GREATER LETABA MUNICIPALITY

MUNICIPAL RATES POLICY

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1. INTRODUCTION

Section 3(1) of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) ("MPRA"), and section 62(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) ("MFMA"), provide that a municipality should adopt and implement a policy on the levying of rates on rateable property.

This document sets out the policy of the Greater Letaba Municipality on the levying of rates on rateable property. In applying its rates policy, the Municipality will meet all the requirements of the MPRA and MFMA, including any regulations made under these Acts.

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

When imposing rates on a property a municipality may not exercise that power in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries or the national mobility of goods, services, capital or labour.

2. DEFINITIONS

Definitions, words and expressions as used in the Act are applicable to this policy document wherever it is used. In this policy, unless the context indicates otherwise –

“Agricultural smallholding” means a small farm larger than 1 hectare and less than 10 hectares, and be deemed to be agricultural land when it is zoned for agricultural purposes.

“bone fide farmer” is a person farming with the intention of making a living from the development, cultivation and utilisation of agricultural land and includes subsistence and forestry.

"business", in relation to property, means the use of property for the activity of buying, selling or trading in commodities or services on a property and includes any office or other accommodation on the same property, the use of which is incidental to such activity, but does not include the business of agriculture, farming, or any other business consisting of the cultivation of soils, the gathering in of crops, the rearing of livestock or the propagation and harvesting of fish or other aquatic organisms.

“exemptions” in relation to the payment of a rate, means an exception granted to certain categories of properties from levying of full rates on the market value of the properties.

“farm” refers to a property utilised by a bona fide farmer for farming purposes and includes forestry.

“financial year” means the period starting from the 1 July of each year to the 30 June of the next year.

"government", in relation to property, means owned and exclusively used by an organ of state, but does not refer to any non-urban land owned by an organ of state and used for residential or agricultural purposes or not in use.

"improvement" means any building or structure on or under a property, but excludes –

(a) a structure constructed solely for the purpose of rendering the property suitable for the erection of any immovable structure thereon; and

(b) any building, structure or equipment or machinery referred to in section 46(3) of the MPRA;

"indigent debtor" means a debtor who is a poor private household as defined by the Municipality's policy on indigent debtors.

"industrial", in relation to property, means the use of a property for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, including any office or other accommodation on the erf, the use of which is incidental to the use of the factory commercial properties and agricultural packing stores.

"municipal", in relation to property, means owned and exclusively used by the Municipality.

“municipality” means the Greater Letaba Local Municipality.

"multiple purposes", in relation to property, means the use of a property for more than one purposes and the property thus not being assigned to a single category of properties and, where one use represents on average 90% or more of the property's value, the property is rated as though it were used for that use only;

“MFMA” refers to the Municipal Finance Management Act, No 56 of 2003.

“MPRA” refers to the Municipal Property Rates Act, No 6 of 2004.

"residential", in relation to property, means a property's having a suite of rooms which forms a living unit that is exclusively used for human habitation purposes or a multiple number of such units, but does not refer to a hotel, commune, boarding or lodging undertaking, hostel or place of instruction.

“**rateable property**”, refers to a property on witch a municipality may in terms of the MPRA levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of MPRA.

“**rebate**”, in relation to a rate payable on a property, means a discount granted on the amount of rate payable on the property.

“Squatters/dwellers” means a person who unlawfully occupied private and or agricultural property or occupied these properties without the consent of the owner.

3. STRATEGIC FOCUS

In determining the rates, exemptions, rebates and reductions, the Municipality has considered the following:

- The impact of the rates on the community;
- the impact of the rates on businesses;
- the integrated development plan (IDP) of the Municipality;
- the local economic development strategy (LED) of the Municipality; and
- the impact of the new rating system to the poor, private households, agricultural communities and owners of communal land;
- the prevention of major shocks to ratepayers when moving from a site rating system to a system based on a rating on the market value (land and buildings) of a property.

