

COJ : MAYORAL COMMITTEE 2019-03-06

## FINANCE

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### 92 DRAFT DETERMINATION OF PROPERTY RATES TARRIFS FOR TABLING 2019/20

#### 1 STRATEGIC THRUST

Well Governed and Managed City.

#### 2 OBJECTIVE

- To obtain approval for tabling of the Draft Property Rates to be levied.
- To obtain approval for the granting of rebates in respect of the 2019/2020 financial year.

#### 3 SUMMARY

Property Rates are levied in terms of the Local Government: Municipal Property Rates Act, 6 of 2004 (the Act) as amended read with the Council's Rates Policy.

The adoption of the various Rates for the 2019/2020 financial year is based on the provisions of the Act and the Property Rates Policy. A separate Rate in the Rand is being proposed for each category of property as listed in the Rates Policy and mentioned in the body of the report.

##### (1) Financial Overview

Rates revenue is one of the major funding sources for the City of Johannesburg. The services funded from the rates revenue include, inter alia, health, safety and security, roads and public parks as well as many other community related services. The factors influencing the cost structure of providing such services, is the inflationary pressure and cost of supplies required to maintain these services and assets.

In keeping with the requirements of the City's tariff policy, Council tariffs should continue to be affordable, competitive and promote economic development.

This rationale has guided the Council in the formulation of the budget and the rates tariff proposals for the ensuing financial year. There were numerous factors that were taken into account in recommending the tariffs for the 2018/2019 financial year, including:

- The market values of properties in the General Valuation Roll 2018.
- The ratio's as previously determined by Council.
- Budgetary requirements.
- Compliance with the tariff policy.

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## (2) Sectional Title

Provision is made in the tariff calculation for residential rating to be applied to Sectional title units where the zoning is not residential but the apparent usage is residential. An application should be submitted by the property owner confirming usage and the adjustment is not retrospective. It is proposed that the additional 5% residential rebate be phased out, and a new densification rebate be introduced for the properties that meet the requirement as stated in the Rates Policy at 5%.

## (3) Agricultural Residential

It is proposed that the ratio for agricultural residential be adjusted in compliance to the requirements of section 19 (1) (a) of the MPRA. The ratio is to be adjusted from 1:0.9 to 1: 1, the same as for normal residential. A new agricultural residential rebate of 10% is to be introduced instead.

## (4) Additional new property categories

Two new categories have been added on the 2018 General Valuation. The categories are RE of a township and Public open spaces. The definitions of the two categories are provided in the Rates Policy. The category Public open space will be rated at a ratio of 1:025 while the RE of a township will be rated at the ratio of 1:2.6.

## (5) The Property Market Valuation Base

Changes in the property base used to determine the rate in the Rand in comparison can be summarised as follows:

CAT_Desc	Nr_Properties	LIS_Value
	333	
Agricultural Business	1,168	25,255,996,436
Agricultural Other	91	337,870,000
Agricultural Residential	6,003	23,098,569,660
Business & Commercial	25,248	298,357,638,928
Consent Use	17	31,968,000
Education	1,492	23,513,279,000
Farming	65	199,350,000
Mining	67	293,190,000
Multiple Purpose Business	383	4,441,929,000
Multiple Purpose Residential	1,477	10,350,966,000
Municipal	2,088	10,553,604,680
Private Open Space	570	1,817,288,700
Public Benefit Organisations	1	27,523,000
Public Open Space	2,436	7,958,996,000
Public Service Infrastructure	12,177	11,858,760,000
Public Service	129	197,571,000

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CAT_Desc	Nr_Properties	LIS_Value
Infrastructure Private		
R.E. of Township	780	12,829,179,800
Religious	2,382	7,631,354,000
Residential	563,988	648,227,369,869
Sectional Title Business	21,940	37,055,935,280
Sectional Title Other	7,757	515,206,000
Sectional Title Residential	212,365	203,431,600,850
State	966	20,278,247,000
Vacant Land	26,239	41,617,063,952
	890,162	1,389,880,457,155

The 2018 General Valuation Roll extracted on 22 February 2019 consists of a total of 890 162 properties. Tariff modelling was based on 889 829 properties. Included in figure of 890 162 are properties that are owned by the City of Joburg that don't provide revenue for the City in their current status. Various options to cater for the differential rating tariffs were considered such as;

- properties that are nulls were not included
- calculation including different ratios between categories of property

## (6) Prevailing Rate in the Rand

The prevailing Rate in the Rand was set by the Council at its meeting held on 23, 24 and 29 May 2018. This rate was based on differential rating and it was estimated to yield net amount of R10.67 billion after rebates.

## (7) Revenue Projection 2019/2020

On a base rate of increase 5.5%, the residential rate in the Rand will from R0.007345 to R0.007749 for 2019/2020 financial. The business rate will increase by 5.5% from R0.019097 to R0.020147. This increase is based on retaining the business ratio at 1:2.6. Total rates revenue, after rebates and valuation adjustments, is estimated at R12.29 billion after revenue foregone.

## (8) Proposals

It is proposed that the income levels for pensioners be increased from the lower amount of R9 245 to R9 753 and the higher amount from R15845 to R16 716. This renders an average increase of about 5.5%.

It is proposed that the threshold of property values for qualifying pensioners be retained at R2.5 million.

