



MAKHUDUTHAMAGA
LOCAL MUNICIPALITY

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Final Rates Policy

2022/23

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1. Introduction

- a. 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.
- b. This document sets out the policy of the Makhuduthamaga 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.
- c. 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, or not levied in terms of Section 17 of the MPRA. Such exemptions apply *inter alia* to certain cultural organizations, 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.

2. Legislative Framework

- a) In terms of Section 229 of the Constitution of the Republic of South Africa, (Act No. 108 of 1996), a municipality may impose rates on property.
- b) In terms of Section 4(1)(c) of the Municipal Systems Act, (Act No. 32 of 2000), a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- c) In terms of Section 2(1) of the MPRA, (Act no 6 of 2004), a municipality may levy a rate on property in its area of jurisdiction in accordance with the provisions of the said Act.
- d) The Council of the Municipality will impose a rate in terms of the aforementioned legislation. Consequently, this rates policy has been developed within the parameters of the applicable legislation relating to property rates.

3. Definitions

In this policy, unless the context indicates otherwise –

“Act” means the Local Government: Property Rates Act, (Act No 6 of 2004) and includes the regulations (if any) made in terms of Section 83 of the Act;

"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 means any manufacturing, production, assembly or processing of materials, 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 or the rearing of livestock;

“Chief Financial Officer” means the Chief Financial Officer as defined in the Municipal Finance Management Act;

“crèche”, in relation to property, means the use of property by any organization or institution who provides education or care to children before they enter grade 1;

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

"illegal use" means the use of a property in a manner that is inconsistent with or in contravention of the permitted use of the property;

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

"municipal", in relation to property, means property exclusively used by the Municipality;

"multiple purposes", in relation to property, means the use of a property for more than one purpose and the property thus not being assigned to a single category of properties and, where one use represents on average 80% or more of the property's value, the property is rated as though it were used for that use only. This definition is only applicable to property defined as “urban land”,

"non-urban land" means land that is not situated in a proclaimed township, but that is used for residential or agricultural purposes or is not in use. Where the whole or a portion of non-urban land is used for business, government or mining purposes the market value of such land or portion of it must be recorded separately in the valuation roll and rated according to the applicable category;

“remainder of township” means the remaining extent of a proclaimed township as held by the township owner in its own name and on land on which no immovable improvements, except for public services infrastructure, have been erected;

"residential", in relation to property, means a property 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, lodge, commune, boarding or lodging undertaking, hostel, rental rooms or place of instruction;

"urban land" means land that is situated within a proclaimed township.

4. Strategic Focus

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

1.1.1 the impact of the rates on the community;

1.1.2 the impact of the rates on businesses;

1.1.3 the current economic climate;

1.1.4 the integrated development plan (IDP) of the Municipality.

5. Annual Adoption of the policy

a) 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 Executive 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).

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

c) The rates policy will be available for perusal, free of charge, at: The Municipal Offices at:

1.1 Jane Furse

1.2 The Municipality's web site at www.makhuduthamaga.gov.za

d) Copies of the rates policy will be available for purchase at the offices at the applicable charge, as determined by the Municipality from time to time.

6. Key Principles

6.1 Equity

Equity is the concept that a tax will be fair to the taxpayer and that each taxpayer will be taxed fairly relative to other taxpayers. The fundamental principle is that taxpayers in similar circumstances will pay similar amounts of tax and taxpayers with a greater ability to pay will pay greater amounts of tax.

In local government, the value of a ratepayer's property serves as an indicator of the ratepayer's ability to pay. However, the circumstances of an individual ratepayer are only taken into account when exemptions, rebates or reductions are to be granted. Rates are levied on an *ad valorem* (by value) basis, which 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.

6.2 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 to the increase in the consumer price index, except when the approved IDP of the Municipality provides for a greater increase.

6.3 Poverty alleviation

The effect of rates on the poor has been taken into account in the Municipality's policy on indigent debtors. All residential properties with a value below an amount to be determined during the budget process, are exempted from assessment rates.

6.4 Social and Economic Development

The rates policy should within the context of the mechanisms at its disposal seek to enhance social and economic development.

