

# CITY OF CAPE TOWN

## RATES POLICY

### 1. BACKGROUND

In 2005, the **City of Cape Town ("the City")** initiated a process to prepare a General Valuation Roll of all property situated within the geographical boundaries of the City in terms of the Local Government : Municipal Property Rates Act 6 of 2004 (MPRA) which became operative on 2 July 2005. This Policy is formulated in terms of Section 3 of the MPRA.

### 2. LEGISLATIVE CONTEXT

- 2.1** In terms of Section 229 of the Constitution, a municipality may impose rates on property.
- 2.2** In terms of Section 4 (1) (c) of the Municipal Systems Act, Act 32 of 2000, a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- 2.3** In terms of Section 2 (1) of the MPRA a metropolitan or local municipality may levy a rate on property in its area in accordance with the other provisions of the MPRA.
- 2.4** This policy must be read together with, and is subject to the provisions of the MPRA and the City of Cape Town Rates By-law.

### 3. GUIDING PRINCIPLES

The City's Rates Policy is based on the following principles:

- equity,
- affordability,
- poverty alleviation,
- social and economic development,
- financial sustainability and
- cost efficiency.

#### 4. DEFINITIONS

In addition to the definitions contained in the MPRA and the City of Cape Town Rates By-law, the following words and phrases bear the meanings assigned to them below: -

**“Chief Financial Officer (CFO)”** means a person designated in terms of section 80 (2) (a) of the Local Government: Municipal Finance Management Act, 56 of 2003;

**“Agricultural use”** means a farm or a smallholding used for the production of goods or products through farming and forestry activities;

**“Gross Monthly "household income”** means all income such as salaries, wages, dividends, pensions, grants, support, rentals, board and lodging, interest received, donations and any other form of financial support, received by every person residing on the property;

**“MPRA Rate Ratio Regulations”** means the Municipal Property Rates Regulations on the Rate Ratio Between Residential and Non-Residential Properties promulgated in terms of the MPRA;

**“Ratepayer”** means a person or entity that is liable, in terms of the MPRA, for the payment of rates on property levied by the **City**;

**“Residential property”** means improved property that is:

- used predominantly (60% or more) for residential purposes, with not more than three dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.), or
- a unit registered in terms of the Sectional Title Act, used predominantly (60% or more) for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes), or
- owned by a share-block company and used predominantly (60% or more) for residential purposes , or
- a retirement scheme or life right scheme used predominantly (60% or more) for residential purposes, or
- a residence used for residential purposes situated on property used for or related to educational purposes.

For the sake of clarity, the following properties are specifically excluded from the definition: hostels, flats, old age homes, guesthouses and any vacant land irrespective of its zoning or intended usage.

“**Valuation roll**” means a valuation roll made in terms of section 30 of the MPRA or a supplementary valuation roll made in terms of section 78 of the MPRA.

“**Vacant land**” means a property without any buildings or structures that could be used for residential or other purposes, as determined by the Director: Valuations.

## **5. PRINCIPLES**

- 5.1 Rates are levied in accordance with the MPRA as a cent in the rand based on the property value contained in the City’s General Valuation Roll of 2006 and Supplementary Valuation Rolls.
- 5.2 As allowed for in the MPRA, the City has chosen to differentiate between various categories of property and owners of property. Some categories of property and categories of owners are granted relief from rates. However, the City does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this Rates Policy.
- 5.3 The rates charged as a cent-in-the-rand for residential properties as per the definitions (above) is the base rate and the rates charged to all other categories of properties are reflected as a ratio to the residential rate.

## **6. APPLICATION OF THE RATES POLICY**

### **6.1 Residential Property**

- 6.1.1 The City will not levy a rate on the first value up to R88 000 of the market value as per the Valuation Roll of residential properties (as defined in paragraph 4 (above)) as follows:-
  - on the first R15 000 on the basis set out in section 17 (1) (h) of the MPRA; and
  - on the balance of the market value up to R73 000 in respect of residential properties; as an important part of the City’s indigent relief measures aimed primarily at alleviating poverty amongst those persons owning low-cost properties.
- 6.1.2 The maximum reduction of up to R88,000 in the market value will be granted to every individually valued residential property.
- 6.1.3 The City may grant a residential rebate on rates levied on the balance of the market value of residential properties, if any, as determined by Council during the City's budget process.

## **6.2 State Owned Property**

State owned property no longer qualifies for any rates rebate by virtue of ownership. However, the exemptions, rebates and reductions relating to the usage of properties as specified in this Property Rates Policy apply to State-owned property.