4. ANNUAL ADOPTION OF THE POLICY

The rates policy will be reviewed annually in compliance with section 5(1) of the MPRA and according to the time schedule tabled by the Mayor in accordance with section 21(1) (b) of the MFMA. Community participation will take place in accordance with Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000). All stakeholders with vested interest in the rates policy must be consulted on any amendments to the rates policy.

The following annual rates policy will be approved with the annual budget in compliance with section 24 of the MFMA.

The rates policy will be available for perusal, free of charge, at:

4.1. Greater Letaba municipal offices, Modjadjiskloof
4.2. Municipal paypoint, Modjadjiskloof
4.3. Municipal paypoint, Ga-Kgapane
4.4. Municipal paypoint, Senwamokgope
4.5. Municipal paypoint, Mokwakwaila
4.6. Municipal web site at www.greaterletaba.gov.za

5. KEY PRINCIPLES

5.1. Equity

Liable rate payers will be treated equally according to the level of service they receive. The fundamental principle is that ratepayers in similar circumstances will pay similar amounts of tax.

However, the circumstances of an individual ratepayer are only taken into account when exemptions or rebates are to be granted. Rates are levied on an *ad valorem* (by value) basis, that is pro rata to the value of the property. This is generally considered sufficient to meet the equity principle because two ratepayers with the same property values will pay the same amount of tax (excluding any exemptions, rebates and reductions). A ratepayer with a property that has a high value will pay proportionately more than a ratepayer with a property that has a lower value.

n 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 the incidence of the tax. The main reasons one ratepayer may pay a different rate than another ratepayer are:

- different rates levied on different categories;
- exemptions;
- rebates

Although these mechanisms were created by the MPRA, their use should be justified. The main reason is to retain the historical level of contribution of the various categories of properties and including and encouraging new rate payers to the income from assessment rates and therefore minimise the impact on ratepayers.

5.2. Affordability

In considering affordability, the total municipal services account and not only the rates account will be considered. The Municipality will endeavour to limit the annual increase in revenue from property rates as determined by the Minister of Finance annually.

5.3. Poverty alleviation

The effect of rates on the poor should be linked to the Municipality's Indigent and credit control policy. All residential properties with a value below an amount to be determined during the budget process, are exempted from assessment rates which amount should not be less than R15000.

5.4. Limitation of rates increases

The transformation from a land and improvement rating system to a system where the total market value (land and buildings) is rated will cause major shifts in the rates burden on owners of certain properties.

Guidelines from Central Government are that the implementation of the MPRA should not lead to an increase in income from assessment rates and it should also not result in major shocks to ratepayers. To give effect to these guidelines it is necessary to set limits on the increase in rates for the financial years in which the first valuation roll prepared in terms of the MPRA is implemented.

5.5. Community participation

Community participation in accordance with the provisions of chapter 4 of the Local Government: Municipal Systems Act, No 32 of 2000.

6. AMOUNT DUE FOR RATES

The Greater Letaba Municipality will, as part of each annual operating budget process, determine a rate in the rand for every category of properties; during which process, community participation will take place.

The municipality may however grant different categories of properties relieve in a form of exemptions and rebates to be determined by the council.

7. LIABILITY FOR RATES

Rates levied by the Municipality on a property must be paid by the owner of the property. Rates will be levied monthly or annually in certain categories. Agriculture may choose to pay monthly or annually.

- If an amount due for rates is unpaid by the owner of the property, the Municipality may recover the amount from the tenant or occupier of the property. The amount due for rates may be recovered from the agent of the owner.

- Where the rates levied on a property are based on a supplementary valuation made in terms of section 78(1) of the MPRA, the rates are payable from one of the dates contemplated in section 78(4) of the MPRA.

- The recovery of rates by the Municipality will be in accordance with the Municipality's debt collection policy (credit and debt control policy). The municipality shall furnish ratepayers with rates accounts on a monthly basis for the payment of rates specifying:

  the amount due for rates payable
  the date on or before witch the amount is payable
  how the amount was calculated
  the market value of the property
  the category of the property
  the exemptions, rebates and special rating

- The ratepayers are liable for payment of rates whether or not that person has received a account, if a person has not received a account, that person must make necessary inquiries from the municipality.

