in the objection process may lodge an appeal.	Objectors and property owners		<p>Objectors and owners may appeal within 30 days after the date on which written notice of the municipal valuer's decision was sent.</p> <p>If the objector or property owner requested reasons then the appeal</p>	Section 54(2)(a) and (b).

15.2	The municipal council may lodge an appeal.	MM	Municipal Council	must be lodged 21 days after the date on which the reasons were sent.  The municipal council may lodge an appeal within 30 days after the date on which the decision was taken.	Section 54(2)(c).
15.3	MM must forward all appeals received to the Chairperson of the valuation appeal board.		MM	All appeals to be forwarded within 14 days after the end of the period during which appeals may be lodged.	Section 54(3)(a)
15.4	MM must forward copies of all appeals received to the municipal valuer.		MM	Copies of appeals to be submitted within 14 days after the end of the period during which appeals may be lodged.	Section 54(3)(c).
<b>16. Valuation appeal board hearings</b>					
	Refer to Guideline No 6 (Schedule F).				
<b>17. Implementation of the Valuation Roll</b>					
	The valuation roll, amended rates policy and budget take effect 1 July 2014.	MM		1 July 2014	
<b>18 Rates accounts</b>					
	A rates account must specify the following information:  - 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 applicable, whether a compulsory	Municipality		A rate becomes payable as from the start of a budget year.	Section 27

	phasing-in discount applies - if the property is subject to any additional rate (special rating areas), the amount due for additional rates.				
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**Guideline 5: Compilation of Supplementary Valuation Roll (SV Roll)**

No	Activity	Driver	Sign off by	Time frame	MPRA Reference (compliance matter)
<b>1. Updating of Valuation Roll</b>					
	<p>A Municipality must at least once a year prepare a supplementary valuation of any rateable property-</p> <ul style="list-style-type: none"> <li>- incorrectly omitted from the valuation roll;</li> <li>- included in a municipality after the last GV;</li> <li>- subdivided or consolidated after the last GV;</li> <li>- of which the market value has substantially increased or decreased for any reason after the last GV;</li> <li>- substantially incorrectly valued during the last GV;</li> <li>- that must be revalued for any other exceptional reason; or</li> <li>- of which the category has changed.</li> </ul>	Municipality's Property valuation Unit Municipality	MM	The SV Roll must be submitted 3 months before the effective date of such SV Roll.	<p>Sections 77, 78 and 79.</p> <p>Chapter 3 (2) of MPRA Regulations, 2006.</p>
<b>2. Designation of municipal valuer</b>					
2.1	If the municipality decides to use the same municipal valuer who prepared the valuation roll to prepare the supplementary valuation roll then activities 9, 10, 11, 12, 13, 14, 15 and 16 of Guideline 5: Schedule D, read with the necessary changes as the context may require, are applicable.			The SV Roll must be submitted 3 months before the effective date of such SV Roll.	<p>Sections 77, 78 and 79.</p> <p>Chapter 3 (2) of MPRA Regulations, 2006.</p>
2.2	If the municipality decides not to use the same municipal valuer who prepared the valuation roll to prepare the supplementary valuation roll then activities 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 of Guideline 4, read with the necessary changes as the context may require, are applicable.				

**Important legal requirements**

- A municipality must at least once a year update its valuation roll by causing a SV Roll to be made in respect of any rateable property if applicable.
- A SV Roll must be submitted to the MM 3 months before before the effective date of such SV Roll.
- A SV Roll takes effect on the first day of the month following the completion of the public inspection period required for the SV Roll.
- A municipal valuer must sign and certify the SV Roll.
- MM must within 21 days of receipt of the certified SV Roll from the Municipal Valuer release a public notice calling for inspection of the SV Roll and lodging of objections.
- A municipal valuer must in writing notify every person who has lodged an objection (including owners of property if the objector is not the owner) of the decision with respect to the objection, any adjustments made to the valuation roll with respect to the property concerned, and whether compulsory review of the decision applies.
- Valuations that are adjusted by more than 10 per cent upwards or downwards by the Municipal Valuer in the objection process must be submitted to the valuation appeal board for review.
- The Chairperson of the valuation appeal board and the municipal valuer must ensure that the valuation roll is adjusted in accordance with the decisions taken by the valuation appeal board.



