

- .2.5 An affidavit to the effect that all information supplied is true and that income from all sources has been declared.
- .2.6 A recommendation from a Ward Councillor.
- .3 The application forms will be processed and information provided will be assessed and screened by the Indigent committee
- .4 The Indigent Committee will therefore approve or reject the applications and forward information to finance to implement.
- .5 Indigent households must re-apply for indigent support before the end of March each year.
- .6 In case where the owner of the property passed away, the person who inherited the property will be allowed to apply for indigent assistance, provided all the aforementioned conditioned are met.
- .7 All applicants will be informed in writing about the outcome of their applications.
- .8 The approved applicants will be entered into the municipal indigent register which will be updated at least once a year.

#### **9. A 'INDIGENT COMITTEE**

A ward committee which comprises of the following people will be formed:

- A councilor
- Ward committee member
- A municipal official
- Village Committee member

#### **9. DE-REGISTRATION OF AN INDIGENT**

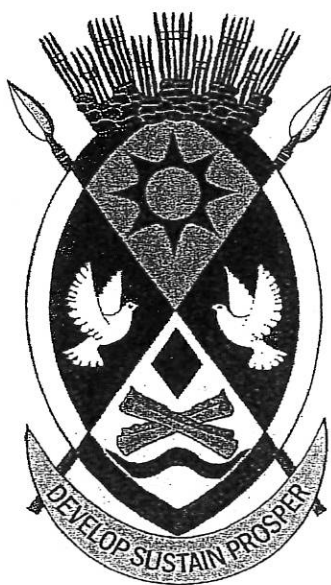
- 9.1 The following conditions can result in an indigent been de-registered:
- 9.1.1 By failing to comply with the terms of the policy agreement;
- 9.1.2 By tampering with the installations of the Municipality.
- 9.1.3 By providing fraudulent information to the Municipality in regard to any material condition for registration as an indigent. In this instance, the person will immediately be removed from the register and shall be liable to repay to the Municipality with immediate effect all indigency relief received from the date of such fraudulent registration. Moreover such person may not again be considered for indigency relief for a period of five (5) years.
- 9.2 The indigent must immediately request de-registration if the financial situation within the household has changed to an extent that they no longer meet the requirements to be regarded as indigents.

#### **10 . CONCLUSION**

Through this policy, Council endeavour to ensure the equitable treatment of all people residing in the area of jurisdiction of the Lephalale Municipality, and to improve the level of cost recovery for services rendered other than free basic services. The policy will promote consistency, clarity and achievement of the mission and objectives of the Lephalale Municipality.

# LEPHALALE

## LOCAL MUNICIPALITY



# PROPERTY RATES POLICY

## NOTE

The present valuation roll of the Municipality was compiled in accordance with provisions of the Local Authorities Rating Ordinance, No. 11 of 1977 (Tvl) (the Ordinance). This roll remains valid until a new valuation roll has been compiled in terms of the Local Government: Municipal Property Rates Act, No. 6 of 2004 (the MPRA).

The Ordinance did not require that a municipality adopt a rates policy. Aspects relating to the imposition of property rates were usually done as part of the budget process. This rates policy was, however, compiled to cover both the Ordinance and the MPRA.

In respect of the Ordinance it inter alia deals with a sliding scale for agricultural holdings and, by way of an extension, also to agricultural land (farms).

The issue of the compulsory phasing-in or certain rates (e.g newly rateable property), affects both the current (Ordinance) valuation roll as well as the roll to be prepared in terms of the MPRA.

This policy, although only strictly required for the 2008/9 financial year when it is envisaged that the valuation roll prepared in terms of the MPRA will become effective, was also prepared to assist the appointed valuer to compile the valuation roll.

Being aware of what the Municipality's policy is, should assist the valuer e.g the different categories of properties and the basis for determining rates on agricultural land. As a result this policy in its current format will have a limited application for the 2007/8 financial year, but will have to be reviewed for the 2008/9 financial year when all aspects relating to the Ordinance will have to be deleted and be further amended due to the compulsory review process.

## INTRODUCTION

In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (the Constitution), a municipality may impose rates on property.

When imposing rates on 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.

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 properties. This document sets out the policy of Lephalale Municipality with regard to levying rateable properties. In applying this policy, the Municipality will meet all requirements of the MPRA and the MFMA, including any regulations made in terms of these Acts.

- (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 Indigent policy.

“Industrial use” means the use of the property for a branch of trade or manufacturing production, assembly or processing of finished or semi-finished goods or from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation, the use of which is incidental to the use of a factory.

