

Phokwane Local Municipality



PHOKWANE LOCAL MUNICIPALITY

DRAFT PROPERTY RATES POLICY

2022/2023

Phokwane Local Municipality

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Preamble

WHEREAS section 152 enjoins the municipality with responsibilities of developmental nature and enjoins it with a duty to strive, within its financial and administrative capacity, to achieve the objects of local government set out in the same section;

AND WHEREAS section 229 (1) of the Constitution enjoins the municipality with competency and power to levy a rate on every property in the municipal area of jurisdiction;

AND WHEREAS there is a need to provide the municipality with access to buoyant sources of revenue in general and property rate in particular, for the fulfilment of the object of local government and general wellbeing of the communities under the jurisdiction of the municipality;

AND WHEREAS section 3 of Local Government: Municipal Property Rates Act, 2004 (MPRA) direct that the Council of the municipality must adopt a Policy, consistent with the Act, on the levying of rates on rateable property in area of the municipality;

AND WHEREAS the object of the said Policy is to comply with the constitutional and Statutory directives on levying of rates on rateable properties and to provide a policy framework criteria on how the municipality will exercise its powers in terms of the MPRA, including but not limited to, the treatment of categories of rateable properties and categories of owners of rateable properties

AND WHEREAS the Policy may change from year-to year in terms of section 5 of the MPRA subject to the generality of the Act, it is desirable that Policy provides predictability and consistency to the public in general and Rate Payers in particular in the form of Guiding Principles of the Property Rate Policy as underpinning the policy itself and the future development of the policy

NOW THEREFORE, the Council of Phokwane Local Municipality in terms of section 3 of the Act, 2004 adopt the Property Rates Policy for 2021/22 financial year as set out hereinafter in these presents.

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Chapter 1

1.1 Interpretation

Act, 2004 means Local Government: Municipal Property Rates Act, 2004 (4/2004);

Additional rate means a rate, if any, in terms of section 22 of the Act;

Agent means a person appointed by the owner of the rateable property to act on behalf of the owner;

Agricultural property means a property which is used primarily for agricultural purposes and excludes other uses; such as, commerce, hospitality, ecotourism, or game;

Annually means once every financial year;

Building plans means building plans approved by the municipality in terms of the National Building Regulations and Building Standards Act, 1977 (103/1977)

Business and Commercial means a property used for activities of selling or trading in commodities, goods, or services including any office building or other accommodation incidental to such business;

Category means a category of properties in terms of section 8 of the Act; and specific category of owners of properties in terms of section 15 of the Act;

Constitution, 1996 means the Constitution of the Republic of South Africa, 1996;

Council means the Council of Phokwane Local Municipality;

Effective date means a date contemplated in terms of section 32 (1) of the Act, 2004 when the valuation roll takes effect;

Exclusion means restriction of the power of the municipality in terms of section 17 of the Act, 2004;

Exemption means an exemption from the payment of rates in terms of section 15 of the Act, 2004;

Financial year means the period commencing from July of particular year and ending on the 30 of June of the following year;

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Household income means the gross monthly income of both the owner of the property and his/her spouse or partner

Indigent means a category of owners of properties who qualify for exemptions, reductions, and rebates in terms of this policy and the Policy on Indigent households/consumers;

Industrial property means a variety of trades; such as manufacturing, assembling, processing, or production of goods/products from raw materials or fabricated goods, including factories and office buildings;

Land reform beneficiary means a beneficiary in terms of:

- i. The provision of Land and Assistance Act, 1993 (126/1993)
- ii. The Restitution of land Rights Act, 1994 (22/1994)
- iii. The Communal Property Association Act, 1996 (28/1996)

Market value means the value of the property determined in terms of section 46 of the Act, 2004;

MFMA means Local Government: Municipal Finance Management Act, 2003

Mining property operations involving extraction of minerals from land, water, or mineral residue deposits;

MPRA means Local Government: Municipal Property Rates Act, 2004

MPRR means Municipal Property Rates Regulations

Multiple purpose means use of property for more than a single purpose in terms of section 9 of the Act, 2004;

Municipal property means rateable and non-rateable property owned by Phokwane Local Municipality;

Municipality means Phokwane Local Municipality;

Newly rateable property means any property on which property rate was not levied during the financial year preceding the date on which the Act took effect;

Occupier means a person who is in actual occupation of the property regardless of the legal status of such occupation;

Office Bearer in relation to places of public worship means the primary person who officiates at services at the place of public worship;

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Organ of state means an organ of state in terms of section 239 of the Constitution, 1996;

Owner means the registered owner of the property in terms of the applicable legislation, including the person with lawful authority to deal with or transact in relation to the property;