**Guideline 6: Valuation Appeal Board Hearing**

No	Activity	Driver	Sign off by	Time frame	MPRA Reference (compliance matter)
<b>1. Action by MM</b>					
1.1	MM must forward any appeals received to the Chairperson of the valuation appeal board within 14 days after the end of objection period. A copy of the appeals must also be submitted to the municipal valuer.	Municipality: Unit responsible for property valuations.	MM	Included in activity.	Section 54(3)(a) and 54(3)(c).
1.2	The Chairperson of the valuation appeal board must convene a meeting within 60 days after receipt of the appeals.	“	Chairperson of the Valuation Appeal Board	Included in activity.	Section 54(3)(b).
1.3	The Chairperson must at least 21 days prior to the hearing inform all concerned parties, members of the valuation appeal board including the appellant in writing of the date and venue of such hearing of the appeal.	“	“	Included in activity.	Chapter 8 of MPRA Regulations, 2006.
1.4	The proceedings of the valuation appeal board meetings must be recorded and the record kept safe at the municipality. The MM is responsible for the safe keeping of the records.	“	“	Included in activity.	Chapter 8 of MPRA Regulations, 2006.
1.5	Each appellant and all concerned parties shall within 30 days from the last day of hearing of the appeal, be advised in writing of the valuation appeal board’s decision.	“	“	Included in activity.	Chapter 8 of MPRA Regulations, 2006.
1.6	The Chairperson of the valuation appeal board must give reasons for the decision taken by the valuation appeal board within 30 days of such request at no cost to the appellant or any concerned party.	“	“	Included in activity.	Chapter 8 of MPRA Regulations, 2006.
1.7	Chairperson of the valuation appeal board and municipal valuer must amend the valuation roll in accordance with decisions taken by the appeal board.	Chairperson of the Valuation Appeal Board and the Municipal Valuer.	Chairperson of the Valuation Appeal Board and the Municipal Valuer.		Section 69(1).

**Important legal requirements**

- MM must within 14 days after the end of the objection period, forward to the Chairperson of the valuation appeal board any appeals received.
- The Chairperson of the valuation appeal board must convene a meeting within 60 days after receipt of the appeals.
- The Chairperson must at least 21 days prior to the hearing inform all concerned parties, members of the valuation appeal board including the appellant in writing of the date and venue of such hearing of the appeal.
- All appellants and all concerned parties must within 30 days after the hearing of the appeal, be informed in writing of the valuation appeal board's decision.
- The Chairperson must give reasons for the decision taken by the valuation appeal board within 30 days of such request.

## **GUIDELINE 7: FREQUENTLY ASKED QUESTIONS AND ANSWERS**

### **1. What is the Municipal Property Rates Act?**

The Municipal Property Rates Act is national legislation that regulates the power of a municipality to value and rate immovable properties (that is, land and buildings/improvements) located within the boundaries of the municipality. Municipalities derive their power to levy rates from section 229(1) of the Constitution of the Republic of South Africa.

### **2. Why are properties, valued and how is the market value of the property determined?**

Property rates are based on the value of the property. All properties are valued at the same date of valuation to ensure a fair and equitable basis on which to levy rates. Properties in different areas may increase in value at different rates. General valuations identify these changes and ensure that property rates are adjusted accordingly. Property values are maintained on a valuation roll prepared according to the MPRA.

The market value of the immovable property is the amount the property would have realized if sold in the open market by a willing seller to a willing buyer.

To protect immovable property owners, the law requires municipalities to employ the services of professional valuers who are registered as valuers in terms of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000).

These valuers are qualified to value immovable properties which have not yet been sold in terms of the principle of “willing seller to a willing buyer”, and are trained to ensure that all properties are valued fairly and objectively.

### **3. How to lodge objections regarding the determined market value of the property?**

Any owner has the right to object to their valuation.

After a municipality has completed its valuation of immovable properties within its jurisdiction and produced a property valuation roll, the municipality invites members of the public to inspect the property valuation roll and to raise objections within a stipulated timeframe.

The municipality also provides each immovable property owner with an extract of the property valuation roll pertaining to that owner’s property.