“Lodge” means accommodation in a non-urban area provided for paying visiting guests with a focus on aspects of nature and/or places of interest, and includes a restaurant and conference facilities.

“Multi purposes”, in relation to property, means the use of the property for more than one purpose and the property thus not being assigned to a single category of property 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. This definition is only applicable to property defined as “urban land”.

“Municipal” in relation to property, means the land owned and exclusively used by the Municipality.

“Municipality” means the Municipality of Lephalale.

“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, industrial 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.

“Rates policy” means a document compiled by the Municipality in a transparent and participative manner, encompassing all aspects pertaining to the MPRA with regard to the payment of rates.

“Remainder of township” means the remaining extent of an approved proclaimed township which is still registered in the name of the applicant for township development and which has not yet been transferred to another owner and on which no improvements have been erected except for public service infrastructure.

“Residential”, means in relation to property whether urban or non-urban, a property having a suite of rooms which forms a living unit that is exclusively used for human habitation purposes or a multiple of such units, but does not refer to a hotel, commune, boarding or lodging undertaking, hostel or place of instruction.

## KEY PRINCIPLES

The following principles will ensure that the Municipality treats persons liable for rates equitably:

### ➤ Equity

- Equity means that each ratepayer will be fairly treated relative to other ratepayers. The fundamental principle is that ratepayers in similar circumstances will pay similar levels of rates and ratepayers with greater ability to pay, will pay greater amounts of rates.
- Rates are levied on an ad valorem (by value) basis i.e pro rata to the value of the property. This literally means that a ratepayer with a higher valued property will pay proportionally more than a ratepayer with a lower valued property.
- The following are the reasons why ratepayers may pay different rates –
  - Different rates levied on different categories,
  - Exemptions,
  - Rebates, and
  - Reductions.

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 to the income from assessment rates and therefore minimise the impact on ratepayers.

### ➤ Affordability

- The ability of ratepayers to pay for their total municipal services will be taken into account by the Municipality. In dealing with the poor and indigent ratepayers, the Municipality will provide relief measures through exemptions, reductions or rebates.
- The Municipality will endeavour to limit the annual increase in revenue from the property rates to the increase in the consumer price index (CPI), and the budget growth guidelines provided by National Treasury, except when the integrated development plan (IDP) of the Municipality provides for a greater increase.

### ➤ Poverty alleviation

- The effect of rates on the poor/indigent ratepayers will be taken into account through the Municipality's indigent policy. (**Note: This policy must be an attachment to this policy document.**) 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 R30 000.

### ➤ Limitation of rates increases

- (b) economic activities across its boundaries; or
- (c) the national mobility of goods, services, capital or labour.

## Section 17

- (a) the first 30% of public service infrastructure;
- (b) any part of the seashore; [not applicable];
- (c) any part of the territorial waters; [not applicable];
- (d) any islands [not applicable];
- (e) special nature reserve, national park, or a national botanical garden; (Limited applicability).
- (f) mineral rights;
- (g) property belonging to a land reform beneficiary for the first 10 (ten) years;
- (h) on the first R30 000 of a property assigned for residential purposes;
- (i) a place of public worship including an official residence owned by the relevant church and occupied by the religious officer.

○ Rates are not levied on the transportation corridors of public service infrastructure.

## 7.3 Categories of properties

7.3.1 The Municipality has in terms of Section 8(1) of the MPRA determined the categories of properties based on the use of the properties so as to enable the Municipality, should the need therefor arise, to determine different rates for the different categories of properties. The following are the determined categories of properties by the Municipality.

- Residential properties 1, 2 and 3.
- Business / Industrial properties.
- Government properties.
- Vacant land.
  - urban
  - non-urban
- ➤ Agricultural properties used for
  - Business and commercial uses
  - Eco-tourism, game hunting and/or trading
  - agricultural uses.
- Properties for education and training.
- Municipal properties.
- Mining and related uses properties.
- Communal land.
- Public Service Infrastructure.
- Illegal use.
- Privately owned towns.
- State trust land.
- Formal and informal settlements.
- Sectional titles

- (h) any rateable property registered in the name of a youth organisation or any organisation that promotes the welfare of the youth or any rateable property let by the Municipality to any such organisation.
- (i) any rateable property registered in the name of a cultural institution, declared as such in terms of relevant legislation.
- (j) on the first R30 000 of the market value of any residential property, whether the property is improved or unimproved, and non-urban property on which the owner resides. (Only as from 1 July 2008 in respect of the 2008/9 financial year).
- (k) any person who is the owner of a residential property and who -
  - i) has reached the age of 55 years or more during the financial year; or
  - ii) is physically or mentally disabled and can prove that he/she receives a social pension; or
  - iii) is certified by a district medical officer, as being physically or mentally handicapped.

