



# **RATES POLICY**

## Table of Contents

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1.	Introduction .....	2
2.	Definitions.....	2
3.	Strategic Focus .....	4
3.1	Policy Objectives .....	4
3.2	Principles of Taxation .....	5
<b>3.3</b>	<b>Determining the rate on property, exemptions, rebates and reductions</b> .....	<b>5</b>
4.	Annual Adoption of the Policy .....	6
5.	Key Principles .....	6
5.1	Equity .....	6
5.2	<b>Affordability</b> .....	<b>7</b>
5.3	<b>Poverty Alleviation</b> .....	<b>7</b>
5.4	<b>Limitation of rates increases</b> .....	<b>7</b>
6.	Amount due for rates .....	7
7.	Liability for rates .....	8
8.	Valuation of rateable properties .....	8
9.	Levying of rates .....	9
9.1	<b>Property not subject to rates</b> .....	<b>9</b>
9.3	<b>Municipal</b> .....	<b>10</b>
10.	Relief mechanisms .....	10
10.1	Rebates .....	10
10.2	<b>Indigent rebate</b> .....	<b>10</b>
10.2.1	<b>Rebates on newly rateable property</b> .....	<b>10</b>
10.2.2	<b>Rebates to non-serviced areas</b> .....	<b>10</b>
10.3	<b>Exemptions</b> .....	<b>11</b>
10.4	<b>Reporting of all exemptions, rebates and reductions</b> .....	<b>12</b>
11.	Disclaimer .....	12
12.	Approval of the policy.....	13

## 1. Introduction

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- 1.1 The policy of Molemole Local Municipality for levying rates on rateable property is set out in this document. The Council adheres to all requirements of the Municipal Property Rates Act (MPRA) and Municipal Finance Management Act (MFMA) including any regulations promulgated in terms of these Acts.
- 1.2 The Rates Policy only rules the rating of valued property which are valued according to the Municipal Property Rates Act, Act 6 of 2004 and its regulations as published under Government Notice 1856 of 2005 in Government Gazette 28113 dated 13 October 2005 and does not rule or guide the processes of property valuation and approval of the valuation roll.
- 1.3 As part of each annual operating budget the Council is obliged to impose a rate in the rand on the market value of all rateable properties as recorded in the municipality's valuation roll or supplementary valuation roll(s). Rateable property shall include any rights registered against such property, with the exception of a mortgage bond. Generally, all land within the Molemole Local Municipal area of jurisdiction is rateable unless it is specifically exempted as set out in Section 15 of the MPRA and includes:
- a) cemeteries
  - b) sport grounds for exercising amateur sport
  - c) properties owned by welfare organizations
- 1.4 The Rates Policy sets out the broad policy framework within which the municipality rates its area as per Section 3 of the MPRA, and gets annually reviewed and, when necessary, amends the municipality's rates of assessment as per Section 5 of the MPRA.

## 2. Definitions

- 2.1 In this policy, unless the context indicates otherwise, in addition to the definitions contained in both the MPRA and the MFMA, the following meanings are assumed:
- a) "**agricultural purposes**" in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game.
  - b) "**business**" means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of mining, agriculture, farming, or inter alia, any other business consisting of cultivation or soil, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.
  - c) "**government**" means owned and exclusively used by an organ of the state, excluding non-urban properties used for residential or agricultural purposes or not in use and properties owned by parastatals or public entities.