- The municipality may furnish a consolidated account to the ratepayers in terms of the municipality's Credit Control and Debt Collection By-Law.

8. VALUATION OF RATEABLE PROPERTIES

- The Municipality will undertake a general valuation of all rateable properties as defined in the MPRA and prepare a valuation roll every four years.

- Supplementary valuations will be undertaken on an ongoing basis and supplementary valuation rolls will be prepared once a year.

- Amendments to the valuation roll to reflect changes to the owner, address, category, extent, description or other prescribed particulars will be made annually in accordance with section 79 of the MPRA, and only the electronic copy of the valuation roll will be updated.

9. LEVYING OF RATES

9.1. Impermissible Rates

The rates impermissible in terms of sections 16 and 17 of the MPRA.

Section 16:

- National economic policies.
- Economic activities across its borders.
- The national mobility of goods, services, capital or labour.

Section 17:

- On the first 30% of public service infrastructure.
- On those parts of a special nature reserve, national park or a national botanical garden within the meaning of the Protected areas act and/or the national Environmental Management: Biodiversity Act, 2004
- On Mineral rights.
- On property belonging to a land reform beneficiary, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds.
- On the first R30 000 of a property zoned for single residential purposes.
- On the first R15 000 of an undeveloped rateable residential property
- 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.

9.2. Categories

The category of property is determined by the zoning and actual use of the property. The municipal valuer is responsible for categorising properties and maintaining the categories, as any change in the use of a property may result in a change in category.

The Municipality has determined the following categories in terms of section 8(1) of the MPRA:

(a) Residential (single and multiple)
(b) Business
(c) Industrial
(d) Education
(e) Institution
(f) Municipal
(g) Government
(h) Private open space
(i) Public open space
(j) Agricultural property including Agricultural smallholdings and forestry);
(k) Service infrastructure (roads, railway lines and communication systems)
(l) Communal land
(o) Properties for Public benefit use

9.3. Relief mechanisms (rebates, exemptions and reductions)

In compliance with the MPRA certain categories of properties shall be exempt and rebated from levying of full rates, the relief mechanisms shall be determined in accordance with a budget-related policy on an annual basis;

a) The different categories of properties to be exempted from full rates shall be determined in terms of section 15,16 and 17 of MPRA and by the municipal Council on an annual basis

b) Phasing in rebates shall be granted on all properties when the new rating system is introduce in order to ensure that there is no major increase on the rates and shall be determined by the municipal council.

c) Phasing in rebates on newly rateable properties shall be determined by the municipal council in terms of section 21 of the MPRA.

d) The need to accommodate indigent and disabled residents.

e) The services provided for the community by public service organisations or private sector.

f) The value of agricultural activities to the local economy.

g) The need to preserve the cultural heritage of the local community.

h) To encourage economic development and investment.

i) The different categories of properties.

9.3.1. Rebates

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, the rebate is calculated on the previous rates amount payable. The order in which the rebates are calculated is as follows:

(a) Rebate For Indigent Debtors:
The rebate is as determined by the Municipality's Indigent and Credit Control Policy.

(b) Rebate To Limit The Increase In Rates:
The rebate to limit the increase in rates when moving from a land rating system to the system of rating the total market value of a property, applies only to the 2008/09, 2009/10 and 2010/2011 financial years.

- for the 2008/2009 financial year -75% phasing in rebate
- for the 2009/2010 financial year -50% phasing in rebate

- for the 2010/2011 financial year -25% phasing in rebate
- for the 2011/2012 financial year - full rates payable

Agricultural property will be phased in at 50% during the 2010/2011 financial year.
All other property will be phased in at 25% during the 2010/2011 financial year (25% discount).
This rebate does not apply to an increase in rates owing to a supplementary valuation made in terms of section 78(1) of the MPRA.

