

MUNICIPAL PROPERTY RATES ACT

Basic information for Ratepayers

What is the Municipal Property Rates Act?

The Municipal Property Rates Act is a national law that regulate the power of a municipality to value and rate immovable properties (that is, land and buildings) located within the boundaries of municipalities. Municipalities derive their power to levy rates from section 229(1) of the Constitution of the Republic of South Africa.

How is the market value of the property determined?

- The market value of the immovable property is the amount the property would have realised if sold in the open market by a willing seller to a willing buyer.
- To protect immovable property owners, the law requires municipalities to employ the services of professional valuers who are registered as valuers in terms of the Property Valuers Profession Act, 2000 (Act No.47 of 2000).
- These valuers know how to value immovable properties which have not yet been sold in terms of the principle of “willing seller to a willing buyer”, and they are well trained to ensure that all properties are valued fairly and objectively.

How to lodge objections regarding the determined market value of the property

- After a municipality has completed its valuation of immovable properties within its jurisdiction and produced a property valuation roll, the municipality invites members of the public to inspect the property valuation roll within a stipulated timeframe, and to raise objections within a stipulated timeframe.
- The municipality also forward each immovable property owner with an extract of the property valuation roll pertaining to that owner’s property.
- Should the immovable property owner be not satisfied with the market value of his/her property reflected in the property valuation roll, such immovable property owner should approach his/her municipality to lodge objections citing reasons behind such objections.
- The law requires that the objector continue paying rates while his/her objections are being processed and finalised. On finalisation of the consideration of objections, if there is evidence that the market value reflected on the property valuation roll is wrong, the law requires the municipality to correct the situation, and where such correction results in rates refunds to the ratepayer, the municipality is obliged to refund the ratepayer. In a case where the ratepayer’s property was undervalued, the ratepayer is obliged to pay the additional rates to the municipality.

What are municipal property rates?

- Municipal property rates are the financial liabilities that each immovable property owner pays to the municipality where his/her immovable property (land and buildings) is located.
- The financial liabilities for property rates are calculated by multiplying the market value of immovable property (land plus buildings) by a Cent amount in the Rand that a municipal council has determined. For example:
 - If the market value of immovable property (land and buildings) is R 50 000, and
 - The Cent amount in the Rand is R0.015 (which is 1.5 Cent), then
 - Amount due for property rates = $R50\,000 \times 0.015 = R750$ for the whole year, which means that every month the property owner will pay R62.5 (this is calculated by dividing R750 by 12 as the year has 12 months) to the municipality.

If the immovable property in question is used as a residential property (home) or if it is used for multiple purposes, provided one or more of its components are used for residential purposes

- The Cent amount in the Rand will be applied after deducting the first R15 000 of the market value of such residential property (this is a requirement of law through the Municipal Property Rates Act), which means that the R0.015 will be applied to R35 000 rather than R50 000 (that is, R50 000 less R15 000).
- The rates payable by the homeowner will then be = $R35\,000 \times 0.015 = R525$ for the whole year, which means that every month the property owner will pay R43.75 to the municipality.

What must ratepayers do to effectively participate in the implementation of the Municipal Property Rates Act?

- Chapter 4 of the Municipal Systems Act requires a culture of community participation in the affairs of the municipality to be developed.
- Ratepayers have got a responsibility to engage with their municipalities when municipalities invite public comments/submissions/inputs on their proposed rates policies and budgets. The rates policies deal with issues such as the Cent amount in the Rand that the municipal council propose imposing, relief measures to ratepayers such as granting of exemptions, rebates, and reductions in respect of owners of categories of properties, for example, to
 - Indigent owners;
 - Owners dependent on pensions or social grants for their livelihood;
 - Owners temporarily without income;
 - Owners of property situated within an area affected by –
 - a disaster within the meaning of the Disaster Management Act (2002); or
 - any other serious adverse social or economic conditions;
- Ratepayers should comply with municipal requests within the stipulated timeframes that municipalities will publicly announce regarding inspections of property valuation rolls and if necessary lodging objections in respect of market values of specific individual properties.

- Raising concerns after municipal councils have already approved municipal rates policies and budgets or after expiry of the objections period will not achieve meaningful results. Communities need to proactively and constructively engage with their municipalities on valuation and rating issues.

What is municipal property rates revenue used for?

- Municipalities need a reliable source of revenue to provide basic services and perform their functions. Property rates are the most important source of general revenue for municipalities, especially in developed areas.
- Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include
 - Installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities; and
 - Building and operating clinics, parks, recreational facilities and cemeteries.
 - Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

Municipal property rates are **set by municipal councils, collected, and used locally**. National and provincial governments do not have the power to levy rates, nor do they share in the revenue collected. Revenue from property rates is spent within a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development Plans (IDPs) and budget processes, which municipalities invite communities to input prior municipal council adoption of the budget.

Where can you get more information on the Municipal Property Rates Act?

- The Municipal Property Act is available on www.dplg.gov.za and Government Printers.
- For more information on how individual municipalities intend implementing the Municipal Property Rates Act, ratepayers must liaise with the respective municipalities where their properties are located. For contact details of your municipality, please go to www.dplg.gov.za and once in the website go to “Government Sphere”, then to “Link to Municipal Information”.
- Given that the MEC responsible for local government in a province, has a general monitoring function as to whether municipalities within the province comply with the Municipal Property Rates Act, if communities are not getting responses to issues of concern on valuation and rating issues from their municipalities, such communities are at liberty to make contact with their respective Provincial Local Government Departments. For contact details of your Provincial Local Government Department, please

go to www.dplg.gov.za and once in the website go to “Government Sphere”, then to “Link to Provincial Government Information”.