

RATES POLICY 2006/2007 FINANCIAL YEAR

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

Section 3 of the Property Rates 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.

The first valuation is anticipated to be produced in 2008.

The following document is in preparation towards a smooth transition between previous valuation and rating methods and a Rates Policy consistent with the Property Rates Act.

This Policy is read together with Sections 88, 89, 90, 91, 92 and 93 of the Property Rates Act.

DEFINITIONS

Agricultural Land – any land or buildings in respect of which there is currently an Agricultural Certificate issued.

Property – For the purposes of Section 6.4.3, each individual Municipal flat shall be regarded as property.

Special Rating Areas – see Urban Improvement Precinct.

The Municipality – eThekweni Municipality.

Urban Improvement Precincts (UIP) / Special Rating Area – 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 a reduction in the rebate which is added to the rates bill of the property owners within the precinct.

Value of property – the value as it appears in the valuation roll of the Municipality.

1. ANNUAL ADOPTION OF THE POLICY

The Rates Policy, accompanied by the Municipality's budget, shall be reviewed annually by the Municipal Council in accordance with applicable law.

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 the Rates on the property;

2.3 Rates on Sectional Title Schemes and Share Block Companies are payable by the Body Corporate and Share Block Company respectively.

3. AMOUNT DUE FOR RATES

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

4. METHOD AND TIME OF PAYMENT OF RATES

- 4.1 The Municipality may recover a rate on a monthly basis in eleven instalments;
- 4.2 The municipality may recover a rate annually, by agreement, from owners with fifty (50) or more property rates accounts. Such annual amount shall be paid by 31 October of each year.
- 4.3 The payment of rates shall not be affected by reason of an appeal or non-compliance with the rates policy.

5. CATEGORIES OF PROPERTY

The Municipality may levy different rates or apply different rebates for different categories of property.

The categories of property are determined according to the use of the property or permitted use of the property.

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

The Municipality has determined the following categories of property:

- 5.1 Residential
- 5.2 Agricultural
- 5.3 Business and Commercial
- 5.4 Vacant Land
- 5.5 Education
- 5.6 Health
- 5.7 State
- 5.8 Special Rating Areas / Urban Improvement Precincts
- 5.9 Communal Land subject to the Communal Property Associations Act
- 5.10 Municipal
- 5.11 Religious places of worship
- 5.12 Public Benefit Organisations

6. EXEMPTIONS, REBATES AND REDUCTIONS

The Municipality grants Exemptions, Rebates and Reductions based on local conditions and circumstances and as determined by resolution in the annual budget.

6.1 RESIDENTIAL PROPERTY

6.1.1 Having regard to the fact that lower valued properties are mostly owned and occupied by the poorest of the poor, the Municipality may, by resolution, grant exemptions or rebates on rates of such residential property.

6.1.1 Pensioners

6.1.2.1. Qualifications for Deferment of Rates

To qualify for assistance :-

- (a) the Applicant must be over 60 years of age;
- (b) the Applicants' income from all sources whatsoever must not exceed R29 000,00 per annum (including the income of the Applicants' spouse, if applicable);
- (c) the Municipal valuation of the Applicants' property must not exceed R270 000,00;
- (d) the Applicant must reside permanently on the property concerned;
- (e) the Applicant must be the registered owner of the property; and
- (f) the Applicants' rates must not be in arrears.

6.1.2.2. Rate of Interest

The Applicant will be charged simple interest at the rate of 7 (seven) percent per annum, which will be added every year on 30th June, to the amount deferred.

6.1.2.3. Amount which may be Deferred

Only the current years rates may be considered for deferment.

6.1.2.4. Period of Deferment

When the Applicant first applies for deferment he will be required to call at the Municipal Revenue offices to complete an application form concerning his personal and financial circumstances. Should he qualify for and be granted a deferment, he will each year thereafter be sent an application form for completion and return to the Municipal Revenue office and, as long as he continues to qualify, payment of his rates will be deferred in terms of 6.1.2.5 and 6.1.2.6 below.

6.1.2.5. Maximum Amount

The accumulated amount of deferred rates and interest may not exceed 50% of the value of the property concerned i.e. should the Applicants previous deferrals and interest together with the current year's rates exceed an amount equivalent to 50% of the value of his property, he will be permitted to defer a portion of his current rates only, with the balance to be paid by him. Rates previously deferred will, however, continue to enjoy deferment.

