

“The City of Heritage”



**Ulundi
Local Municipality**

Rates Policy

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GLOSSARY OF TERMS

“ULM”:	Ulundi Local Municipality
“AO”:	Accounting Officer (i.e. Municipal Manager)
“CFO”:	Means the Chief Financial Officer of the Municipality, being a person designated in terms of Section 82(2) (a) of the MFMA, or his/her nominee.
“HOD”:	Head of Department
“IAS”:	International Accounting Practice
“MFMA”:	Municipal Finance Management Act (No. 56 of 2003)
“MM”:	Municipal Manager (i.e. Accounting Officer)
“MSA”:	Municipal Systems Act (No. 32 of 2000)
“MPRA”	Municipal Property Rates Act (Act 6 of 2004)

1 PREAMBLE

- 1.1 Ulundi Local Municipality (the Municipality) has resolved to levy property rates based on the market values of all rateable properties within its jurisdiction, as reflected in its property valuation roll.
- 1.2 The Municipality may impose rates on property in terms of Section 229 of the Constitution of the Republic of South Africa; Section 2(1) of the Municipal Property Rates Act (Act No. 6 of 2004) (MPRA) and in so doing must exercise the power to levy rates in accordance with Section 229 of the Constitution.
- 1.3 Section 2(3) of MPRA requires a municipality to develop and implement a Rates Policy. Section 62 (1)(f)(ii) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Manager must ensure that the Municipality has and implements a Rates Policy.
- 1.4 Revenue raised from property rates shall be used to fund services that benefit the community as a whole as opposed to individual households, and these services include, but not limited to:
 - (i) Maintenance of streets, roads, sidewalks, lighting and storm drainage facilities.
 - (ii) Municipal and recreational facilities.
 - (iii) Cemeteries and
 - (iv) Municipal administration.

2 LEGISLATIVE CONTEXT

- 2.1 In terms of Section 229 of the Constitution, a Municipality may impose rates on property.
- 2.2 In terms of Section 4(1) (c) of the Municipal Systems Act, a Municipality has a right to finance the affairs of the Municipality by imposing, inter alia, rates on property.
- 2.3 In terms of Section 2(1) of the MPRA, a local municipality may levy a rate on property in its area of jurisdiction in accordance with other provisions of the MPRA.
- 2.4 This policy must be read together with, and is subject to the provisions of the MPRA and the Rates By-Laws.
- 2.5 In terms of Section 8 (1) of the MPRA, the municipality is levying rates on the use of the property.

3 FUNDAMENTAL PRINCIPLES AND GUIDELINES

3.1 The Municipality's Rates Policy was developed based on the following fundamental principles:

- (i) Equity
- (ii) Affordability
- (iii) Poverty Alleviation
- (iv) Social and Economic Development
- (v) Financial Sustainability
- (vi) Cost Efficiency.

3.2 The principles of the Policy are designed to ensure that:

- (i) All ratepayers, in specific category, as determined by the Council are treated equitable.
- (ii) Property rates will be assessed on the market value of all rateable properties within the jurisdiction of the Municipality and for purposes of generating revenue to balance the municipal budget.

3.3 The rates income generated by the Municipality will take into account relief measures to address the socio and economic needs of the community.

4 PURPOSE

4.1 The purpose of this policy is to:

- (i) Comply with the provisions of Section 3 of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004)
- (ii) Give effect to the principles outlined above.
- (iii) To determine the methodology and to prescribe procedures for the implementation of the Act.
- (iv) Determine criteria to be applied for the levying of different rates for different categories of properties.
- (v) Determine criteria for the determination of categories of properties and categories of owners of properties.
- (vi) Determine criteria to be applied for granting exemptions, rebates and reductions.
- (vii) Determine measures to promote local economic and social development.

5 DEFINITIONS

TERM	DETAIL
CFO	Means the Chief Financial Officer of the Municipality, being a person designated in terms of Section 82(2)(a) of the MFMA, or his/her nominee.
Agricultural Use	Means a farm or a smallholding used for the production of goods or products through farming or forestry activities.
Gross monthly household income	Means the gross monthly income from all sources, including but not limited to salaries, wages, dividends, pensions, grants, rentals, board and lodging, interest received, donations and any other form of financial support or investment income, received by every person residing on the property.