## **6.3 Public Service Infrastructure**

Public service infrastructure (as defined in the MPRA) may not be rated on the first 30% of its market value in terms of Section 17(1) (a) of the MPRA.

## **6.4 Agricultural Use**

6.4.1 As a result of, and taking into account, limited rate-funded services supplied to such properties in general, the contribution of agriculture to the local economy, the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality, and the contribution of agriculture to the social and economic welfare of farm workers, the City grants a rates rebate (as set out below) in respect of properties subject to agricultural use, which rebate is 80% of the rate levied on Residential Properties, which rate on properties subject to Agricultural use does not exceed the maximum ratio to the rate on residential property prescribed in the MPRA Rate Ratio Regulations.

6.4.2 In terms of the MPRA the definition of Agricultural purpose excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game.

6.4.3 Unless the usage of a property has changed, owners of qualifying agricultural properties must apply for the rebate in the year when a new General Valuation Roll (GV) or Supplementary Valuation Roll (SV) or change of ownership, as the case may be, and which affects the property, is implemented. Applications made when a new GV is implemented must be received by the City by 31 August of the financial year when the GV will be implemented. Applications made when a SV is implemented or the ownership has changed must be received by the City by the last day of the third month following the effective date of the SV or within three months from the date of registration of the changed ownership of the property in the Deeds Office, failing which no such rebate may be granted for that financial year.

6.4.4 Owners of properties where a change of use qualifies the property for an agricultural rebate must apply for the rebate by 31 August of the financial year in which the change of usage occurs, failing which no such rebate may be granted for that financial year.

6.4.5 Approved applications will remain valid till the next GV, SV or changes of ownership affecting those properties are implemented. An owner is required to immediately inform Council should the agricultural activities be

terminated. Paragraph 7.2 of this Policy will apply should an owner fail to do so.

- 6.4.6 The City reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such inspection.
- 6.4.7 No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate rebate as set out in paragraph 6.1.
- 6.4.8 The registered owner or the tenant of the property has to apply for the agricultural rebate and provide the City with information specified by the City in an affidavit by the due dates set out above and declare in an affidavit that no contraventions of the zoning scheme are taking place on the property. Qualifying requirements are that the owner or tenant should be taxed by SARS as a farmer and the most recent tax assessment (currently called IT 34) must be provided as proof, or where the owner or tenant is not taxed as a farmer, proof is required that income from farming activities exceeds 40% of the household income.
- 6.4.9 Owners or tenants of farms and smallholdings with a residential component and limited agricultural activities may apply to be rated at the residential rate and to receive the valuation reduction (i.e. such properties which do not qualify for the agricultural rebate). The owner must apply to the City by the due dates set out above and declare in an affidavit that no contraventions of the zoning scheme are taking place on the property. The owners of these properties, should they meet the relevant criteria, are not precluded from applying for a Senior Citizens and Disabled Persons Rate Rebate, in terms of the City's indigent relief measures.
- 6.4.10 Farms and smallholdings being used 40% or more of the extent for commercial or industrial purposes (such as truck depots, construction yards or factories) do not qualify for the residential rate, any rebates or valuation reductions. Farms and smallholdings used in contravention of the zoning scheme will be reported to the Planning Directorate and will not qualify for any rebate.
- 6.4.11 Farms and smallholdings where less than 40% of the extent is being used for commercial or industrial purposes and where the Municipal Valuer considers it reasonable to apply the category of multiple use properties, the apportionment of value for each distinct use of the property will be calculated by the Municipal Valuer and used for billing at the applicable rate.

## **6.5 Multiple-Use-Properties**

Properties used for multiple purposes which do not fall within the definition of residential properties and, accordingly, do not qualify for the residential rate, may be included into the category of multiple use properties, for which an apportionment of value for each distinct use of the property will be

calculated by the Municipal Valuer and used for billing at the appropriate and applicable rate.

## **6.6 Municipal Properties**

Only municipal properties used by any one of the four trading undertakings i.e. Electricity, Water, Sanitation & Solid Waste, will be rated,

Council rented properties will also be rated, except for the Council Public Rented Stock (primarily State subsidized rental houses). Subject to the terms of any existing agreements with lessees, the City shall impose a liability to pay rates on lessees when amending or renewing existing lease agreements in respect of council-owned properties.