6.5 Financial Sustainability and Cost Efficiency

The rates policy should be cost efficient and should enhance the financial sustainability of the municipality.

6.6 Encouragement of Development of Property

The rates policy should utilize the mechanism at its disposal to encourage the development of property in line with the socio-economic development needs and goals of the municipality.

7. Amount Due for Rates

The Municipality will, as part of each annual operating budget process, determine a rate in the rand and discounts of the rate for certain categories of properties.

8. Liability for Rates

- a) Rates levied by the Municipality on a property must be paid by the owner of the property. Rates will be levied monthly.
- b) If an amount due for rates is unpaid by the owner of the property, the Municipality may recover the full amount from the tenant or occupier of the property. The amount due for rates may also be recovered from the agent of the owner.
- c) 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.
- d) The recovery of rates by the Municipality will be in accordance with the Municipality's debt collection policy (credit and debt control policy).

9. Valuation of Rateable Properties

9.1.1 The Municipality will undertake a general valuation of all rateable properties and prepare a valuation roll at least every 4 years.

9.1.2 Supplementary valuations will be undertaken on an ongoing basis and a supplementary valuation roll will be prepared at least once a year.

9.1.3 Amendments to the valuation roll will be made annually in accordance with section 79 of the MPRA, and only the electronic copy of the valuation roll will be updated.

Levying of Rates

9.1 Property not rated

Rates are not levied on the transportation corridors of public service infrastructure, residential property and property owned by the Municipality.

9.2 Categories

- a. The category of property is determined by the actual use of the property, and if the property is not in use, the zoning determines the category. 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.

- b. The Municipality has determined the following categories in terms of section 8 of the MPRA:

r Residential
b Business
cre Crèche and Pre-school
is Independent school
mun Municipal
agric Agricultural (Unused farmland and farmland used for grazing or cultivated land)
psi Public service infrastructure
pw Place of public worship or official residence

g Government:

gc Court of law
ge Educational
gh Hospital or clinic
gp Police station
go Other
gr Residential

9.3 Relief mechanisms (Rebates, reductions and exemptions)

- a) The Municipality grants rebates, reductions and exemptions in recognition of the following factors:

- 1.1.1.1. The need to accommodate indigent residents and less affluent pensioners
1.1.1.2. The services provided for the community by public service organisations
1.1.1.3. The value of agricultural activities to the local economy
1.1.1.4. The need to preserve the cultural heritage of the local community

9.3.1 Rebates

Rebate for indigent debtors

The rebate is as determined by the Municipality's Basic Social Package, policy on indigent debtors and the requirements as indicated in the definition of "indigent debtor".

9.3.2 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) must attach a tax exemption certificate issued by the South African Revenue Services as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications;
- (b) where mentally ill or physically handicapped persons are accommodated in a hospital, health clinic or institution that is operated not with the intention to make profit and is registered for tax exemptions in terms of the Income Tax Act because of those activities must attach a tax exemption certificate issued by the South African Revenue Services as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications;
- (c) any rateable property registered in the name of a public benefit organisation that carries out specified public benefit activities and must attach a tax exemption certificate issued by the South African Revenue Services as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications;
- (d) any national monument, including any ancillary business activity conducted at a national monument;
- (e) any sports grounds used for the purposes of amateur sport or any social activity connected with such sport;
- (f) 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);
- (g) on the first R250 000 of the market value of any business categorised property.
- (h) on the market value of any residential categorised property;
- (i) Property declared as heritage sites in terms of section 27 of the National Heritage Resource Act 25 of 1999;

The exemption in (a) to (f) only will be granted after an application with all required documentation has been considered and approved by the Municipal Manager or delegated official.

Annual Review of Rated Policy

In accordance with the determinations of section 5 of the MPRA, the municipality will conduct Annual Reviews, and if necessary amend this Rates Policy taking into account public comments and inputs.

Disclaimer

Rates cannot be challenged on the basis of non-compliance with this rates policy and must be paid in accordance with the payment requirements.

Where a ratepayer believes that the Municipality has failed to properly apply this rates policy, he or she should raise the matter with the Municipal Manager.