- d) **"illegal use"** means any use that is inconsistent with or in contravention of the permitted use of the property.
- e) **"improvement"** means any building or structure on or under a property, including:
  - f) a structure constructed solely for the purpose of rendering the property suitable for the erection of any immovable structure thereon; and
  - g) buildings, structures and equipment or machinery referred to in Section 46(3) of the MPRA.
- h) **"indigent"** means debtors who are poor private residential households as defined by the municipality's policy on Free Basic Services and Indigent Support.
- i) **"industrial"** means branch of trade or manufacturing, production, assembling or processing of finished or partially finished products from raw materials or fabricated parts, on so large scale that capital and labour are significantly involved. This includes factories as defined in the Machinery and Building Work Act, Act 22 of 1941, as amended and includes any office or other accommodation on the same erf, the use of which is incidental to the use of such factory.
- j) **"mining"** means any operation or activity for the purpose of extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto.
- k) **"municipal"** means owned and exclusively used by the municipality.
- l) **"multiple use"** means a property that cannot be assigned to a single category due to the different uses of the property.
- m) **"public benefits organisation"** means an organisation conducting specified public benefit activities listed in Part I of the Ninth Schedule to the Income Tax Act;.
- n) **"protected area"** means an area that is or has to be listed in the register referred to in section 10 of the National Environmental Management:
  - o) Protected Areas Act, 2003.
- p) **"public service infrastructure"** means publicly controlled infrastructure of the following kinds:
  - i. national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
  - ii. water or sewer pipes, ducts or other conduits, dams and water
  - iii. supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
  - iv. power stations, power substations or power lines forming part of an
  - v. electricity scheme serving the public;
  - vi. gas or liquid fuel plants or refineries or pipelines for gas or liquid
  - vii. fuels, forming part of a scheme for transporting such fuels;

- viii. railway lines forming part of a national railway system;
  - ix. communication towers, masts, exchanges or lines forming part of a
    - i. communications system serving the public;
  - x. runways or aprons at national or provincial airports;
  - xi. any other publicly controlled as may be prescribed; or
  - xii. right of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (i) to (viii).
- q) **"public worship"** means a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.
- r) **"residential"** means a suite of rooms which form a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, commune, boarding and lodging undertaking, hostel and place of instruction.
- s) **"residential - rural"** means a suite of rooms which form a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, commune, boarding and lodging undertaking, hostel and place of instruction on a rural property that is not used for agricultural purposes.
- t) **"rural land"** means land which is not situated in an approved township or development area and which is used for residential or agricultural purposes or not in use.
- u) **"tax base"** means the values as reflected in the officially approved valuation roll of the municipality.
- v) **"urban land"** means land which is situated within a township proclaimed in terms of the Town planning and Townships Ordinance, 1986 ( Ord 15 of 1986) or a land developed in terms of the Development Facilitation Act, 1995 (Act No. 67 of 1995) and;
- w) **"vacant land"** means:
- i. land where no immovable improvements have been erected; or
  - ii) the value added by the immovable improvements is less than 10% of the value of the land.
  - iii) vacant land is categorized according to the permitted use of the property and is not regarded as a separate category of property.

### 3. Strategic Focus

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#### 3.1 Policy Objectives

- a) to ensure certainty and clarity as to amounts payable in respect of property

rates;

- b) to ensure the promotion of efficient, economic and effective use of resources;
- c) to promote development and endeavor to attract investment for job creation;
- d) to spread the rates burden impartially, fairly, equitably and without bias;
- e) to create an opportunity for public participation in policy making;
- f) to contribute towards the accountability of the municipality;
- g) to contribute towards the transparency of the municipality;
- h) to contribute towards the financial sustainability of the municipality; and
- i) to protect citizens against exploitation by the municipality.

### 3.2 Principles of Taxation

- a) a **tax system** and - policy, which is subject to **community participation**;
- b) a **productive tax** - an appropriate difference between the income and the cost of the tax;
- c) an as **broad as possible tax base** - the base is the valuation roll;
- d) a tax, which takes **ability-to-pay and benefits** received into account in ensuring horizontal and vertical fairness;
- e) a tax, which **attracts the correct activities** to the municipality, ensuring a caring municipality;
- f) an **impartial tax** with exemptions, reductions and rebates where appropriate;
- g) an **easy tax system** that simplifies calculating, enquiries, payments and making arrangements;
- i. **Sureness of the tax** and the income from this source.

### 3.3 Determining the rate on property, exemptions, rebates and reductions

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**The Council of the municipality has to annually consider:**

- a) the impact of rates on the community;
- b) the impact of rates on businesses;
- c) the current economic climate;
- d) the Integrated Development Plan (IDP) of the municipality;
- e) the Spatial Development Framework;
- f) the budget of the municipality;

- g) shocks to ratepayers when moving from a site rating on the total market value (land and buildings) of a property.

