

# RATES POLICY – 2008 / 2009

The Municipality has the power to levy a rate on property in its area.

Section 3 (1) of the Local Government: Municipal Property Rates Act 6 of 2004 (hereinafter referred to as the MPRA) and Section 62 (1)(f) of the Local Government: Municipal Finance Management Act 56 of 2003 (hereinafter referred to as the MFMA) provides that a Municipality should adopt and implement a policy on the levying of Rates on rateable property.

Section 3 of the Act provides that the Rates Policy takes effect on the effective date of the first valuation roll prepared by the Municipality in terms of this Act.

This document sets out the Policy of the eThekweni Municipality and must be read with the MPRA. In applying the rates policy the Municipality will meet the requirements of the MPRA and the MFMA, including any Regulations made under these Acts, except that the Municipality is unable to, during the first financial year of implementation of the MPRA, quantify in terms of cost to the Municipality any exemptions, rebates reductions, exclusions referred to in section 17(1) (a), (e), (g), (h) and (i) and phasing in of rates.

## DEFINITIONS

In addition to the Definitions provided for in the Act the following Definitions apply for the purpose of this Policy.

**"agricultural property"** means any land or buildings in respect of which there is current an agricultural certificate issued.

**"Billing Cycle"** means the start of the cycle in which the account is printed to the date on which it falls due and payable.

**"Pensioner"** means a person who is over the age of sixty (60).

**"Primary Property"** means the property on which the owner permanently resides.

**"Private School Not For Gain"** means an Independent or Private School which enrolls learners in one or more grades between zero and grade twelve and is not subsidized, either wholly or in part, by the State.

**"Public Benefit Organisation"** means an organization as described in Section 30 of the Income Tax Act.

**"Rate"** means a tax on property which is imposed by the Municipality, as envisaged in Section 229 (1) (a) of the Constitution.

In addition to the persons defined in the Act, **"owner"** includes any person who leases immovable property from the Municipality shall be deemed to be the owner thereof from the date of such lease.

**“residential property”** means a house, which forms a living unit that is used for human habitation purposes, or a multiple number of such units on a property excluding a hotel, accommodation establishment or a dwelling where more than one third is used for commercial purposes.

**“Special Rating Area”** means a geographic area within which property owners agree to pay for certain services supplementary to those supplied by the Municipality. These services are financed by levying an additional rate, which is added to the rates bill of the property owners within the precinct.

**“The Municipality”** means eThekweni Municipality.

**“Trading Services”** shall include: Abattoir; Airport; Electricity; Gas; Parking Areas/Buildings; Produce Market; Public Transport; Water.

**“Value of property”** means the market value of the property as valued in terms of the Act.

**1. ANNUAL ADOPTION OF THE POLICY**

The Municipal Council shall review the Rates Policy, together with the Municipality’s budget, annually.

**2. LIABILITY FOR RATES**

- 2.1 Rates levied on property must be paid by the owner of the property.
- 2.2 Joint owners are jointly and severally liable for payment of Rates on the property.

**3. AMOUNT DUE FOR RATES**

The Municipality will, by resolution, as part of each annual operating budget process, determine a rate in the rand for every category of property.

**4. METHOD AND FREQUENCY OF PAYMENT OF RATES**

- 4.1 The Municipality shall recover a rate on a monthly basis in twelve (12) near equal instalments, together with any supplementary rates.
- 4.2 The municipality may only recover a rate annually, on application, from owners with fifty (50) or more property rates accounts.
  - 4.2.1 Such application to reach the Municipality on or before 30 April of each year.
  - 4.2.2 Such annual amount to be paid by 31 October of each year.
- 4.3 The payment of rates shall not be affected by reason of objections, an appeal or non-compliance with the rates policy.

- 4.4 The Municipality may publish a number of Supplementary Valuation Rolls during the year. The rates, as adjusted by the Supplementary Valuation Roll, will be levied accordingly.

## **5. CATEGORIES OF PROPERTY**

The Municipality may levy different Rates for different categories of Property, the details of which are published in annexure A hereto

The categories of property are determined according to the actual use of the property.

A change in use may result in a change in the category of the property.

Differential rating among the various property categories may be executed by different rate randages for each property category.

Property shall be rated on actual use of the said property.

The Municipality has determined the following categories of property:

- 5.1 residential
- 5.2 agricultural
- 5.3 industrial
- 5.4 business & commercial
- 5.5 multiple use
- 5.6 public service infrastructure
- 5.7 vacant land
- 5.8 Nature Reserves / Conservation Areas

## **6. CATEGORIES OF OWNERS OF PROPERTY**

The Municipality may, in terms of the criteria set out in this Policy :

- a) exempt a specific category of owners of properties, or the owners of a specific category of properties, from the payment of a rate levied on their property; or
- b) grant 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 rates payable in respect of their properties.