9.3.2. Rebates Applicable To Agricultural Land

The rebate in the rates applicable to agricultural land and is calculated as follows:

(a) The extent of municipal services provided to agricultural properties:
- 7,5% rebate, if there are no municipal roads next to the property.
- 7,5% rebate, if there is no municipal sewerage to the property.
- 7,5% rebate, if there is no municipal electricity to the property.
- 20% rebate, if water is not supplied by the municipality.
- 7,5% rebate, if there is no refuse removal by the municipality.

(b) The contribution of agriculture to the local economy:
A rebate of 5% will be granted to agricultural property where the salaries/wages of farm workers are reasonable and meet the minimum standards set by the government or if they are in line with the sector's average.

(c) The following rebates be granted to the extent to which agriculture contribute to the social and economic welfare of farm workers:
- 5% rebate, if the owner is providing housing to the farm workers.
- 7,5% rebate, if potable water is provided.
- 7,5% rebate, if electricity is provided.
- 10% rebate, if the farmer is availing his land for education, funeral and recreational purposes.

If the farm property is impacted by the Extension of Security of Tenure Act 62 of 1997 the value of the identified property impacted by the Act will be excluded from the total valuation for rating purposes. The benefits, rights and privileges associated with the identified property must also be valued in order to obtain the true market related valuation.

(d) All rebates on agricultural property will be applicable to all agricultural property owners except for 10% if the farmer is availing his/her land for education, funeral or recreational purposes.

(e) An application must be made with the municipality for rebates of 10% for availing land for education, funeral or recreational purposes.

9.3.3. Rebate Applicable To Private Owned Towns

Private owned towns with municipal services	- 30% rebate
Private owned towns with own services	- 50% rebate

9.3.4. Rebate Applicable To Communal Land
As defined in the MPRA.

9.3.5. Exemptions
The Municipality grants an exemption from the payment of rates in respect of the following:

(a) Any rateable property registered in the name of a welfare organisation registered in terms of the National Welfare Act, 1978 (Act 100 of 1978);

(b) Any hospital, clinic or institution that is operated not with the intention to make profit;

(c) Any rateable property registered in the name of a public benefit organisation that carries out specified public benefit.

(d) Any cemetery or crematorium that is registered in the name of a private person and that is used exclusively for burials or cremations, as the case may be;

(e) Any museum, art gallery, library or botanical garden including ancillary business activity that is registered in the name of a private person and that is open to the public, whether admission is charged or not;

(f) Any national monument, including any ancillary business activity conducted at a national monument;

(g) Any rateable property registered in the name of a trustee or trustees or any organisation that 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;

(h) Any sports grounds used for the purposes of amateur sport or any social activity connected with such sport;

(i) Any rateable property registered in the name of the Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any organisation that is, in the opinion of the Municipality, similar or any rateable property let by the Municipality to any such organisation;

(j) Any rateable property registered in the name of a declared institution as defined in section 1 of the Cultural Institutions Act, 1969 (Act 29 of 1969), or the Cultural Institutions Act (House of Assembly), 1989 (Act 66 of 1989);

(k) On a rateable property registered in the name of a church, and used primarily as a place of public worship by the church including an official residence of the church.

(l) Any residential property that is occupied by the owner of the property and has a value below an amount to be determined during the budget process witch amount should not be less than R30 000 or R15 000 as determined in the tariff charges.

(m) Any property on or under a public service infrastructure

(n) Property zoned for private road purposes and incidental thereto

(o) Any person who as defined in the indigent policy of the council

(p) Any public school; and

(q) Any independent school.

(r) Any property or portion thereof, used as a pre-primary school or day care centre.

(s) Full exemption for five years for privately owned farm properties meant for residential development until the stand is full transferred to the owner.

The exemption in (n) to (r) will be granted after an application has been considered and by the municipal valuer and approved by the PED Manager and the CFO.

Should the use or ownership or circumstances used to approve exemption from payment of assessment rates change, such exemptions will immediately lapse from date of change.