Should the immovable property owner not be satisfied with the market value of his/her property reflected in the property valuation roll, the property owner should approach his/her municipality to lodge objections citing reasons behind such objections.

The MPRA requires that an objector continue paying rates while his/ her objections are being considered and decided upon. Once a decision on the objections has been reached, if there is evidence that the market value reflected on the property valuation roll is incorrect, the MPRA requires the municipality to amend the valuation, and where such amendment results in a refund of rates to the ratepayer, the municipality is obliged to effect such refund. In cases where the ratepayer's property was undervalued, the ratepayer is obliged to pay the additional rates to the municipality.

**4. How does the Valuation Appeal Board deal with objections?**

All objections that have been decided upon by the municipal valuer, where the amended value deviates by more than 10 percent from the valuation roll value, must go to the valuation appeal board for review. Equally, any owner who is dissatisfied with the decision of the municipal valuer with respect to a lodged objection is entitled to appeal the decision by lodging an appeal with the valuation appeal board.

The valuation appeal board's decision is final. The valuation appeal board has the right to issue an order with respect to costs for frivolous appeals or appeals lodged in bad faith.

**5. When is property revalued?**

All properties will be valued for the purposes of a general valuation. A property may also be valued for a supplementary valuation, as prescribed by the MPRA.

**6. Can the result of the objection be such that the property's value is increased?**

Yes, the value of the property may be confirmed, reduced or increased as a result of the objection lodged. The valuation will always be pegged to the date of valuation.

**7. What is a Supplementary Valuation?**

In terms of the MPRA, supplementary valuations are performed during each financial year, to update the current valuation roll with respect to any new properties, and/or changes to property values contained in the current valuation roll. A supplementary valuation must be determined at the same date of valuation as the general valuation.

**8. Why is a supplementary valuation necessary?**

A municipality must, whenever it is necessary, cause a supplementary valuation to be made of any rateable property with regard to:

- properties that have been incorrectly omitted in the current valuation roll;
- properties that have been subdivided or consolidated after the last general valuation;
- properties previously excluded in the municipality during the last general valuation and the municipal demarcations now include these properties;
- properties of which the market value has substantially increased or decreased for any reason after the last general valuation;
- properties substantially incorrectly valued during the last general valuation; and
- properties to be revalued for any other exceptional reason

## 9. What are municipal property rates?

Municipal property rates are the financial liabilities that each immovable property owner pays to the municipality where his/ her immovable property (land and buildings) is located.

The financial liabilities for property rates are calculated by multiplying the market value of immovable property by a Cent amount in the rand that a municipal council has determined. For example:

- If the market value of immovable property is R50 000, and the Cent amount in the Rand is R0.015 (which is 1.5 Cent), then the amount due for property rates:  $R50\ 000 \times 0.015 = R750$  for the whole year, which means that every month the property owner will pay R 62.5 (this is calculated by dividing R750 by 12 as the year has 12 months) to the municipality.

If the immovable property in question is used as a residential property (home) or if it is used for multiple purposes, provided one or more of its components are used for residential purposes.

- The cent amount in the Rand will be applied after deducting the first R15 000 of the market value of such residential property (this is a requirement of law through the MPRA), which means that the R 0. 015 will be applied to R35 000 rather than R50 000 (that is, R 50 000 less R 15 000).
- The rates payable by the homeowner will then be :  $R\ 35\ 000 \times 0.015 = R525$  for the whole year, which means that every month the property owner will pay R 43.75 to the municipality.

## 10. What must ratepayers do to effectively participate in the implementation of the Municipal Property Rates Act?

Chapter 4 of the MSA requires that a culture of community participation in the affairs of the municipality be developed.

Ratepayers have a responsibility to engage with their municipalities when municipalities invite public comments, submissions or inputs on their proposed rates policies and budgets. The rates policies deal with relief measures for ratepayers such as the granting of exemptions, rebates, and reductions in respect of owners of categories of properties. Examples include:

- Indigent owners;
- Owners dependent on pensions or social grants for their livelihood;
- Owners temporarily without income; and
- Owners of Property situated within an area affected by-
  - a disaster within the meaning of the Disaster Management Act (2002); or
  - any other serious adverse social or economic conditions.