6.1.2.6. Circumstances in which Deferment will Lapse

- (a) Upon the death of the owner, except where the property concerned has been inherited by and occupied by the surviving spouse.
- (b) Upon the expropriation, sale or the disposal of the property.
- (c) Upon the Applicant ceasing to reside permanently on the property concerned.
- (d) Failure to pay, by the final date, any rates due: -
 - (i) by virtue of the maximum allowable deferment mentioned in paragraph 6.1.2.5 above being exceeded; and

- (ii) in circumstances where the Applicant decides to pay any year's rates instead of deferring them.

6.1.2.7. Consequences of the Lapsing of Deferment

The total amount deferred, including interest, becomes due and payable to the Municipality.

- 6.1.2.8. Should the Applicant wish to apply for a deferment of rates, he may apply before 30 June in any year.

6.2 BUSINESS AND COMMERCIAL AND VACANT LAND

The Municipality may on resolution of Council, grant rebates in respect of commercial property, industrial property and vacant land.

6.3 LAND REFORM BENEFICIARIES

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.

6.4 MUNICIPAL

- 6.4.1 Property owned by the Municipality and used for Municipal purposes, may be exempt from rates.
- 6.4.2 Property owned by the Municipality and leased, is deemed to be owned by the lessee, who shall be liable for rates.
- 6.4.3 Where the value of Municipal property, leased for residential purposes, falls within the rebate provisions of 6.1.1 above, such property shall benefit from such rebate provisions.
- 6.4.4 The Municipality may exempt any owner of immovable property, disposed of to the Municipality, from liability to pay rates on such property from a date agreed upon between the Municipality and such owner.
- 6.4.5 In the event of the Municipality taking occupation of property for the development of housing, prior to taking transfer, the owners of such property are exempt from the payment of rates for the said property from the date of occupation by the Municipality.

6.5 SPECIAL RATING AREAS / URBAN IMPROVEMENT PRECINCTS

- 6.5.1 The Municipality may, by resolution of Council, establish special rating areas and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area.
- 6.5.2 A special rating area is created on application to the Municipality, in a prescribed form, by 51% of the owners representing 51% of the rates base of the properties subject to the special rating. The approval of the special rating area is binding on all ratepayers in that area.

6.6 PROPERTIES HELD UNDER TITLE RESTRICTING ITS USE

6.6.1 No rate shall be imposed upon -

(a) any land which for the time is vacant or unoccupied and which is held under Title restricting its use to any of the purposes mentioned in paragraph (b);

(b) any land or building used exclusively for -

- (aa) **religious purposes**, which shall include the occupation by a minister of religion of a residence owned by the religious body to which he belongs;
- (bb) the purposes of any **university** established by law or any constituent college thereof, including any boarding establishment or recreation ground or the like provided on the premises for the accommodation, use or enjoyment of students attending such university or college;
- (cc) the purposes of any **college or school** maintained by any company, society or other association of persons, including any boarding establishment or recreation ground or the like provided for the accommodation, use or enjoyment of students or scholars attending such college or school;
- (dd) the purposes of any **public benefit organisation** registered as such with the South African Revenue Services;
- (ee) the purposes of any **hospital** maintained by any company, society or other association of persons;
- (ff) the accommodation on the premises of any institution mentioned in subparagraphs (aa), (bb), (cc), (dd) or (ee) or members of the staff or staffs of such institution whose residence on the premises is reasonably required for the proper and efficient administration and control of such institution;
- (gg) the purposes of a **cemetery or crematorium**;

provided that -

- (i) if the use of any land or building referred to in paragraph (b) or any part of such land or building has as one of its objects the private pecuniary profit of any individual whether as a shareholder in a company or otherwise, such property or such part thereof shall be liable to rates;
- (ii) if any rent (other than a nominal rent) is paid to the owner, lessee or occupier of any such land or building, the same shall be liable to rates;
- (iii) if during the currency of any financial year any such land or building is used for any purpose other than such a purpose as is hereby exempted, the council shall impose rates thereon or on such portion thereof so used, at a rate proportionate to the period of such use, subject to a minimum charge of one rand for each separate occasion of such use;
- (iv) notwithstanding provisos (i), (ii) and (iii) hereof, the council may from year to year authorise the use of any such land or building for any specified purpose or purposes, if it is satisfied that such use would not be an abuse of the purposes in respect of which the property is exempted in terms of paragraph (a) and this paragraph whereupon no liability for rates shall arise by reason of the use of the land or building for such specified purpose or purposes;

- (v) where the land is held under a title restricting its use for any of the purposes mentioned in paragraph (b) (aa), then the exemption shall not extend to any area in excess of one hectare;
- (c) any portion of any land or building owned by a **religious body** or organisation and normally used by it as a place of assembly for public worship or other gatherings or activities in furtherance of the spiritual objects thereof, whether or not such property is at any time during the year also used for any other purpose.
- (d) Owners of property listed above must apply annually;
- (e) Public Benefit Organizations are to submit Annual Financial Statements with their applications. Where the use of any land or buildings or any part of such land or building, owned or used by the Public Benefit Organization, has as one of its objects the private pecuniary profit of any individual whether as a shareholder in a company or otherwise, such property or such part thereof shall be liable to rates.