The Municipality has determined the following categories of owners of property:

- 6.1 Residential
- 6.2 pensioners
- 6.3 disability grantees / medically boarded persons
- 6.4 Child Headed Households
- 6.5 owners of property situated within an area affected by a disaster within the meaning of the Disaster Management Act 57 of 2002
- 6.4 land reform beneficiaries
- 6.5 municipal
- 6.6 sporting bodies
- 6.7 public benefit organisations

- 6.8 vacant land
- 6.9 Schools not for gain
- 6.10 Nature Reserves / Conservation Areas

## **7. EXEMPTIONS, REBATES AND REDUCTIONS**

The Municipality grants Exemptions, Rebates and Reductions, on categories of owners, based on local conditions and circumstances.

### **7.1 RESIDENTIAL PROPERTY**

7.1.1 The Municipality may grant an additional reduction on the valuation of residential property by resolution of Council at its annual budget.

7.1.2 The Municipality may grant a rebate on residential property by resolution of council at its annual budget.

7.1.3 The Municipality may grant a life-line benefit rebate on rates of residential property valued at up to an amount as determined by a resolution of council at its annual budget, having regard to the fact that such properties are mostly owned and occupied by the poorest of the poor.

### **7.1.4 PENSIONERS**

Pensioners may be granted a rebate on the primary property as determined by a resolution of Council at its annual budget, from the first of the month following the date of application, subject to the following:

The Applicant must meet the following criterion

- a) He must be sixty (60) years or older;
- b) He must produce a bar coded identity document;
- c) He must be the registered owner of the primary property. This includes co-owners who are married to each other or property owned solely by either spouse;
- d) He must make an annual application by no later than the 30 April preceding the start of the new Municipal year for which relief is sought.

7.1.4.1 the pensioners rebate will lapse:

- a) on death of the applicant;
- b) on alienation of the property;
- c) when the Applicant ceases to reside permanently on the property;
- d) if applications are not submitted annually or before 30 April. Late applications may be reinstated with effect from the next practical billing cycle

7.1.5. Deferment of Rates.

- a) No new applications for deferment shall be accepted;

- b) rates that have already been deferred shall remain so deferred provided that the accumulated amount of deferred rates and interest may not exceed 50% of the value of the property concerned;
- c) The Deferment will lapse upon:
  - i) death of the owner, except where the property concerned has been inherited by and occupied by the surviving spouse;
  - ii) the expropriation, sale, disposal or alienation of the property; or
  - iii) the failure of the applicant to reside permanently on the property.
- d) Owners whose rates were previously deferred and who meet the qualifying criteria may apply for a pensioners rebate in terms of 7.1.2 above, for their current rates.

#### **7.1.6 DISABILITY GRANTEES / MEDICALLY BOARDED PERSONS**

Disability Grantees / Medically Boarded persons may, on annual application, be granted a rebate, as determined by a resolution of Council at its annual budget, from the first of the month following the date of application, subject to the following:

- a) the applicant must be in possession of a letter, issued by the Department of Social welfare, confirming receipt of a disability grant, OR if medically boarded, a letter from the Applicant's employer or the underwriter for the employer confirming medical boarding, OR medical practitioner confirming disability;
- b) the applicant must produce a bar coded identity document;
- c) the applicant must reside permanently on the primary property;
- d) the applicant must be the sole registered owner of the primary property. This includes co-owners who are married to each other or property owned solely by either spouse;

7. 1.6.1 the rebate will lapse:

- a) on death of the applicant;
- b) on alienation of the property;
- c) when the applicant ceases to reside permanently on the property;
- d) if applications are not submitted annually; Late applications may be reinstated with effect from the next practical billing cycle.

#### **7.2 CHILD HEADED HOUSEHOLDS**

Property shall be classified as a "Child Headed Household" if:

- a) the parent of the minors residing in the household is terminally ill or has died;
- b) a minor has assumed the role of care giver in respect of another minor in the household; and
- c) the minors in the household have been investigated by a social worker from the Department of Social Development and declared as such.

7.2.1 Such Child Headed Household may receive a rebate, as determined by a resolution of Council at its annual budget, from a date as determined by the Chief Financial Officer, subject to the following:

- a) The terminally ill parent, the child or the deceased estate of the parent as aforesaid must be the owner of the property;
- b) The Application must be accompanied by :
  - i) confirmation from the Department of Social Development that the above criterion have been met and that the property is one that is a Child Headed Household;
  - ii) if the parent is deceased:
    - a copy of the letter of Executorship or Administration of the Deceased Estate;
    - a copy of the Liquidation and Distribution Account showing transfer of the property to the minors;
    - the death certificate of the parent;
  - iii) if the parent is terminally ill, a copy of the District Surgeons Report confirming his status; and
  - iv) birth certificates of minors residing on the property.
- c) The minors must reside permanently on the property;
- d) The value of the applicants property must not exceed a value as determined by a resolution of Council at its annual budget;
- e) Applications must be made annually.

