

# Municipal Property Rates Act

## OUT FOR PUBLIC COMMENT

After a lengthy process of public consultation on amendments to the Municipal Property Rates Act of 2004, the Department of Cooperative Governance and Traditional Affairs finally released a Bill on 9 June, giving the public two weeks to comment.

All along, the process has elicited a lot of interest and debate from the public, especially stakeholders such as organised and individual ratepayers. Among the issues for public discussion and consultation is the exclusion from the payment of property rates of the poor, of certain categories of public infrastructure, and of churches and other places of worship. Other issues that have

dominated public discussion are the categorisation of property and the regulation of different property categories. Provinces have also been brought into the process through the relevant MECs.

The amendments can be classified into three main areas: namely, the involvement of the provincial sphere; the amendments giving greater clarity to regulations and greater

discretion to municipalities; and the exclusion of certain properties and persons from the payment of property rates, and the valuation process of rates.

## Involvement of the provincial sphere

It has been noted that the current Act excludes the provincial sphere from the process. There are two amendments that set out to rectify this. First, the MEC for local government must be consulted before any sector of the economy can apply to the minister for a review of rates that they deem prejudicial to their sector of the economy. Secondly, the Bill seeks to extend the validity of a valuation roll from four to five years, and allows the MEC to extend it for a further two years. Furthermore, the MEC is enabled to monitor the implementation of the Act, especially to ensure that municipalities adhere to all regulations in regard to the preparation of valuation rolls.

## Greater clarity of provisions and discretion to municipalities

Because the provisions in the current Act are of a general nature, different municipalities have used different criteria in rating properties. The Bill seeks to provide just two grounds for setting rates, namely use and permitted use. There will also be a compulsory categorisation of properties and a clearer definition of types in the different categories. The categories of property are: residential properties, industrial properties, agricultural properties, mining properties, properties used for public service purposes, public service infrastructure, properties owned by public benefit organisations and used for public benefit purposes, and properties used for multiple purposes. The minister may also determine any other category. Importantly, the municipality may also categorise vacant land in respect of a number of listed categories.

There are also some amendments in regard to property rates on residential properties. A uniform rate for residential property rates does not apply to vacant residential property.

The Bill also provides a wider discretion for municipalities to decide the grounds on which municipalities can determine categories of property exempted from paying property rates or eligible for reduced rates or rebates. Municipalities must then, however, present figures on the total revenue forgone through this process.



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## Exclusion from payment of property rates

The Bill excludes certain categories of public service infrastructure from the payment of rates. The Bill also sets time frames for the period within which the different municipalities must start phasing in the exemptions, based on when they started implementing property rates under the Act.

In regard to mining, the Bill excludes mining rights and/or mining permits from property rates. However, infrastructure above the surface in respect of mining property will still be subject to property rates. Furthermore, mining rights and mining permits cannot be used to determine the value of the mining property for purposes of rates.

The Bill also excludes recipients of an older person's grant or disability grant from property rates. However, the market value of the property of such a person should not exceed the amount set by the minister responsible for local government with the agreement of the Minister of Finance.

## Process of valuation of rates

There are a number of proposals in regard to the process of valuing property. Firstly, the requirement that a person whose property has been valued upwards should pay interest is removed. Secondly, municipalities must repay an owner whose property has seen a downward adjustment of its value. The current requirement that each district municipality has to establish a valuation appeal board is abolished.

There are also amendments introducing supplementary valuation where the value of a property was recorded incorrectly through a clerical or typographical error and regarding the date from which the corrected rates take effect after due notification of the ratepayers concerned.

## Conclusion

The amendments seek to provide a more uniform framework within which municipalities can administer and regulate the collection of property rates.

As noted in the explanatory memorandum on the objects of the Bill, the amendments are a culmination of lessons learned in the administration of property rates and are geared towards enhancing efficiency in the collection and use of municipal property rates.