TERM	DETAIL
MFMA	Means the Local Government: Municipal Finance Management Act (Act 56 of 2003)
MPRA	The Local Government Act: Municipal Property Rates Act, 2004 (Act 6 of 2004) as amended.
MPRA Rate Ratio Regulations	Means the Municipal Property Rates Regulations on the Rate Ratio between residential and non-residential properties promulgated in terms of the MPRA published under Government Notice R195, Government Gazette 32991, on 01 March 2010.
Non-residential property	Means all properties (including undeveloped properties) other than those defined as residential which properties are rated at the ratio 1:2 to the rate levied on normal residential properties.
Primary Residence	Means a residence: <ul style="list-style-type: none"> (i) In which a natural person or a trust holds an interest. (ii) Which that natural person or a beneficiary of that trust or a spouse of that person or beneficiary: <ul style="list-style-type: none"> (a) Ordinarily resides or resided in as his or her main residence. (b) Uses or used mainly for domestic purposes.
Ratepayer	Means a person or entity that is liable, in terms of the MPRA for the payment of rates on the property levied by the Municipality.
Rates By-Laws	Means Ulundi Local Municipality: Rates By-Law.
Residential Property	Means improved property that is: <ul style="list-style-type: none"> (i) Used predominantly (60% or more) for residential purposes, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. (ii) Unit registered in terms of Sectional Title Act, 95 of 1986, used predominantly (60% or more) for residential purposes and includes any unit in the same sectional title scheme registered in the name of the same owner which is used together with the residential unit as if it were one property (example: garage, servant's quarters etc). (iii) Owned by a shareblock company and used predominantly (60% or more) for residential purposes. (iv) A hostel used predominantly (60% or more) for residential purposes.
MSA	Means Local Government: Municipal Systems Act (Act No. 32 of 2000)
Valuation Roll	Means a valuation roll made in terms of Section 30 of the MPRA or a supplementary valuation roll made in terms of Section 78 of the MPRA.
Vacant or undeveloped land	Means property without any buildings or structures that could be used for residential or other purposes, as determined by Chief Financial Officer of the Municipality.
Appeal Board	Means a Valuation Appeal Board, established in terms of Section 56 of the MPRA.
Land Tenure Rights	Means an old order right or a new order right as defined in Section 1 of the Communal Land Rights Bill, 2004.
Market Value	In relation to a property, means the value of the property determined in accordance with Section 46 of the MPRA.

TERM	DETAIL
Mining Property	Means property on which an operation or activity of extracting minerals is conducted and includes any operation or activity incidental thereto.
Multi-purposes	In relation to property, means a property used for more than one purpose.
Municipal Structures Act	Means Local Government: Municipal Structures Act, (Act No. 117 of 1998)
Municipal Valuer	Refers to a person designated as a Municipal Valuer in terms of Section 33(1) of MPRA.
Non-profit Organisations	Means any organisation which is registered in terms of the Non-profit Organisations Act or under Section 21 of the Companies Act.

6 APPLICATION OF THE POLICY

6.1 Residential Property

- (i) The Municipality will not levy a rate on the first value of property of up to R200,000 of the market value as per the valuation roll of residential property, as follows:
 - (a) On the first R15, 000 on the basis set out in Section 17(1)(h) of the MPRA.
 - (b) On the balance of the market value up to R185,000 in respect of the residential properties, as an important part of the Municipality's indigent relief measure aimed primarily at alleviating poverty amongst those persons owning low-value properties.
- (ii) The maximum reduction of up to R200, 000 will be granted to every individually-valued residential property.
- (iii) The Municipality may a residential rebate on the rates levied on the balance of the market value residential properties, if any, as determined by Council during the budget process.

6.2 *State-owned Properties*

- (i) State-owned properties do not qualify for any rates rebates by virtue of ownership.
- (ii) However, the exemptions, rebates and reductions relating to the usage of the properties as specified in this policy apply to state-owned properties.

6.3 *Public Service Infrastructure*

- (i) Public Service Infrastructure (as defined in the MPRA) may not be rated on the first 30% of its market value in terms Section 17 (1)(a) of the MPRA.