Pensioner means an owner of rateable property who is 60 years or more of age and who receive either a state pension or retirement pension as a source of income;

Permitted use means the limited purposes for which the property may be used in terms of any restrictions imposed by:

- i. Condition of title
- ii. Legislation applicable to the property
- iii. The municipal/Town Planning Scheme or Land Use Scheme applicable to the area of the property or the property itself

Place of public worship means property used primarily for congregation excluding the structure that is used for other purposes, such as education. The property must be registered in the name of the religious community

Property means immovable property registered in the name of a person including sectional title scheme or a right registered against immovable or public service infrastructure

Property Register means a register of properties in terms of section 23 of the Act, 2004

Protected area means an area listed in the register in terms of section 10 of the National Environmental Management, 2003

Public Benefit Organisation means an organisation defined as such in the MPRA and registered in terms of Income Tax Act for the purpose

Public service infrastructure means the following:

- i. National, provincial and other public roads on which goods, services or labour move across a municipal boundary
- ii. Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants, sewer treatment plants, water or sewer pumps
- iii. Electricity power stations or power lines
- iv. Gas or fuel refineries, pipelines
- v. Railways lines
- vi. Telecommunication towers and masts forming part of the telecommunication system

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- vii. Airport runways, aprons, and air traffic control units

Public service purpose means:

- i. Hospital and clinics
- ii. Schools, pre-schools, early childhood development centres, education, and training colleges
- iii. National and provincial libraries
- iv. Police stations
- v. Prisons

Randage means a cent amount in the Rand (randage) levied on the market value of a property for the purpose of determining a rate levy for the property (*it is a SA lexicon*)

Ratepayer means a person or entity that is liable for the payment of rates on the property in terms of MPRA

Rate (s) means a municipal rate as defined in MPRA, including additional rate as contemplated in sections 19 and 22 of the Act, 2004

Rateable property means a property on which the municipality may levy a rate in terms of section 2 of the Act, 2004, excluding the properties in terms of section 17 of the Act, 2004

Rebate means the discount on rates as defined in section 15 of the Act, 2004

Reduction means lowering of the property value as defined in section 15 of the Act, 2004

Residential purpose means a property used as primary place of residence

Special rating area means an area approved by Council for the purpose of section 22 of the Act, 2004

Systems Act means Local Government: Municipal Systems Act, 2000

Town Planning Scheme means the Town Planning Scheme or Land Use Scheme of the municipality as amended

Vacant land means a property categorised in GV/SV as such

Valuation Roll means general valuations (GV) prepared in terms section 30 of the Act, 2004 and/or supplementary valuations (SV) prepared in terms of section 78 of the Act, 2004

Zoning means the purpose for which the property may lawfully be used in terms of the municipality's Land Use Scheme

1.2 Legislative Frameworks

- a) Section 229 (1) read with section 152 of the Constitution. 1996

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- b) Local Government: Municipal Property Rates Act, 6 of 2004
- c) Local Government: Municipal Systems Act, 2000 [section 4 (1)]
- d) Local Government: Municipal Finance Management Act, 2003 [sections 17 (3), 22 and 62 (1) (f)]

1.3 Guiding Principles

- a) Equity and rate-differentiation in terms of section 8 of the Act
- b) Affordability of rate levy by the Ratepayers
- c) Poverty alleviation and sensitivity to vulnerable property owners
- d) Cross subsidisation between property categories
- e) Promotion or/and enhancement of social and economic development of the municipal area
- f) Promotion of access to municipal services of commons good
- g) Financial Sustainability and Cost-Efficiency
- h) CPI Inflation-driven determination of rate-levy annual increases
- i) Rate-levy chargeable on the value of properties as per the General Valuations or Supplementary Valuations.

1.4 Objectives and Purpose of the Policy

- a) To determine the categories of rateable properties
- b) To determine categories of owners of rateable properties
- c) To determine rates ratio between category of residential properties and other categories on the General/Supplementary Valuation Roll subject to applicable legislation
- d) To determine a centamount in the Rand (randage) levied on the market value of a property in each category of rateable properties
- e) To differentiate randages levied on the different categories of rateable properties
- f) To provide for a Policy Framework for impermissible rates, exemptions, reductions, and rebates for qualifying categories of owners of rateable properties in terms of this policy

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Chapter 2

2.1 Categories of Rateable Properties

- a) The following is the general criteria of the categorisation of rateable properties for the purpose of levying different rates on such properties subject to the specifics of para (b-j) below:
 - i. The use or the dominant use of the property
 - ii. The permitted use of the property
 - iii. The combination of i and ii above.
- b) Residential properties
- c) Industrial properties
- d) Business and Commercial properties
- e) Agricultural properties
- f) Mining Properties
- g) Properties owned by an Organ of State and used for public service purposes
- h) Public Service Infrastructure properties
- i) Properties owned by public benefit organisations and used for specified public benefit activities
- j) Vacant properties
- k) Properties used for multiple purpose shall be treated in terms of the dominant use of the property