#### **4. Annual Adoption of the Policy**

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- 4.1. The Rates Policy will be reviewed annually in compliance with Section 5(1) of the MPRA and according to the budget timetable tabled by the Executive Mayor in accordance with Section 21 (1 )(b)(ii)(bb) of the MFMA with the tabling of the Annual Budget as per Section 16(2) of the MFMA. Community participation will take place in accordance with Chapter 4 of the Local Government: Municipal Systems Act, Act 32 of 2000 and by following the processes as per Sections 21 A and 21 B of the Municipal Systems Act, Act 32 of 2000 (as contained under Section 5 of the Municipal Systems Act Amendment Act, Act 44 of 2003) as follows:
  - a) as a document made public (Section 21 A):
  - b) displayed at the head and satellite offices and libraries of the municipality:
    - i. Mogwadi
    - ii. Morebeng
  - c) Displayed on the municipality's official website (as per prescriptions contained under Section 21 B).

Web address: [www.molemole.gov.za](http://www.molemole.gov.za)

- a) Notified to the local community of the place, including website address, where detailed particulars can be obtained.
- b) Inviting the local community to submit written comments or representations to the municipality in respect of the published document.

#### **5. Key Principles**

##### **5.1 Equity**

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- a) The fundamental principle is that taxpayers in similar circumstances will pay similar levels of tax and taxpayers with greater ability to pay larger amounts of tax, however, in local government the value of a ratepayer's property is the proxy or surrogate for the ability to pay.
- b) The circumstances for an individual ratepayer are only taken into account in respect to any exemptions, rebates or reduction that may be granted. Rates are *levied on an ad valorem* (by value) basis that is pro-rata to the value of the property.
- c) In the local government context the application of the *equity* principle would suggest that the tax (the rate in the rand) would be the same for all ratepayers in a municipal area, unless some compelling application of other taxation principles changes in the incidence of the tax.

- d) The main reasons why one ratepayer may pay a different rate than another ratepayer are:
  - i. different rates levied on different categories;
  - ii. exemptions;
  - iii. rebates; and
  - iv. reductions.
- e) Although these mechanisms were created by the MPRA, the application thereof should be justified. The main reason is to retain the historical level of contribution of the various categories of properties to the income from assessment rates and thereof minimize the impact on ratepayers.

## 5.2 Affordability

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- a) In considering affordability, the total municipal account, and not only the rates account will be considered. The Council of the municipality will endeavour to limit the annual increase in the revenue from property rates to a threshold linked to the consumer price index on a year to year basis at the time of tabling the annual operating budget, except when the approved Integrated Development Plan of the municipality demand for a greater increase.

## 5.3 Poverty Alleviation

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- a) The effect of rates on the poor has been taken into account in terms of the municipality's Free Basic Services and Indigent Support Policy.
- b) The ***first R35 000,00*** of the value of all residential property according to the valuation roll will be exempted from the payment of assessment rates.

## 5.4 Limitation of rates increases

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- a) The transformation from a site rating system to a system where the total value (land and buildings) will be rated will cause major shifts in the rates burden on the owners of certain properties.
- b) As guideline, the implementation of the Municipal Property Rates Act should not lead to shocks to ratepayers. It is, however, granted that the implementation of the Act introduces an entirely different tax structure which might be seen to a major increase from previous tax structures.
- c) The implementation must be such that the shocks are managed and do not cause an excessive tax burden to the ratepayers

## 6. Amount due for rates

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- 6.1 The Council of the municipality shall as part of each annual operating budget determine a rate in the rand for every category of ratepayer.

6.2 The determination of such rate shall concur with the limits as per Section 16(1) of the MPRA on property that would materially and unreasonably prejudice:

- a) national economic policies;
- b) economic activities across the municipal boundaries;
- c) the national mobility of goods, services, capital and labour.

and therefore, in terms of Section 17(1) of the MPRA specified impermissible rates are excluded from the rating structure and are reflected as exemptions under paragraph 10.3 of the Policy.