6.4 *Agricultural Use*

- (i) A farm is an area of land, including various structures thereon, devoted primarily to the practice of producing and managing food (produce, grains, and livestock) or any forestry products.
- (ii) Farms may be owned and operated by a single individual, family, community or corporate entity.
- (iii) In the case of a farmer being an individual, the farmer must be dependent on the income from the farm to support his or her family.
- (iv) In terms of MPRA,
- (v) The Municipality shall grant a rates rebate in respect of properties subject to agricultural use, which rebate is 80% (inclusive of 75% in terms of the MPRA Rate Ratio Regulations) of the rate levied on residential properties.
- (vi) The Municipality reserves a right to inspect such properties before or after granting of such rebates and to revoke or amend any decision made prior to such inspection.
- (vii) No other rebates will be granted to properties that qualify for agricultural rebate.
- (viii) If 40% of the extent of the farm or smallholding is being used for commercial or industrial purposes (such as truck depots, construction sites or factories), these properties do not qualify for the residential rate, any rebates or valuation reductions. Farms and smallholdings used in contravention of any zoning scheme will be disqualified for any rebate.

6.5 *Multi-Use Properties*

- (i) Properties used for multi-purposes which do not fall within the definition of residential properties and accordingly, do not qualify for the residential rate, may be included into the category of multi-use properties, for which an apportionment of value for each distinct use of the property will be calculated by the Municipal Valuer and used for billing at the appropriate and applicable rate, in cases where the Municipal Valuer considers it reasonable to apply this category.

6.6 *Municipal Properties*

- (i) Only municipal properties used by any one of the four core functions (i.e. electricity, water, sanitation and solid waste) will be rated.
- (ii) Council-rented will also be rated, except for the Council's public-rented houses. Subject to the terms of any existing agreements with the lessees, the Municipality shall impose further liability to pay rates on lessees, when amending or renewing existing lease agreements in respect of Council-owned properties.

6.7 *Senior Citizens and Disabled Persons – Rate Rebate*

- (i) Registered owners of residential properties who are senior citizens and/or disabled persons qualify for special rebates according to their gross monthly household income for all persons normally residing on that property.
- (ii) To qualify for a rebate, a property owner must be a natural person and the owner of a property which satisfies the requirements of the definition of residential property, and must on 01 July of the financial year:
 - (a) Occupy the property as his/her primary residence, provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirements and
 - (b) Be at least 60 years of age or in receipt of a disability pension and
 - (c) Be in receipt of a gross monthly household income as defined in the above paragraph not exceeding R10,000 as proven by the submission of the minimum of three months bank statements from all financial institutions or, if a person does not have a bank account, such proof as the Municipality may require to substantiate the person's level of gross monthly household income and
 - (d) Not be the owner of more than one property nationally or internationally.
- (iii) A usufructuary or an executor of an estate will be regarded as an owner.
- (iv) The criteria of a natural person may be waived at the sole discretion of the CFO to allow for a property owned by a trust where the total number of beneficiaries meets all of the other requirements of paragraph 6.7 of this Policy, provided that the gross monthly household income of all persons residing on that property does not exceed R10, 000.
- (v) The criteria of a natural person may be waived at the sole discretion of the CFO to allow for a property owned by multiple owners where the total number of co-owners meets all of the other requirements of paragraph 6.7 of this Policy, provided that the gross monthly household income of all persons residing on that property, collectively, does not exceed R10, 000.

- (vi) The proposed gross monthly household incomes and rebates for the 2012/13 financial year are as follows:

Gross Monthly Household Income				% Rebate
2010/11		2011/12		2011/12
0	3,000	0	3,000	100%
3,001	4,200	3,001	4,200	95%
4,201	4,600	4,201	4,600	90%
4,601	5,200	4,601	5,200	80%
5,201	5,800	5,201	5,800	70%
5,801	6,400	5,801	6,400	60%
6,401	7,000	6,401	7,000	50%
7,001	7,500	7,001	7,500	40%
7,501	8,000	7,601	8,000	30%
8,001	8,500	8,201	8,500	20%
		9,001	10,000	10%

6.8 *Nature and Special Nature Reserves and National Parks*

- (i) Section 17(1)(e) of the MPRA precludes the Council from levying rates on those parts of a special nature reserve, national parks or nature reserves.