subject to the following conditions

- (aa) the joint income of that person and his/her spouse, if any, for the year ended 30 June may not exceed R36 000 (thirty six thousand Rand) per year or such higher amount as may be determined in the Municipality's budget;
- (bb) the rateable property in question may be occupied only by that person and his/her spouse, if any, and by dependants of that person who have no income, or by other people due to circumstances that, in the opinion of the Municipality's Chief Financial Officer, are specific to that person;
- (cc) there may not be more than one dwelling unit on the rateable property in question;
- (dd) the application for exemption from rates for the financial year must be received prior to 30 September of that financial year, alternatively: (...prior to 31 March in the financial year preceding the new financial year under consideration), on a form made available for this purpose by the Municipality's Chief Financial Officer and the information provided in the application must be substantiated by an affidavit by the applicant;
- (ee) the applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, also proof that he/she receives a social pension or, if he/she does not receive a social pension, proof of certification by a district medical officer;

Until the current valuation roll (prepared in terms of the Ordinance) expires, all property owned by the State as provided for in the Rating of State Property Act, No. 79 of 1984 will be eligible for the rebates provided for in the act.

**(d) Rebates for Residential Properties**

No rebate to be given to residential properties, but a separate rate in the Rand to be calculated for this category of property.

**(e) Rebates for township developments(areas)**

The developer shall be given a rebate of 40% on the ervens to be developed while they are still registered in his name until they are sold to the new owner. In the event where the developer keep the erven for himself, the rebate will last for a period of three(3) years where after it lapses.

Reductions applicable to non-urban land

**(a) Reduction based on section 22 of the Ordinance**

The reductions referred to in section 22 of the Ordinance will continue to apply to the 2007/8 financial year, whereafter it shall lapse.

**(b) Reduction based on the guidelines provided in Section 3(4) of the MPRA**

- (i) The extent of services provided by the Municipality in respect of agricultural properties.

Where the Municipality doesn't provide any of the undermentioned services, the relevant indicated reduction will apply.

Roads maintenance	-	7,5%
Water	-	20%
Electricity	-	7,5%
Sewerage	-	7,5%
Refuse collection	-	7,5%
Housing	-	5%

- (ii) The contribution of agriculture to the local economy:

Where the bona fide farmer is

- a registered taxpayer with SARS – 5%
- registered for VAT with SARS – 5%
- registered for UIF in respect of farm workers – 5%

- The Municipality shall undertake a general valuation of all rateable properties as defined by the MPRA and prepare a valuation roll every 4 (four) years.
- Supplementary valuations will be undertaken on an ongoing basis and a supplementary valuation roll will be prepared annually.
- 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.
- The first valuation roll prepared in terms of the Property Rates Act, 2004 (Act 6 of 2004) will take effect from the start of the financial year following completion of the public inspection period.
- As the Municipality does not have the human resource capacity to compile its own valuation roll, the services of a suitable qualified valuer shall be obtained in accordance with its supply chain management policy.
- Rates on a sectional titles shall be paid by the owner of the unit.

## 1. **DISCLAIMER AND APPENDIX**

Rates cannot be challenged or withheld on the basis of non-compliance by the Municipal Council 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/she should raise the matter with the Municipal Manager.

Any decision of the Municipal Manager in favour of the ratepayer who raised the matter shall be applied retrospectively to 1 July of the relevant financial year.

### **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.

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.

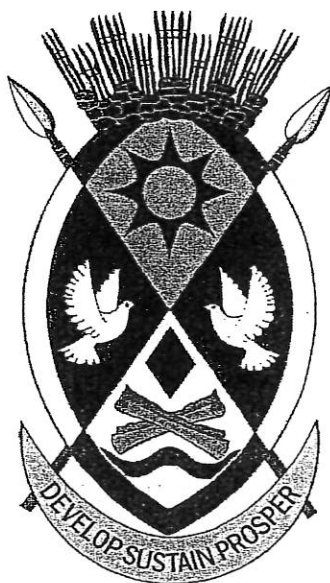
If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined for payment by the Municipality, the Municipality may recover the amount in whole, or in part from a tenant, occupier or agent of the owner, despite any contractual obligation to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

SIGNED AT LEPHALALE ON \_\_\_\_\_

**E M TUKAKGOMO**  
**MUNICIPAL MANAGER**

# LEPHALALE

## LOCAL MUNICIPALITY



# SUPPLY CHAIN MANAGEMENT POLICY