## **7. Liability for rates**

- 7.1. A rate levied by the municipality on a property must be paid by the owner of the property as regulated by Section 24 of the MPRA.
- 7.2. When transfer of property takes place, the incidence of property rates falls as a charge on the new owner from date of registration by the Registrar of Deeds.
- 7.3. Rates are levied on an annual basis at the start of the financial year as per Section 12(1) of the MPRA, but for the convenience for ratepayers raised monthly on combined consumer accounts and payable within seven (7) working days of the following month according to the payment cut-off date stipulated on the specific monthly account.
- 7.4. Annually levied property tax and tariffs may not be changed during a financial year except for the purpose of a financial recovery plan as per Section 28(6) of the MFMA.
- 7.5. Arrear payment on property rates at the monthly or annually due dates, are subject to interest as stipulated by Section 97(1 He) of the Municipal Systems Act at a rate equal to the prime overdraft rate PLUS 2 % as from time to time determined by the banker keeping the municipality's primary bank account.
- 7.6. When rates are levied in respect of a full financial year, the liability to pay rates vests on the first day of that financial year.
- 7.7. Any decision on the deferment of payment of a rate is subject to the stipulations of the municipality's Credit Control and Debt Collection Policy.
- 7.8. The municipality may recover arrear rates from tenants or occupiers of rated property, or from agents of the owner of such property equal to the value of unpaid rental in terms of Section 28 and 29 of the MPRA.

## **8. Valuation of rateable properties**

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- 8.1 A general valuation of all rateable properties will be undertaken and a valuation roll compiled every four (4) years.
- 8.2 Supplementary valuations will be undertaken on an ongoing basis.

8.3 Supplementary valuation rolls will be compiled once a year.

8.4 Amendments to the valuation roll to reflect changes to the owner, address, category, extent, description or other prescribed particulars as contemplated by Section 79 of the MPRA will be done annually and only the electronic copy of the valuation roll will be updated.

## 9. Levying of rates

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### 9.1 Property not subject to rates

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- a) Rates will not be levied on the transportation corridors of public service infrastructure owned by the municipality, such as :
  - i. roads and streets
  - ii. railway lines
  - iii. pipelines
  - iv. cabling or overhead conductor

### 9.2 Categories for rating purposes

- a) In relation to property a category relates to properties determined in terms of Section 8 of the MPRA and in relation to owners of properties it means category of owners as determined in terms of Section 15(2) of the MPRA.
  - b) The category will be determined by the actual use of the property and if the property is not in use, the zoning will determine same. The Municipal Valuer will be responsible for the categorizing of properties and the maintenance thereof as any change in use of a property may result in a change to the category.
- b) The categories that are determined in line with Section 8(1) of the MPRA, are:
- ✚ Residential
  - ✚ Residential - rural
  - ✚ Business
  - ✚ Industrial
  - ✚ Mining
  - ✚ Municipal
  - ✚ Public Service Infrastructure
  - ✚ Properties owned and used by Public benefits organizations
  - ✚ Protected area
  - ✚ Farm used for agricultural purposes
  - ✚ Farm with multiple use
  - ✚ Farm used for trading in or hunting of game
  - ✚ Small holding used for residential/agricultural purpose
  - ✚ Small holding used for business
  - ✚ Small holding with multiple use
  - ✚ Government that provide local/municipal district services - urban

- + Government that provide provincial/national service - urban
- + Government that provide local/municipal district services - rural
- + Communal land Public worship
- + Multiple use

c) Units under sectional title will be separately assessed.

### **9.3 Municipal**

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a) Properties in the "Municipal" category are exempted.

## **10. Relief mechanisms**

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The Council of the municipality may grant exemptions, rebates and reductions in recognition of Section 15(2) of the MPRA:

### **10.1 Rebates**

a) When a specific category of owners of properties or the owners of a specific category of properties qualify for more than one rebate at a given time, each rebate will be calculated on the total levy amount.

### **10.2 Indigent rebate**

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As determined by the municipality's Indigent Support Policy.