APPENDIX: SUMMARY OF THE LEGAL POSITION RELATING TO THE SETTING AND COLLECTION OF RATES

Local Government: Municipal Property Rates Act, 2004 (ACT 6 Of 2004) ("MPRA")
LOCAL GOVERNMENT: MUNICIPAL FINANCE management ACT, 2003 (aCT 53 OF 2003) ("mfma")

This is a summary of the legal position and is not intended to cover the full content of either the MPRA or the MFMA. The summary focuses on those requirements that are immediately relevant to a municipality's rates policy.

A municipality may levy rates in its municipal area. It must exercise its power to levy rates subject to section 229 and any other applicable provisions of the Constitution, the provisions of the MPRA, and its rates policy.

In terms of section 46 of the MPRA, the basis of valuation is market value. Property must be valued by a valuer engaged or employed by the municipality in terms of section 33 of the MPRA. Anyone may lodge an objection to an entry in the valuation roll that is prepared by the municipal valuer.

Rates are based on the market value of a property, multiplied by a rate in the rand set each year by the municipality in question in terms of section 7 of the MPRA. The owner of the land (unless the municipality is advised otherwise) is the principal ratepayer, and rates may be recovered as a debt against the principal ratepayer. In certain cases the occupier of the land may be classed as the principal ratepayer in terms of sections 24 and 25 of the MPRA.

Section 26 of the MPRA provides that rates may be paid either monthly or annually, but section 64 of the MFMA currently requires that accounts for municipal tax be prepared on a monthly basis or less often as may be prescribed. A municipality may also make payment arrangements with ratepayers if an instalment of rates is not paid by the due date. A municipality's credit control and debt collection by-laws must prescribe the process for recovering rates in the case of non-payment.

In terms of section 3 of the MPRA, the council of a municipality must adopt a policy consistent with the MPRA on the levying of rates on rateable property in the municipality. The rates policy must take effect on the effective date of the first valuation roll prepared by the municipality in terms of the MPRA, and the policy must accompany the municipality's budget for the financial year concerned when that budget is tabled in the council in terms of the requirements of the MFMA.

The rates policy must treat persons liable for rates equitably and determine the criteria for levying different rates for different categories of property and granting exemptions, rebates or reductions. The effect of rates on poor residents and organisations conducting specified public benefit activities must also be considered.
Any exemptions, rebates or reductions granted under and provided for in the rates policy adopted by a municipality must comply and be implemented in accordance with a national framework that may be prescribed after consultation with local government.

No municipality may grant relief in respect of the payment of rates to the owners of properties on an individual basis.

Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000). The draft policy must be displayed for a period of at least 30 days at the municipality's head office, satellite offices and libraries and on the official website of the municipality. An advertisement informing the community of this must be placed in the media.

The rates policy must be reviewed annually and by-laws must be adopted to give effect to the policy.

The MPRA provides for the exclusion of certain properties from the payment of rates. The first R30 000 of the value of residential properties is or R15 000 of the value of undeveloped residential property excluded and land belonging to land reform beneficiaries is excluded for the first ten years of ownership.

A municipality may not levy different rates on residential properties.

The Minister of Provincial and Local Government may set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased.

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

A register in respect of all properties situated within a municipality must be maintained. Part A of the register is the current valuation roll and supplementary valuation rolls and Part B contains those properties that are exempted, receive a rebate or reduction, are subject to phasing or are excluded from rates.

Written accounts must be issued by the municipality and a ratepayer is obliged to make enquiries if an account is not received.

If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined for payment by the municipality, the municipality may recover the amount in whole or in part from a tenant, occupier or agent of the owner, despite any contractual obligation to the contrary. The amount recovered is limited to the amount of the rent or other money due.

10.SHORT TITLE

This policy is the Municipal Property Rates Policy of the Greater Letaba Local Municipality.

11.ENFORCEMENT/IMPLEMENTATION

This policy has been approved by the Municipality in terms of resolution taken in a council and comes into effect when promulgated in the Provincial Gazette in terms of section 6 of the MPRA.