## **6.7 Senior Citizens and Disabled Persons Rate Rebate**

Registered owners of residential properties who are senior citizens and/or disabled persons qualify for special rebates according to gross monthly household income of all persons normally residing on that property. To qualify for the rebate a property owner must be a natural person and the owner of such a property which satisfies the requirements of the definition of residential property and must on 1 July of the financial year:

- occupy the property as his/her normal residence provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement; and
- be at least 60 years of age or in receipt of a disability pension; and
- be in receipt of a Gross monthly household income as defined in paragraph 4 above not exceeding R8 000 as proven by the submission by the minimum of 3 months bank statements from all financial institutions or, if the person does not have a bank account, such proof as the City may require to substantiate the person's level of Gross monthly household income; and
- not be the owner of more than one property.

A usufructuary will be regarded as an owner.

The criteria of a natural person may be waived at the sole discretion of the CFO to allow for a property owned by a trust where the total number of beneficiaries meets all of the other requirements of paragraph 6.7 of this policy; provided that the gross monthly income of all persons residing on that property be added to the gross monthly income of the beneficiaries residing on that property, which income may, collectively, not exceed R8 000.

The owner must submit the application by 31 August for this rebate to be granted for the financial year in which the application is submitted, failing which the rebate will not be granted.

Any owner who, during a financial year, for the first time, meets all the other criteria above may apply to receive the rebate from the date of receipt by the City of the application for the remainder of that financial year, whereafter all the criteria of 1 July will apply to applications for subsequent financial years.

In exceptional circumstances the CFO may approve the granting of this rebate even though the applicant owns additional properties for which a market related rental is included in the Gross monthly household income.

The percentage rebate granted to different gross monthly household income levels will be determined according to the schedule below.

**The proposed gross monthly household incomes and rebates for the 2009/2010 financial year are as follows:**

<b>Gross Monthly Household Income</b>				<b>% Rebate</b>
<b>2008/2009</b>		<b>2009/2010</b>		
0	2880	0	3000	100%
2881	4200	3001	4200	90%
4201	4600	4201	4600	80%
4601	5000	4601	5200	70%
5001	5400	5201	5800	55%
5401	5800	5801	6400	45%
5801	6200	6401	7000	35%
6201	6600	7001	7500	20%
6601	7000	7501	8000	10%

**6.8 Nature Reserves, Special Nature Reserves and National Parks**

6.8.1 Private property contracted into the Table Mountain National Park, in terms of the National Environmental Management: Protected Areas Act 57 of 2003 ("Protected Areas Act"), will be granted a 100% rebate of rates for the year in which an agreement is concluded between the owner of the property and SANParks and for each year that the owner forgoes beneficial occupation/use of the land.

6.8.2 Section 17(1) (e) of the MPRA precludes Council from levying rates on those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental: Management: Biodiversity Act 10 of 2004, which are not developed or used for commercial, business, farming or residential purposes. The apportioned value of any portion of such properties utilized for any purpose other than that used for such conservation purposes will be rated accordingly.

6.8.3 Private property exhibiting sensitive ecological areas/features, identified by the City's Environmental Management Resources Department as such may be granted a 100% rates rebate for that portion of land exhibiting these sensitive features provided that the land is either leased to the City for nature conservation purposes or there is a written agreement, approved by the City, for the conservation management of the relevant portion of land.

- 6.8.4 Should privately owned property receiving the Conservation Land rebate be utilized in a manner that is detrimental to conservation purposes, all rebates granted in terms of 6.8.1, 6.8.2 and 6.8.3 (above) during the current and previous GVs will become repayable in terms of the process and method outlined in section 17(2)(a), 17(2)(b) and 17(2)(c) of the MPRA.

## **6.9 Religious Organizations**

In terms of section 17(1) (i) of the MPRA, the City may not levy a rate on property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community who officiates at services at that place of worship.

Property used primarily as an office of a Religious Community or property used as parking facilities, camping sites not operated for gain and cemeteries for that Religious Community will receive a 100% rebate for rates.

In exceptional circumstances the CFO may accept that a property registered in a name other than that of the religious organisation be regarded as the property of a religious community if it can be proven that the registration is merely to facilitate transfer of the property into the name of the religious community.

With the implementation of any GV or at the request of the CFO, religious organisations will be required to provide proof to the Municipal Valuer that their properties are still being used for religious purposes.

## **6.10 Non-Profit Organizations / Public Benefit Organizations**

The City may grant a 100% rates rebate for the categories of non-profit organisations or public benefit organisations listed below. These categories of properties and/or owners of properties are deemed to contribute services or benefits to the community. A rebate is granted after an application made by an owner of property, or made by a user of a property on behalf of the owner of that property, who qualifies on an annual basis has been considered. Owners or such users who fail to apply for the rebate by 31 August will not be entitled to the rebate for that financial year.