Ratepayers should comply with the stipulated timeframes that municipalities publicly announce regarding inspections of property valuation rolls and lodging of objections in respect of market values of specific individual properties.

Raising concerns after municipal councils have approved municipal rates policies and budgets, or after the expiry of the objections period as set out in the MPRA will not achieve meaningful results. Communities need to proactively and constructively engage with their municipalities on valuation and rating issues.

**11. What is municipal property rates revenue used for?**

Municipal property rates are set by municipal councils, collected, and used locally. National and provincial governments do not have the power to levy rates, nor do they share in the revenue collected. Revenue from property rates is spent within a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the municipality's Integrated Development Plan (IDP) and budget processes.

The MEC for Local Government in a province has a general monitoring function with respect to whether municipalities within the province comply with the MPRA. If communities are concerned about the level of response with respect to valuation and rating issues, from their municipalities, such communities may make contact with their respective provincial local government department.

## Guideline 8: MPRA Project Plan

### MPRA PROJECT IMPLEMENTATION PLAN

**Project name:**

**Project Manager:**

**Planned Start Date:**

**Planned Completion Date:**

	Milestone/Activity	Original Budget Provision	Planned Start Date	Planned Completion Date	Actual Progress	Actual Budget Spend	Date Completed	Responsible Project Member	Comments
1.	<b>Advise municipal council that new GV needs to be undertaken</b>								
1.1	Draft and table a council resolution to proceed with the implementation of valuation roll on 1 July ..... with 1 July ..... as date of valuation.								
1.2	Table a recommendation to council for the MM to appoint a project team to co-ordinate the new GV.  (To be completed at least 24 months before the implementation of the new valuation roll)								
2.	<b>Establishment of Project Team to implement new GV</b>								
2.1	Identify officials to serve on the project team and the project manager.								
2.2	Drafting and serving of letters of appointment.  (The project team should preferably include the CFO or his/her representative, SCM representative and official responsible for property valuation and Legal representative (if municipality								

	Milestone/Activity	Original Budget Provision	Planned Start Date	Planned Completion Date	Actual Progress	Actual Budget Spend	Date Completed	Responsible Project Member	Comments
	has the capacity)).								
3.	<b>Output of the first meeting of the Project Team.</b>								
	Decide on the scope of work for the project team.  (Scope of work to include roles and responsibilities of the team, frequency of meetings, reporting procedures, budget requirements, communication strategy and the scope of work for the municipal valuer).								
4.	<b>Community general awareness campaign</b>								
	Inform the community that the municipality is planning a new GV and provide basic information to the public with respect to what the project will entail.								
5.	<b>Procurement of municipal valuer according to the municipality's Supply Chain Management Policy.</b>								
5.1	Scope of work for the municipal valuer as drafted by the project team is recommended or approved by the municipality's Bid Specification Committee.								
5.2	Advertise for services of an experienced and suitably qualified valuer to perform the duties/functions as set out in the scope of work developed by the project team.								
5.3	Convene compulsory briefing session								



	Milestone/Activity	Original Budget Provision	Planned Start Date	Planned Completion Date	Actual Progress	Actual Budget Spend	Date Completed	Responsible Project Member	Comments
	with bidders.								
5.4	Submission of bids before the deadline and the opening of the bids after the deadline.								
5.5	Bid Evaluation Committee evaluates bids.								
5.6	Bid Adjudication Committee adjudicates the bids.								
5.7	Appointment of service provider (includes the signing of the service level agreement).								
5.8	Signed prescribed declaration by the municipal valuer.								
<b>6.</b>	<b>Provision of valuation data to municipal valuer</b>								
	<p>The following information to be made available:</p> <ul style="list-style-type: none"> <li>- Current valuation roll</li> <li>- Copies of supplementary valuation rolls;</li> <li>- Building plans;</li> <li>- Cadastre;</li> <li>- Development plan;</li> <li>- GIS;</li> <li>- Monthly clearance certificates;</li> <li>- Monuments and heritage building declared from time to time;</li> <li>- Occupation certificates where available;</li> <li>- Town planning scheme, etc.;</li> <li>- Sectional title register;</li> </ul>								