6.7 AGRICULTURAL PROPERTY

Upon application for an agricultural certificate, a rebate is granted to owners on the following basis:

- a) that portion of the property must be used exclusively for bona fide agricultural purposes;
- b) that portion of the property must exceed two (2) hectares in extent;
- c) the owner must apply annually to the Real Estate department, by no later than 30 June of each year and a certificate must be issued by the valuer.

6.7.1 The owner of agricultural property cannot receive a rebate to the residential component of the property in addition to the agricultural rebate.

6.7.2 With respect to agricultural land rezoned to industrial, commercial or residential land use, as from the date that such rezoning comes into effect, for a period of 24 months, commencing on such date and terminating on the corresponding date 24 months later, a rebate in the difference between the rates payable on vacant industrial, commercial or residential land, as the case may be, and the rates payable on agricultural land, shall apply; provided that

- a) such rebate will not be automatic and will only come into effect upon application being made to the Municipality's Head: Real Estate and he being satisfied that such rezoning has taken place; and
- b) if during such period of 24 months any subdivision of such land is sold or let, this rebate shall cease as from the date on which such subdivision is registered in the name of the new owner or as from the date on which the lease is concluded, as the case may be.

6.8 SPORTING BODIES

6.8.1 Where Municipal property is leased to sporting bodies for the promotion of amateur sport and the use thereof, a nominal rate of R100.00 will be applied in addition to any VAT that may be payable on sewerage and refuse rates.

6.8.2 Sporting bodies, for the promotion of amateur sport, on privately owned land shall be rated as follows:

- 6.8.2.1 Areas licensed for the purposes of liquor shall be fully rated;
- 6.8.2.2 Unlicensed areas shall be rated separately at R100.00 per annum in addition to any VAT on sewerage and refuse rates.

6.9 VACANT LAND EARMARKED FOR LOW COST HOUSING

A rebate of 100% shall be granted in respect of vacant land which is to be used for low cost housing in terms of low cost housing developments, where the Municipality is the developer or the Municipality has created the site in terms of a subsidy policy, and such rebate shall be retrospective to the date of establishment of the township / development.

7. BACKDATING OF INTERIMS

- 7.1 In respect of all adjustments, the property may be rated and valued at current year plus a maximum of three years in retrospect.
- 7.2 Payment of amounts due in respect of Interim Rates Adjustment Notices (RAN) shall be interest free for sixty (60) days for annual ratepayers.
- 7.3 For monthly ratepayers, amounts payable under a RAN shall be spread equally over eleven (11) months.

8. VALUATION OF ADJACENT SUBDIVISIONS SUBJECT TO RESTRAINT AGAINST FREE ALIENATION

- 8.1 Adjacent residential properties that have been notorially tied by deed in restraint of free alienation, shall be treated as one rateable entity.
- 8.2 New policy approvals:
 - 8.2.1 For two (or more) properties to be recognised as a single rateable entity, they must be tied by notarial deed in restraint of free alienation or be a registered consolidation property; provided that for valuation purposes, where a building/s straddles the boundaries of two or more properties, such building/s may be treated as one rateable entity.
 - 8.2.2 The Valuer will only act on establishing the correct classification (use/rate code) when the owner produces proof of consolidation (i.e. registration of a Certificate of Consolidated Title in respect of the properties) OR approval by the relevant Municipal Department in respect of the notarial tying of adjoining properties and the actual registration of the notarial deed in restraint of free alienation.
 - 8.2.3 Where proof of consolidation or notarial tying is received, the property shall be valued as one from date of consolidation or notarial tying.

9. MULTI – USE PROPERTIES

- 9.1 Any immovable property which includes a building or buildings used both for residential and other purposes shall not be classified as residential property if the net

floor area of such building or buildings used for such other purposes exceeds thirty-three and one-third per cent of the total floor area of such building or buildings.

- 9.2 Where one use is exempt, the exempt portion will be treated separately to the remainder.
- 9.3 Where the remainder is also used for multiple purposes, the “dominant use” will apply.

10. PAYMENT OF RATES

Payment and recovery of rates shall be governed by the Municipality’s Credit Control and Debt Collection Policy.

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