In order to be considered, the organisations listed below must either be registered as NPO's under the Non-Profit Organisations Act, 71 of 1997, or be public benefit organizations that qualify for tax exemption as contemplated by Part 1 of the Ninth Schedule of the Income Tax Act, 58 of 1962

These rebates are intended to assist organisations that would be liable for the payment of the rates and that have limited resources and not for those who have the ability to pay as determined from their audited financial statements by the CFO or his/her nominee.

Home-less Peoples Shelters must first apply to Council's Homeless Agency Committee (HOMAC) for accreditation as they may also qualify for special tariffs on other municipal services. This also includes organisations accredited by HOMAC, who care for homeless children as stipulated in the Children's Act No. 38 of 2005.

In exceptional circumstances the CFO may accept that a property registered in a name other than that of the organisation be regarded as the property of the organisation if it can be proven that the registration is merely to facilitate transfer of the property into the name of the organisation.

The following rebates are not applicable to any vacant land irrespective of its zoning or intended usage unless stated otherwise in this policy.

#### **6.10.1 *Health and welfare institutions***

Privately owned properties used exclusively as a home catering for persons with disability, a hospital, clinic, mental institution, frail care centre, orphanage, non-profit retirement scheme, social rental housing by an accredited Social Housing Institution in terms of the Social Housing Act 16 of 2008, old age home or any benevolent institution, including workshops used by the inmates and including, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or for charitable purposes.

#### **6.10.2 *Educational institutions***

Property owned and/or used by non-profit organisations (declared or registered by law) for educational purposes, including a residence registered in the name of the educational institution and used by full-time employees of the educational institution. This includes any playgrounds, parking areas, sports grounds or sport fields owned and/or used by such institution.

#### **6.10.3 *Historical Monuments***

Those properties that meet the definition of residential property will be dealt with in terms of paragraph 6.1.

Properties that do not meet the definition of residential property, that are registered in the name of private persons or organisations, that are open to the public and are not operated for gain, may qualify for the rebate.

#### **6.10.4 *Charitable institutions***

Properties owned and/or used by non-profit organisations or public benefit organisations used solely for the performance of charitable work.

#### **6.10.5 *Sporting bodies***

Properties owned by or leased from the City by an organisation for the purpose of amateur sport and used predominantly for the purpose of amateur sport and any social activities which are connected with such sport. A user of such property may apply for the rebate.

#### **6.10.6 *Cemeteries and crematoria***

Properties registered in the names of private persons or organisations and not operated for gain.

#### **6.10.7 *Cultural institutions***

Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.

#### **6.10.8 *Museums, libraries, art galleries and botanical gardens***

Properties registered in the name of private persons or organisations, open to the public and not operated for gain.

#### **6.10.9 *War veterans***

Properties registered in the name of a trustee or trustees of organisations (as defined in the Social Aid Act 66 of 1989) or similar organisations maintained for the welfare of war veterans and their families.

#### **6.10.10 *Youth development organisations***

Properties owned or leased from the City by organisations such as the Scouts, Girls Guides, Voortrekkers or organisations the Council deems to be similar.

#### **6.10.11 *Animal protection***

Properties owned or leased from the City and used by institutions or organisations whose exclusive aim is to protect birds, reptiles and other animals on a not-for-gain basis.

#### **6.10.12 *Police Forums***

Properties used exclusively by police forums excluding any Government properties.

## 6.11 **Exemption**

The City will not levy a rate on any private road or any other property where the market value of the property is equal to or less than R50 000.00 or such other amount as determined by Council from time to time. This clause will not apply when other services or an additional rate in respect of property situated in a Special Rating Area are billed to that property nor will it apply to any property in a Sectional Title Scheme.

## 7. **GENERAL**

7.1 Except for applications in respect of Agricultural Properties which are made as per paragraph 6.4 all applications for exemptions, rebates or reductions in terms of this Policy must be submitted to the City by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted, the rebate will apply for the full financial year unless the reason for granting the rebate ceased to apply during the year.

7.2 Persons who have submitted false information and/or false affidavits and/or failed to notify the CFO or his/her nominee of any amended use of properties owned or used by them will have the exemptions, rebates or reductions withdrawn with effect from the date of the incident in question and interest raised as provided for in the City's Credit Control and Debt Collection By-Law. The City may also take further appropriate action against them.

7.3 All applications for exemptions, rebates or reductions will require the applicant's municipal accounts to have been paid up to date or the conclusion of a suitable arrangement with the City as provided for in the City's Credit Control and Debt Collection By-Law and Policy, which may include water and electricity saving measures. Should there be a default on the arrangements, all the rebates, **exemptions or reductions** granted will be reversed **with effect from the date on which the** relevant application(s) was **granted**.