2.2 Categories of Owners of Properties

- a) Residential (inclusive of sectional title schemes)
- b) Indigent
- c) Pensioner
- d) Incomeless
- e) Child-headed
- f) Disability Grantee
- g) Medically boarded
- h) Land reform beneficiary
- i) Public benefit organisation
- j) Retirement complex
- k) Disaster-inflicted
- l) Vacant land

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m) Multi-purpose (specify dominant use)

2.3 Validity of the Rate Levy

- a) In terms of section 12 of MPRA, the rate levy is valid for the financial year for which it was levied, and it lapses at the end of the financial year. It may not be extended except in terms of section 139 of the Constitution, 1996.
- b) In terms of section 28 (6) of MFMA, the rate levy (like service tariff) may not be increased during a financial year except in instances of Financial Recovery Plan
- c) In terms of section 14 of MPRA, the resolution of the Council levying rates on different categories of properties, must be published in the Provincial Gazette within 60 days of such a resolution. Further, the rate levy and other charges and tariffs must be published in terms of section 75A of the Municipal Systems Act in a local newspaper and in conspicuous places of the municipality to which the public has access.

Chapter 3

3.1 Impermissible Rates

- a) Constitutional Impermissible rate: section 16 of MPRA. The municipality may not levy rates on a property in a way that would materially and unreasonably prejudice: national economic policies, economic activities across its boundaries or national mobility of goods, services, capital, or labour. Refer to the specifics of the section.
- b) Other Impermissible rates (section 17 of MPRA): the municipality may not levy a rate on the following:
 - i. Seashore
 - ii. Territorial water in terms of maritime zones Act
 - iii. State-owned islands
 - iv. Special nature reserve or national parks or national botanical gardens in terms of applicable legislations

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- v. Mining rights or mining permit in terms of Mineral and Petroleum Resources Development Act
- vi. First 30% of the property value of PSI
- vii. Land reform beneficiary property subject to lapse after 10 ten years or alienation thereof
- viii. First R15 000 of the value of a residential property. The municipality has by resolution extended the amount to R100 000 inclusive of the said first R15 000 and a further R85 000
- ix. Place of public worship property

3.2 Exemptions, Reductions and Rebates

- a) Exemption refers to a decision by Council to exempt a specific category of owners of properties from payment of a rate levied on their properties. Reduction means a decision of the Council to lower the amount for which the property was valued by the municipal valuer and levying a rate at that lower amount. Rebate is discount granted on the amount of the rate payable on the property. The emphasis is on a specific category of owners of properties or owners of a specific category of properties. It may not be granted to an individual person but rather a specific category of owners of properties.
- b) The Council decision of the extension of R15 000 to R100 000, inclusive of the statutory impermissible of R15 000 and additional R85 000, on all residential properties amount to a reduction of the rateable value of all residential properties
- c) The following specific category of owners of properties shall receive the corresponding percentage of rebate on the rates of their respective properties:

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Category of Owners	Conditions	%
Registered Indigent	Property value of up to R300 000	100
Pensioners	Property value of up to R300 000 and income of R10 000 or less per month	100
Pensioners	Property value of up to R300 000 and income of more than R10 000 per month	50
Disability state grant Recipient	Property value of up to R300 000 and income of R10 000 or less per month	100

If the property of the above-mentioned owner/ratepayer is more than R300 000, the ratepayer shall pay rates on the amount in excess of the R300 000; thus, reducing the property value for purpose of rate levy by the said R300 000

Short Title:

This Draft Policy shall be titled Draft Property Rates Policy 2022/23

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Addendum

Rate Levy (Randage)

Category	2021/22	2022/23	Increase
1. Residential Properties	0.00840851	0.008913025	6%
2. Industrial Properties	0.01093107	0.011586934	6%
3. Business / Commerce	0.01093107	0.011586934	6%
4. Agricultural Properties	0.00210213	0.002228256	6%
5. Mining Properties	0.01488646	0.015779648	6%
6. Properties owned by an Organ of State and used for public service purpose	0.00924936	0.00213411	6%
7. Public Service Infrastructure Properties	0.00210213	0.002228256	6%
8. Properties owned by public benefit organisations and used for specified public benefit activities	0.00210213	0.012138183	6%
9. Vacant Land Properties	0.00840851	0.008913025	6%