7.2.2 The rebate will lapse:

- a) when the minor reaches the age of majority;
- b) on alienation of the property;
- c) when the minors ceases to reside permanently on the property;
- d) if the Department of Social Development no longer regards the Household as being Child Headed.
- e) if applications are not submitted annually; Late applications may be reinstated with effect from the next practical billing cycle.

### **7.3 NATURAL DISASTERS**

Properties that have been damaged by a natural disaster, as defined in terms of the Disaster Management Act 57 of 2002, shall be re-valued as at date of such natural disaster, in accordance with the Act.

On Application by the owner of the property damaged as defined, the Municipality may fully /partially suspend the levying of rates on that property, as determined by Municipality from time to time.

#### **7.4 LAND REFORM BENEFICIARIES**

In accordance with the Act, property belonging to a land reform beneficiary or his/her heirs is exempt from rates for ten (10) years from date on which the beneficiaries' title was registered in the office of the Registrar of Deeds.

#### **7.5 MUNICIPAL**

Property owned by the Municipality, or occupied by the Municipality for Development Housing, except for Trading Services, is exempt from paying rates.

#### **7.6 SPORTING BODIES**

- 7.6.1 Sporting bodies shall, on application, be rated on the value of the building area only.
- 7.6.2 The building area shall exclude change rooms and store rooms necessary for the sport.
- 7.6.3 Applicants must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962).

#### **7.7 PUBLIC BENEFIT ORGANISATIONS**

7.7.1 The following Public Benefit Organisations may apply annually for the exemption of property rates:

- i) Welfare & Humanitarian Institutions  
Properties used exclusively as an orphanage, non-profit retirement villages, old age home or other non-profit institution for the benefit of the public or a section thereof, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes.
- ii) Health Care Institutions  
Properties used exclusively as a hospital, clinic or mental hospital, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes.
- iii) Animal Welfare  
Property registered in the name of and used by institutions/organisations whose exclusive aim is to protect birds, reptiles and animals on a non-profit basis.
- iv) cemeteries  
property used exclusively for the purposes of a cemetery or crematorium.
- v) religious

As required in terms of 17(1)(i) of the Act, 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.

7.7.2 Exemptions shall be subject to the following conditions:

- i) Applications must be in writing and in the prescribed form;
- ii) Applicants must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962);
- iii) The Municipal Manager or his/her nominee must approve all applications;
- iv) Applications must reach the Municipality before 30 April preceding the start of the new municipal year for which relief is sought, failing which the existing exemption will lapse and will only be re-instated from the next practical billing cycle once a new application has been approved;
- v) The municipality retains the right to refuse to exempt properties if the details supplied in the application form are incomplete, incorrect or false;
- vi) the use of any land or buildings, or any part thereof, in terms of 7.7.1 above, shall not be for the private pecuniary benefit of any individual, whether as a shareholder in a company or otherwise;
- vii) if any rental is paid to the owner, lessee or occupier of any such land or building, the same shall be liable for rates; and
- viii) if during the currency of any financial year, any such land or building is used for any purpose other than the purpose for which it was so exempted, the Municipality shall impose rates thereon or on such portion so used, at a rate proportionate to the period of such use.

**7.8 VACANT LAND**

Vacant land shall receive a reduction in market value as determined by Council at its annual budget.

**7.9 NATURE RESERVES / CONSERVATION AREAS**

7.9.1 Nature Reserves and Conservation areas which are proclaimed in terms of the National Environmental Management: Protected Areas Act, 2003, shall be exempt from rates.

7.9.2 Newly Proclaimed Nature Reserves / Conservation areas shall receive an exemption upon application and production of the relevant Proclamation.

7.9.3 Property not Proclaimed as aforesaid, shall be rated as Nature Reserve / Conservation Area and may be exempt from rates, once the owners are in receipt of an Environmental Certificate.



- 7.9.4 Upon application, by no later than 30 April preceding the start of the new Municipal year for which the certificate is sought, an Environmental Certificate may be granted to owners of any piece of land or part thereof, where an Environmental Servitude has been registered in favour of the Municipality over the environmentally sensitive area.
- 7.9.5 The owner of a Nature Reserve / Conservation area cannot receive a life-line benefit to the residential component of the property in addition to the Nature Reserve / Conservation Area rate benefits.