7.4 ***Any late applications or deviations from the ownership, registration or usage requirements of this Policy must be motivated to the CFO or his/her nominee and will be dealt with in the sole discretion of the CFO or his/her nominee, taking account of any factors which he/she deems to be relevant, including, but not limited to considerations of fairness and equity.***

## 8. **REGULAR REVIEW PROCESSES**

The City's Rates Policy will be reviewed on an annual basis to ensure that it complies with the City's strategic objectives and with legislation.

## 9. **LIABILITY FOR AND PAYMENT OF RATES**

Liability for and payment of rates is further governed by the MPRA and the City's Credit Control and Debt Collection By-Law and Policy.

**10. IDENTIFICATION AND QUANTIFICATION OF COSTS AND BENEFITS**

The cost to the City and benefit to the local community of exemptions, rebates and reductions and exclusions referred to in sections 17(1)(a),(e),(g)(h) and (i) of the MPRA and rates on properties that must be phased in in terms of section 21 of the MPRA are reflected in the City's budget.

**11. DUE DATES**

The due date for payment of rates in terms of section 26 (2) (a) and (b) and 78 (4), of the MPRA, shall mean the date reflected on a municipal invoice as the final date on which payment is due and payable.

**12. CLEARANCE CERTIFICATES**

All monies collected by the City including in respect of Special Rating Areas (including City Improvement Districts) and any estimated amounts for the duration of the validation period of a certificate in terms of section 118(1A) of the Systems Act or section 89 of the Insolvency Act 24 of 1936, are for the purpose of section 118, deemed to be due and must be paid in order to facilitate the transfer of immovable property:

- (i) All amounts that are due must be paid in full prior to the issuing of any clearance certificate in terms of section 118, of the Systems Act;
- (ii) No interest shall be paid by the City to the registered seller in respect of these payments which are deemed to be due; and
- (iii) All payments will be allocated to the registered seller's municipal accounts and all refunds will be made to such seller.

**13. EFFECTS OF OBJECTIONS AND APPEALS ON LIABILITY FOR PAYMENT**

In terms of the MPRA:

- (i) the lodging of an objection or an appeal in terms of sections 50 and 54 of the MPRA respectively does not defer liability for the payment of rates beyond the dates determined for payment in terms of this policy.
- (ii) the review of the Municipal Valuer's decision in terms of Section 52 of the MPRA does not defer liability for the payment of rates beyond the dates determined for payment in terms of this policy.

**14. INDIGENCY**

In terms of subsection 3(3)(f) and section 15 of the MPRA all indigents, for rating purposes, will qualify for the benefits as set out in item 6.1 of this policy and chapter 4 of the Credit Control and Debt Collection By-law and Policy and may also qualify for the 100% rebate in terms of section 6.7 of this policy.

**15. INTEREST**

Interest shall be raised on overdue accounts as determined in the Credit Control and Debt Collection By-law and Policy.

**16. ADJUSTMENT OF RATES PRIOR TO SUPPLEMENTARY VALUATION ROLL**

16.1 In circumstances where a valuation has been carried out by the Municipal Valuer in pursuance of a supplementary valuation in terms of sections 78(1)(d) or 78(1)(f) of the MPRA as a result, for example, of a demolition having taken place on a property or a fire having destroyed buildings on a property, but the City has not yet included such valuation of the relevant property in a supplementary valuation roll, such valuation shall be submitted to the CFO for approval to levy rates on the property in accordance with such valuation, with effect from the date of the occurrence of the event which caused a supplementary valuation to be required;

16.2 If the owner of a property which has been subdivided or consolidated after the last general valuation wishes to sell the consolidated erf, or one or more of the erven which have been subdivided off the parent erf, as the case may be, applies to the City for a clearance certificate in terms of section 118 of the Local Government: Municipal Systems Act 32 of 2000 and if the City has not yet included such valuation of the relevant property(ies) in a supplementary valuation roll:-

16.2.1 the Municipal Valuer shall conduct a valuation of the relevant property(ies) for purposes of a supplementary valuation; and

16.2.2 the valuation shall be submitted to the CFO for approval of the levying of rates on such property(ies) in accordance with such valuation, with effect from the date on which the relevant subdivision or consolidation (as the case may be) was registered in the Deeds Office,

16.3 Any valuations performed in terms of this paragraph 16 shall be included in the next supplementary roll prepared by the City without any amendments to the valuation and any objections to such valuation may only be lodged once such supplementary valuation roll is made public in terms of section 49 of the MPRA.