

PROPERTY RATES IMPLEMENTATION 2022-2023

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Date: 15 August 2022

APPLICABLE LEGISLATION

The **Local Government: Municipal Property Rates Act, No.6 of 2004 (MPRA)** regulates the power of a municipality to impose rates on property.

- The MPRA was amended with effect 1 July 2015.

SECTION 8(2): CATEGORISATION

The Amended MPRA prescribes 9 categories of property apart from Vacant Land:

Section 8, MPRA	Category Of Property	Comments
8(2)(a)	Residential Properties	Properties where the primary and permitted use is residential.
8(2)(b)	Industrial Properties	Properties with industrial use. Must be defined in the property rates policy.
8(2)(c)	Business and Commercial Properties	Properties with business or commercial use. Must be defined in the property rates policy.
8(2)(d)	Agricultural Properties	Property used primarily for agricultural use excluding any portion used for the hospitality of guests, for ecotourism or for the hunting and trading of game.
8(2)(e)	Mining Properties	Property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 28 of 2002.
8(2)(f)	Public Service Purpose (PSP) Properties	Properties owned and used by the State as defined in the MPRA.
8(2)(g)	Public Service Infrastructure (PSI)	Publicly controlled infrastructure as defined in the MPRA.
8(2)(h)	Public Benefit Organisations (PBO)	Property owned and used for specific public benefit activities (welfare and humanitarian, health care, education and development) and registered in terms of the 9 th Schedule of the Income Tax, 1962.
8(2)(i)	Properties used for Multi-Purposes	Properties with more than a single use.
8(3)	Vacant Land	All vacant land within the municipal jurisdiction.

SECTION 8(2): CATEGORISATION *continued*

- Prior 1 July 2015 the MPRA allowed municipalities to have more than the current 9 prescribed categories that included a category such as **privately owned towns serviced by the owner**. Such category is no longer prescribed.
- Section 93B of the Amended MPRA granted municipalities seven (7) years to transfer from former allowed categories to the nine(9) categories of property within in the prescribed schedule.
- The KLM exhausted the full seven (7) years and started implementation in July 2022.
 - ❖ **KLM determines categories based on the use of the property irrespective of the zoning.**
 - ❖ The category changes had to be effected via a supplementary valuation roll.
 - ❖ Notices pertaining to the category changes were issued to all affected owners via ordinary mail as prescribed in Section 78(5)(a) during the month of June 2022 and implemented in July 2022.
 - ❖ During this process, owners are afforded an opportunity to request a review of any detail as per the entry in the roll within 30 days of the date of the notice.

SECTION 19: DIFFERENTIAL RATING

- The MPRA provides for differential rating meaning **different categories of property are rated differently.**
- Differential tariffs must be determined annually by a municipality through the budget process.

Impermissible Differentiation

- A municipality may not apply differential tariffs within a category of property.
 - ❖ Properties situated in private townships are categorized based on the use e.g. properties used for residential purposes = residential properties category.
 - ❖ KLM is not allowed to apply a different rate to residential properties situated in a private township categorized as residential in the valuation roll.

SECTION 19: DIFFERENTIAL RATING

KLM's Approved Ratio's through the budget process for implementation in the 2022-2023 financial year in comparison to similar size municipalities.

1.1.	Category	KLM	BITOU	MOSSELBAY	KNYSNA
1.1.1	Residential	1:1	1:1	1:1	1:1
(i)	Vacant Land	1:1.5	1:1.3	1:1.3	1:1.25
(ii)	Private Open Place/Space	1:1	1:1	0	1:1
1.1.2	Business and Commercial Properties	1:1.25	1:1.67	1:2	1:2
(i)	Business: Vacant Land	1:1.5	1:2	1:2.24	1:2
1.1.3	Industrial Property	1:1.25	1:1.67	1:2	1:2
(i)	Industrial: Vacant Land	1:1.5	1:2	1:2.24	1:2
1.1.4	Properties Owned By Organ Of State And Used For Public Service Purposes	1:1.67	1:1.67	1:0.25	1:2
1.1.5	Agricultural	1:0.25	1:0.25	1:0.25	1:0.25
1.1.6	Other				
(i)	Public Benefit Organisation	1:0.25	1:0.25	1:0.25	1:1
(ii)	Public Service Infrastructure	1:0.25	1:0.25	1:0.25	1:1
(iii)	Mining Properties	1:1.67	N/A	1:2	N/A

PRIVATE TOWNSHIP: REBATES & RECOMMENDATIONS

REBATES

- KLM did not approve rebates for properties situated in private townships for the 2022-2023 financial year. This was communicated through the tariff list during the budget process, same approach as previous years when these rebates were approved.
- Valid Service Level Agreements previously concluded will be implemented. Majority of the Service Level Agreements have expired.

RECOMMENDATIONS

- Individual meetings with representatives of Private Townships to:
 - ❖ Assess the current Service Level Agreement on merit;
 - ❖ Identify mutual benefits and
 - ❖ Identify any recommended rebates for consideration

THANK YOU.