	Milestone/Activity	Original Budget Provision	Planned Start Date	Planned Completion Date	Actual Progress	Actual Budget Spend	Date Completed	Responsible Project Member	Comments
	<ul style="list-style-type: none"> <li>- Municipal register of properties;</li> <li>- List of all approved but unregistered properties;</li> <li>- List of Usage categories;</li> <li>- Aerial photographs/imagery.</li> </ul>								
<b>7.</b>	<b>Identity cards for municipal valuer</b>								
	Prepare and issue identity cards to municipal valuer, Data Collectors, and other authorized persons for valuation purposes.								
<b>8.</b>	<b>Community participation with ratepayers: Data collection for compilation of GV</b>								
8.1	Inform community/ratepayers regarding identity of the municipal valuer appointed to compile the valuation roll and the physical visits to properties for the purposes of data collection.								
8.2	Provide information/contact details and hours regarding Help Desk at municipality								
<b>9.</b>	<b>Compilation of valuation roll by municipal valuer</b>								
9.1	Submission of draft valuation roll - Monthly Progress Report								
9.2	Submission of certified valuation roll								
<b>10.</b>	<b>Public Notice calling for inspection of the valuation roll and lodging of objections</b>								
10.1	On receipt of the certified valuation roll from the municipal valuer execute the following:								

	Milestone/Activity	Original Budget Provision	Planned Start Date	Planned Completion Date	Actual Progress	Actual Budget Spend	Date Completed	Responsible Project Member	Comments
10.1.1	<p>Publish in the prescribed form in the Provincial Gazette; and once a week for two consecutive weeks advertise in the media, a notice-</p> <ul style="list-style-type: none"> <li>- Stating that the roll is open for public inspection for a period that may not be less than 30 days from the date of publication of the last notice; and</li> <li>- Inviting every person who wishes to lodge an objection in respect of any matter in, or omitted from, the roll to do so in the prescribed manner within the stated period.</li> </ul>								
10.1.2	Make a hard copy of the notice available at municipality's offices and libraries.								
10.1.3	Serve, by ordinary mail, extracts from the valuation roll and a hard copy of the notice to every owner of property listed in the valuation roll								
10.1.4	Publish the valuation roll on the municipal website.								
<b>11.</b>	<b>Objections to valuation roll</b>								
11.1	Submit all objections to the municipal valuer after the public inspection period of valuation roll has expired								
11.2	A municipal valuer must, in writing, notify every person who has lodged an objection, and also the owner of the property concerned if the objector is not the owner, of the following:								

	<b>Milestone/Activity</b>	<b>Original Budget Provision</b>	<b>Planned Start Date</b>	<b>Planned Completion Date</b>	<b>Actual Progress</b>	<b>Actual Budget Spend</b>	<b>Date Completed</b>	<b>Responsible Project Member</b>	<b>Comments</b>
11.2.1	The valuer's decision;								
11.2.2	Any adjustments made to the valuation roll in respect of the property concerned; and								
11.2.3	Whether the property has been adjusted by more than 10 per cent upwards or downwards and, if so, that the valuation will be reviewed by the valuation appeal board.								
11.3	The municipal valuer should also notify all objectors, owners of property who are affected by such a decision if the objector was not the owner, or the council of the municipality concerned, if the municipality's interests are affected that they may lodge an appeal against the decision of the municipal valuer.								
<b>12.</b>	<b>Right of Appeal</b>								
12.1	Submit all appeals received to the Chairperson of the valuation appeal board.								
12.2	Provide copies of all appeals received to the municipal valuer.								
<b>13.</b>	<b>Implementation of valuation roll</b>								
13.1	MM must ensure that billing system is fully integrated with the valuation roll software.								
13.2	Valuation roll is implemented from the								