6.9 *Religious Organisations*

- (i) In terms of Section 17(1)(i) of the MPRA, the Municipality may not levy a rate on 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 the office bearer of that community.
- (ii) Property used primarily as an office of a religious organisation or property used as parking facilities, camping sites not operated for gain and cemeteries for religious community will also receive a 100% rebate for rates.

6.10 *Non-profit (NPO) or Public Benefit (PBO) Organisations*

- (i) The Municipality may grant a 100% rate rebate for the categories of NPO or PBO who are deemed to contribute services or benefits to the community.
- (ii) Any property that meets the PBO criteria as determined by the MPRA Rate Ratio Regulations, yet does not qualify for a 100% rebate in terms of this Policy, shall be rated at 25% of the residential cent-in-a-rand.

6.11 *Sporting Organisations*

- (i) The Municipality may grant a 100% rates rebate for amateur sporting bodies open to general public.
- (ii) Such property must be used predominantly by an organisation for the purpose of amateur sport and any social activities which are connected with such sport.

7 RELIEF MEASURES FOR OWNERSHIP CATEGORIES AND USE CATEGORIES

7.1 Relief for Ownership Categories

- (i) Indigent Owners:
 - (a) Criteria to be applied:
 - 1.1. Be the sole or joint owner of the property
 - 1.2. Be living permanently on the property
 - 1.3. Not own any other property, nationally.
 - 1.4. Qualifies as indigent in terms of the Municipality's Indigent Policy.
- (ii) Pensioners
- (iii) Owners of property situated within an area affected by:
 - (a) A disaster within the meaning of the Disaster Management Act, Act 57 of 2002
- (iv) Owners of residential properties with a market value below R200, 000 as determined by the Municipality.
- (v) Public Benefit Organisations who conduct the following specific public benefit activities:
 - (a) Welfare and humanitarian
 - (b) Health care
 - (c) Education
 - (d) Are registered in terms of the Income Tax Act for tax deductions.

7.2 Exemptions granted to Categories of Properties

- (i) The Municipality has exempted in total, from payment of rates, the following categories of properties:
 - (a) Property registered in the name of and used primarily as a place of worship by a religious community.
 - (b) All local municipalities' properties, excluding those properties that are rented or leased.

7.3 Exemptions granted to Categories of Owners of Properties

- (i) The Municipality has resolved to exempt from the payment of rates the following categories of owners of properties:
 - (a) Properties owned by PBO, which are used for any specific public benefit activities.
 - (b) Properties owned by owners registered as NPO.
- (ii) All applications for relief shall be granted on an annual basis.

- (iii) In order to qualify for relief, all applicants shall comply with the following requirements:
 - (a) Written application for relief must be lodged in a prescribed format with the Municipal Manager on the dates as determined by the Council.
 - (b) In the case of PBO, proof of:
 - 1.1. Registration in terms of the requirements of the Income tax Act
 - 1.2. An affidavit signed by the Head of PBO before a Commissioner of Oaths that the property is used for the aims and objectives of the said organisation.
- (iv) In the case of properties owned by the NPO, upon submission of:
 - (a) An affidavit signed by the Head of NPO before a Commissioner of Oaths that the property is used for the aims and objectives of the said organisation.

8 LIABILITY FOR AND PAYMENT OF RATES

- 8.1 The liability for and payment of rates is governed by the MPRA as well as the Municipality's Credit Control and Debt Collection Policy.
- 8.2 The following people shall be liable for the payment of rates levied by the Municipality:
 - (i) Owner of a property.
 - (ii) Joint owners of a property, who shall be jointly and severally liable.
 - (iii) Owner of the sectional title unit
- 8.3 In terms of Section 26 of the MPRA, the Municipality shall recover rates:
 - (i) On a **monthly basis** and must be paid on or before 15th day of the following month.
 - (ii) **Annually**, as may be agreed with the owner of the property, on or before 31st day of January in the financial year.
- 8.4 The Municipality shall furnish each person liable for the payment of rates with a written account in terms of Section 27 of the MPRA.
- 8.5 The Municipality may recover rates in arrears from tenants and occupiers in accordance with the provisions of Section 28 of the MPRA.
- 8.6 The Municipality may recover rates due, either whole or in part, from the agent of the owner if this is convenient for the Municipality and in compliance with Section 29 of the MPRA.

