

CITY OF CAPE TOWN

DRAFT 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;

“**Director: Valuations**” means the Municipal Valuer designated in terms of section 33 (1) 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 Valuation Roll of 2006.
- 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 R88 000 of the market value 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;
 - on the further 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 R88 000 rebate will be granted to every individually valued property.
- 6.1.3 The City may grant a further 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

- 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 90% rates rebate (as set out below).
- 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 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 last tax assessment 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 Director: Valuations 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 Director: Valuations 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 Director: Valuations 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). Older rental agreements not reflecting the liability for rates will remain non-ratable with the proviso that as soon as there is an amendment to the lease or a renewal, the liability for the payment of rates be included.

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; 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 (including that of all persons normally residing on that property) not exceeding R8 000 ; and
- not be the owner of more than one property; and
- 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
- provided that a usufructuary will be regarded as the owner; and
- provided that 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; and provided further that the gross monthly income of all persons residing on that property be added to the gross monthly income of the beneficiaries staying on that property.
- 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.

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 2008/2009 financial year are as follows:

Gross Monthly Household Income				% Rebate
2007/2008		2008/2009		
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 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 Director: Valuations 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. The reductions are granted after applications made by owners on an annual basis have been considered. Owners 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.

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, 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 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 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.

Such properties that do not meet the definition of residential property, that are registered in the name of private persons, that are open to the public and are not operated for gain, may apply 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 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. A user of such property may apply for the rebate.

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.

6.11 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 R10 000.00 or such other amount as determined by Council from time to time. This clause will

not apply when other services are billed to that property nor will it apply to Sectional Title properties.

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 saving measures.

7.4 *Any late applications or deviations from the ownership 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 final date on which payment, as shown on the municipal invoice, is due and payable.

12. CLEARANCE CERTIFICATES

All monies collected by the City including Special Rating Areas and City Improvement Districts and any estimated amounts for the duration of the validation period of a certificate in terms of section 118 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 in respect of these payments; and
- (iii) All payments will be allocated to the registered seller's municipal accounts and all refunds will be made to such seller.

13. OBJECTION AND APPEALS

The lodging of an objection or an appeal-

- (i) in terms of section 50 of the MPRA does not defer liability for the payment of rates beyond the dates determined for payment in terms of this policy.
- (ii) in terms of section 54 of the MPRA does not defer liability for the payment of rates beyond the dates determined for payment in terms of this policy.