	<b>Milestone/Activity</b>	<b>Original Budget Provision</b>	<b>Planned Start Date</b>	<b>Planned Completion Date</b>	<b>Actual Progress</b>	<b>Actual Budget Spend</b>	<b>Date Completed</b>	<b>Responsible Project Member</b>	<b>Comments</b>
	start of the financial year.								
<b>14.</b>	<b>Resolution to levy property rates</b>								
14.1	Include with the budget process a council resolution that the municipality is levying rates for the relevant financial year.								
14.2	This Resolution must be promulgated by publishing it in the Provincial Gazette.								
14.3	The resolution must without delay be displayed at the municipality's offices, libraries and website.								
14.4	Also advertise in the media stating that a resolution levying rates on property has been passed by council and that it is available at the municipality's offices, libraries and website for public inspection.								
<b>15.</b>	<b>Rates accounts</b>								
	A rates account must specify- <ul style="list-style-type: none"> <li>• the amount due for rates payable;</li> <li>• the date on or before which the amount is payable;</li> <li>• how the amount was calculated;</li> <li>• the market value of the property;</li> <li>• if the property is subject to any additional rate (special rating areas), the amount due for additional rates.</li> </ul>								
<b>16.</b>	<b>Preparation of supplementary rolls</b>								
16.1	Prepare and compile a supplementary valuation roll to be made in respect of any rateable property.								

	<b>Milestone/Activity</b>	<b>Original Budget Provision</b>	<b>Planned Start Date</b>	<b>Planned Completion Date</b>	<b>Actual Progress</b>	<b>Actual Budget Spend</b>	<b>Date Completed</b>	<b>Responsible Project Member</b>	<b>Comments</b>
16.2	Complete the afore-mentioned activities 10, 11, 12 and 13 read with the necessary changes as the context may require.								
16.3	Implement the supplementary valuation roll on the first day of the month following the completion of the public inspection period.								
<b>17.</b>	<b>Valuation Appeal Board Hearing</b>								
17.1	Submit within 14 days after the end of period during which appeals may be lodged, to Chairperson of the valuation appeal board any appeals received.  Provide a copy of the appeal to the municipal valuer.								
17.2	The Chairperson of the valuation appeal board must convene a hearing within 60 days after receipt of the appeal applications.								
17.3	The Chairperson must at least 21 days prior to the hearing inform all concerned parties, members of the valuation appeal board including the appellant in writing of the date and venue of such hearing of the appeal.								
17.4	The proceedings of the valuation appeal board meetings must be recorded and the record kept safe at the municipality.								
17.5	The valuation appeal board must, in writing, inform each appellant and all concerned parties within 30 days from the last day of hearing of the appeal, of the valuation appeal board's decision								
17.6	The Chairperson of the valuation appeal								

	<b>Milestone/Activity</b>	<b>Original Budget Provision</b>	<b>Planned Start Date</b>	<b>Planned Completion Date</b>	<b>Actual Progress</b>	<b>Actual Budget Spend</b>	<b>Date Completed</b>	<b>Responsible Project Member</b>	<b>Comments</b>
	board must give reasons for the decision taken by the valuation appeal board within 30 days of such request at no cost to the appellant or any concerned party.								
17.7	Chairperson of the valuation appeal board and municipal valuer must amend the valuation roll in accordance with decisions taken by the valuation appeal board.								

## CHAPTER 11

### **CONCLUSION**

The Constitution enjoins local government to be developmental in nature. In addressing the service delivery priorities of our country with emphasis on meeting the basic needs of people, especially the poor and marginalized, and facilitating opportunities for economic development in their areas, in addition to contributing to economic growth in the local area, region and national economy.

Municipalities therefore must ensure that income derived from property rates is a critical source of revenue to achieve the constitutional objectives.

Any enquiries regarding this guide should be directed to:

The Department of Local Government  
Directorate Municipal Support and Capacity Building  
Valuations and Property Rates  
Private Bag X9083  
Cape Town  
8000  
Website: [www.westerncape.gov.za](http://www.westerncape.gov.za)  
Telephone No.: +27 21 483 4509  
Fax No.: +27 21 483 3337



## REFERENCES

- The Constitution of the Republic of South Africa (Act 108 of 1996)
- The White Paper on Local Government (March 1998)
- Local Government: Municipal Property Rates Act (Act 6 of 2004) and Regulations
- Local Government: Municipal Systems Act (Act 32 of 2000)
- Local Government: Municipal Finance Management Act (Act 56 of 2003)
- National Department of Cooperative Governance (former dplg): General Guidelines on the MPRA
- KwaZulu-Natal Provincial Government: Department of Local Government and Traditional Affairs: MPRA Procedural Guidelines Manual