9 REDUCTION IN THE VALUE OF A PROPERTY

- 9.1 Reduction in value of the property refers to the lowering of the value of the property upon which the rates will be levied.
- 9.2 In terms of Section 17(1)(h) of the MPRA, the Municipality is precluded from levying rates on the first R15,000 of the market value of the property assigned in the Valuation Roll.

10 IMPERMISSIBLE RATES

10.1 Constitutionally impermissible rates

- (i) The Act provides that in terms of Section 2129(2)(a) of the Constitution, a Municipality may not exercise its powers to levy rates on property in a way that would materially create an unreasonable prejudice:
 - (a) National economic policies
 - (b) Economic activities across its boundaries
 - (c) National mobility of goods, services, capital and labour.

10.2 Impermissible in terms of Section 17 of the Municipal Property Rates Act

- (i) In accordance with Section 17 of the MPRA, the Municipality may not levy a rate on:
 - (a) The first 30% of the market value of the public service infrastructure.
 - (b) Those parts of a special nature reserves, national park, nature conservation within the meaning of the Protected Areas Act.
 - (c) Mineral rights within the meaning of the definition of "property" on this Policy.
 - (d) A property belonging to a land reform beneficiary or his/her heirs, provided that this exclusion lapses ten (10) years from the date on which such beneficiary's title was registered in the Office of the Registrar of Deeds.
 - (e) The first R15, 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of the Municipality.

11 NEWLY RATED PROPERTIES

11.1 The rates payable on newly rateable properties will be phased in over a period of three (3) financial years with the full rates account to be paid in the fourth financial year.

11.2 The following are applicable rates for properties to be phased in over three (3) years:

Year	Percentage Rates Payable
First	25%
Second	50%
Third	75%
Fourth	100%

11.3 Property owned by the PBO must be phased in over a period of four (4) financial years provided that the Municipality may extend this period on a written application to the MEC.

11.4 The rates payable by the PBO will be phased in over four financial years as follows:

Year	Percentage Rates Payable
First	-
Second	25%
Third	50%
Fourth	75%
Fifth	100%

12 EFFECTS OF OBJECTIONS AND APPEALS ON LIABILITY FOR PAYMENT

12.1 In terms of the MPRA:

- (i) The lodging of an objection or an appeal in terms of Section 50 and Section 54 of the MPRA does not defer liability for the payment of rates beyond the dates determined for the payment of rates in terms of this Policy.
- (ii) The review of the Municipal Valuer's decision in terms of Section 52 of the MPRA does not defer liability for the payment of rates beyond the dates as determined.

13 INTEREST

13.1 Interest shall be raised on overdue accounts as determined in the Credit Control and Debt Collection Policy.

14 INDIGENCY

14.1 In terms of Section 3(3)(f) and Section 15 of the MPRA, all indigents, for rating purposes, will qualify in respect of their residential properties for the benefits as set out in paragraph 6.7 of this Policy and Credit Control and Debt Collection By-Law and Policy and may also qualify for the 100% rebate in terms of paragraph 6.7 of this Policy.

15 ANNUAL REVIEWS AND APPROVAL

15.1 *Policy consultations & approval*

- (i) *Consultation Process* - The policy shall be reviewed at least once annually, unless circumstances dictate otherwise, by the Chief Financial Officer.
- (ii) *Policy Approval Process* - This policy shall be approved by the Council thereafter. All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (iii) Any amendments to the Policy must be approved at the next Council meeting.
- (iv) No policy amendments may be implemented without prior Council approval.

15.2 *Review and revision arrangements including version control*

- (i) All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (ii) Version Control - A version control sheet shall be maintained with the document.

15.3 *Dissemination and implementation*

- (i) Dissemination - Once approved, this policy document shall be circulated by e-mail to appropriate staff within the organization including management, staff and financial management staff.
- (ii) The document will also be supplied to the Registry Department for archiving, and publishing.
- (iii) Implementation - Implementation shall be carried out by the Chief Financial Officer and the Municipal Manager shall exercise oversight.