#### **10.2.1 Rebates on newly rateable property**

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As stipulated by Section 21 of the MPRA newly rateable property must be phased in as follows:

- a) In the 2009/2010 financial year a rebate of 75%;
- b) In the 2010/2011 financial year a rebate of 50% of the rate;
- c) In the 2011/2012 financial year 25% of the rate will be granted; and
- d) In the 2012/2013 financial year the rate will be payable without any rebate.

#### **10.2.2 Rebates to non-serviced areas**

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a) A rebate of 20% be granted to property zoned residential – urban but which is not serviced by the municipality or its appointed agent. The rebate falls away where the municipality takes over in providing services.

## 10.3 Exemptions

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- a) rateable property registered in the name of a welfare organization registered in terms of the National Welfare Act, 1978 (Act 100 of 1978).
- b) rateable property registered in the name of an institution or organization which, in the opinion of the Council of the municipality performs charitable work.
- c) hospitals, clinics and institutions for mentally ill
- d) persons which are not operated with the intention to make profit;
- e) rateable property registered in the name of a
- f) public benefit organization performing specified public benefit activities;
- g) cemeteries and crematoriums which are registered in the names of private persons and which are used exclusively for burials and cremations of human remains, as the case may be;
- h) museums, libraries and botanical
- i) gardens which are registered in the names of private persons and which are open to public, whether admission is charged or not;
- j) national monuments including ancillary business
- k) activities at national monuments;
- l) rateable property registered in the name of a
- m) trustee or trustees or any organization which is being maintained for the welfare of war veterans as defined in Section 1 of the Social Aid Act (House of Assembly), 1989, Act 37 of 1989, and their families;
- n) sport grounds used for the purposes of amateur sport and any social activities which
- o) are connected with such sport;
- p) rateable property registered in the name of the Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any organization which is in the opinion of the municipality similar or any rateable property let by the municipality to any such organization;
- q) rateable property registered in the name of a declared institution as defined in Section 1 of the Cultural Institutions Act, 119 (Act No. 119 of 1998);
- r) In addition to the first R35 000.00 of exemption as per paragraph 5.3 of the policy a further 20% of the remaining value for old age or disabled pensioners solely dependant from their pension, subjected to the following conditions:
  - i. the combined income of the landowner and his spouse does not exceed **R26 000,00** per annum;
  - ii. the property is occupied by the owner; and
  - iii. only owners over the age of 60 years or being the breadwinner and totally dependent on a social disability pension or any other pension comparable to social disability pension, should come into consideration.
- s) The first 85% of the value of new private infrastructure developments where a single property becomes divided through either subdivision or township establishment into

10 or more full title units and all services inclusive of water, sewerage and electricity and roads are installed by the developer at his own cost for a period of two (2) years from the date of registration of the subdivision or the proclamation of the township or for a shorter period until the newly created units are sold off or improved before expiry of two (2) year period.

- t) The exemptions as contained under subparagraphs above may only be granted upon formal written applications submitted by the owners to the municipality.

#### **10.4 Reporting of all exemptions, rebates and reductions**

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- a) The Municipal Manager must annually within two months from the end of a financial year table in Council according to Section 15(3) and (4) of the MPRA with relation to that financial year the following:
  - b) such exemptions, rebates and reductions;
  - c) exclusions referred to in Section 17(1 )(a), (e), (g), (h) and (i) of the MPRA; and
  - d) the phasing-in discount granted in terms of Section 21 of the MPRA.
- e) All exemptions, rebates and reductions projected for a financial year must be reflected in the municipality's annual budget for that year as:
  - i. income on the Revenue side; and
  - ii. Expenditure on the Expenditure side.

#### **11. Disclaimer**

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- a) Any rate to be levied on rateable property in terms of this policy or any section of applicable legislation and by way of oversight or any other error not levied, cannot be challenged on the basis of non-compliance with this policy, and must be paid in accordance with the required payment provision.
- b) Where a ratepayer believes that the Council has failed to properly apply this policy he/she should raise the matter with the Municipal Manager.

**12. Approval of the policy**

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a) Date of Approval by Council                      31 May 2009