## **8. SPECIAL RATING AREAS**

- 8.1 The Municipality may, by resolution of Council, establish Special Rating Areas (hereinafter called SRA) and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area.
- 8.2 Any Rebate granted in terms of clause 7 hereof does not affect the additional rate payable by the owner in a SRA.
- 8.3 An SRA may be established once the following criterion have been fulfilled:
- a) the boundaries of the SRA must be defined;
  - b) The SRA must contain not less than 200 properties or the total value of the properties must exceed a value as determined by Council from time to time;
  - c) The SRA must be provisionally contracted with a company registered in terms of Section 21 of the Companies Act to manage the funds of the SRA;
  - d) It must be demonstrated that at least 66% of owners in number and 51% of property value have voted in favour of the establishment of the SRA; and
  - e) Such Application shall be accompanied by an Agreement with the Municipality in terms of Section 67 of the MFMA by no later than 31 January preceding the start of the new municipal year for which Application is made.
- 8.3.1 The aforesaid Section 67 Agreement must be renewed annually by no later than 31 January together with the budget of the SRA.
- 8.3.2 Once the SRA has been approved by a Resolution of Council at its annual budget, the municipality will levy the special rate and funds will be paid to the SRA as they are collected.
- 8.3.3 A SRA shall be dissolved if the Section 67 Agreement as aforesaid:
- a) has not been renewed; or
  - b) has not been honoured.

## **9. MULTIPLE USE PROPERTIES**

- 9.1 Where a Sectional Title Scheme has not been approved, the municipality shall apply the highest order use principle when rating properties which are used for multiple purposes, with the exception of the instances set out in 9.2, 9.3 and 9.4 below.
- 9.2 To qualify for residential categorisation, the non – residential use must not occupy more than one third of the total building area.
- 9.3 Where one use is exempt, the property will be categorized under a “Multiple Use” category and the exempt portion will be treated separately to the remainder.
- 9.4 Where the remainder is also used for multiple uses, “highest order use” will apply.
- 9.5 In the case of agricultural property, the multiple use category will apply where:
- a) a portion is used for residential purposes by the owner or tenant (not a farm manager); or
  - b) a portion is used for non residential and non agricultural purposes.

## **10. AGRICULTURAL PROPERTY**

- 10.1 Property shall be rated as Agricultural Property once the owners are in receipt of an Agricultural Certificate.
- 10.2 Upon application therefore, an Agricultural Certificate may be granted to owners of any piece of land or part thereof, on the following basis:
- a) the Valuer is satisfied that such land is used exclusively for *bona fide* agricultural purposes;
  - b) the owner must apply annually to the Real Estate Unit, by no later than 30th April preceding the start of the new Municipal year for which the certificate is sought;
  - c) the certificate must be issued by the valuer;
  - d) the Applicants must produce a tax certificate issued by the South African Revenue Services (SARS) proving that they are taxed as a farmer.
- 10.3 the owner of agricultural property cannot receive a life-line benefit to the residential component of the property in addition to the agricultural randage.
- 10.4 The Agricultural Certificate will lapse if:
- a) the property is no longer used for bona fide agricultural purposes, in which event, the property will be rated on its use from date of such use.
  - b) Application is not received annually by 30 April preceding the start of the new Municipal year for which the certificate is sought.

**11. PUBLIC SERVICE INFRASTRUCTURE**

In accordance with the Act, Public Service Infrastructure will not be rated on the first 30% of the value.

**12. PRIVATE SCHOOLS NOT FOR GAIN**

A Private School Not For Gain may receive a rebate as determined by a resolution of Council at its annual budget.

12.1 Rebates may be granted subject to the following conditions:

- a) The applicant must make an annual application;
- b) The applicant must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962);
- c) The Municipal Manager or his nominee must approve all applications;
- d) Applications must reach the Municipality on or before 30 April preceding the start of the new municipal year for which the rebate is sought failing which the existing application will lapse and will only be re-instated, from the next practical billing cycle, once a new application has been approved;
- e) The municipality retains the right to refuse an application if the details supplied in the application form are incomplete, incorrect or false;
- f) the use of any land or buildings, or any part thereof, in terms of 12 above, shall not be for the private pecuniary benefit of any individual, whether as a shareholder in a company or otherwise;
- g) if any rental is paid to the owner, lessee or occupier of any such land or building, the same shall be liable for rates; and
- h) if during the currency of any financial year, any such land or building is used for any purpose other than the purpose for which it was so granted a rebate, the Municipality shall impose rates thereon or on such portion so used, at a rate proportionate to the period of such use.

**13. PAYMENT AND RECOVERY OF RATES**

Payment and recovery of rates shall be governed by the Municipality's Credit Control and Debt Collection Policy. In addition, Sectional Title unit owners shall be held jointly and severally liable for the current and accrued debt of the Body Corporate.

**THE RATES POLICY WILL BE AVAILABLE FOR PERUSAL FREE OF CHARGE AT ALL MUNICIPAL OFFICES AND THE CITY HALL, DURBAN.**