## (9) Differential Rating

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The concept of differential rating means that the rate in the Rand is not constant across all categories of property. This is authorised in terms of Section 8 of the Municipal Property Rates Act. The residential tariff is used as the base rate and the other tariffs determined in relation to the residential tariff, calculated on the proposed ratios between categories.

In order to realise the income required to finance the envisaged operational activities of the Council for the ensuing financial year, the proposed differentials for categories and application of the ratios and tariffs, are as indicated in the table below.

No	Category	Ratio 2018/2019	Rates for 2018/2019	Ratio 2019/2020	Rates tariffs for 2019/2020	% Increase
1	Agricultural residential	1:1	0.007345	1:1	0.007749	5.5%
2	Agricultural business	1:2.6	0.019097	1:2.6	0.020147	5.5%
3	Agricultural other	1:1	0.007345	1:1	0.007749	5.5%
4	Residential	1:1	0.007345	1:1	0.007749	5.5%
5	Consent use	1:2	0.014691	1:2		5.5%
6	Business and commercial	1:2.6	0.019097	1:2.6	0.020147	5.5%
7	Sectional Title Business	1:2.6	0.019097	1:2.6	0.020147	5.5%
8	Sectional Title residential	1:1	0.007345	1:1	0.007749	5.5%
9	Sectional Title other	1:1	0.007345	1:1	0.007749	5.5%
10	Municipal property	0	0	0	0	0%
11	Farming	1:0.25	0.001836	1:0.25	0.001937	5.5%
12	Mining land	1:2.6	0.019097	1:2.6	0.020147	5.5%
13	Vacant Land	1:4	0.029380	1:4	0.030996	5.5%
14	PSI	1:0.25	0.001836	1:0.25	0.001937	5.5%
15	PSI privately owned	1:0.25	0.001836	1:0.25	0.001937	5.5%
16	Private open space	1:0.25	0.001836	1:0.25	0.001937	5.5%
17	Public open space	0	0.001836	1:0.25	0.001937	5.5%
18	State	1:1.5	0.011017	1:1.5	0.011623	5.5%
19	Public benefit organisation	1:0.25	0.001836	1:0.25	0.001937	5.5%
20	Education	1:0.25	0.001836	1:0.25	0.001937	5.5%
21	Religious	0	0	0	0	0%
22	Multipurpose residential	1:1	0.007345	1:1	0.007749	5.5%

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No	Category	Ratio 2018/2019	Rates for 2018/2019	Ratio 2019/2020	Rates tariffs for 2019/2020	% Increase
23	Multipurpose business	1:2.6	0.019097	1:2.6	0.020147	5.5%
24	R E of a township	0	0.019097	1:2.6	0.020147	5.5%
	Penalty Tariff					
25	Unauthorised use	1:6	0.04407	1:6	0.046494	5.5%

The ratio for unauthorised use (penalty tariff) will be determined by Council on a yearly basis. It is proposed that the unauthorised be retained at the ratio of 1:6.

Rebates on Rates tariffs for 2019/2020

Residential Value Exclusion	First R350 000 of value of all residential property to be excluded from rating
Other rebates :	
Pensioner owners whose gross monthly household income is lower than R9 753 Property value not more than R2.5 million	100%
Pensioner owners whose gross monthly income is higher than R9 753 but lower than R16 716 in a property value not more than R2.5 million	50%
Pensioners owners who are seventy and above irrespective of income in a property valued not more than R2.5 million	100%
High density rebate	5%
Expanded social Package pensioners who live in a property not more than R2.5 million	100%
People who are on Expanded social package who are not pensioners who's property value does not exceed R500 000	100%
Heritage Sites	20%
Organizations with purpose of Animal Protection	100%
Property Owned by Organizations in terms of the Housing Development Schemes For Retired Persons Act	50%
Vacant Land subject to conditions	50%
Private Sports Clubs	40%
Child headed family with a property value not exceeding R2.5 million	100%
Residential Value Exclusion	First R350 000 of value of all residential property to be excluded from rating
People who are on a government grants because of disability whose gross monthly household income which is lower than R9 753. Property value not more than R2.5 million	100%
People who are on pension because of disability whose gross monthly income is higher than R9 245 but lower than R16 716 in a property value not more than R2.5 million	50%

The property rebate principle criteria are:

Pensioners:

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|-----------------------|--|----------------------|
| (a)                   | Minimum age:   | 60 years             |
| (b)                   | Maximum property value:<br>(Market Value per the 2018 Valuation Roll)                                | R2.5 million         |
| (c)                   | Gross monthly income for 100% rebate<br>maximum  | R9 753               |
| (d)                   | Gross Monthly income for 50% rebate is   | R9 753 to<br>R16 716 |
| (e)                   | Pensioners over the age of seventy (70) are exempt<br>provided their property value is not more than | R2.5 million         |
| Child headed family:- |  |                      |
| (f)                   | 100% rebate (pensioner property<br>threshold will apply)   |                      |
|                       | • Maximum property value:<br>(Market Value per the 2018 Valuation Roll)                              | R2.5 million         |
| Disability:-          |  |                      |
| (g)                   | People who are on a government grant because of disability (Same<br>principles as pensioners apply)  |                      |
|                       | • Maximum property value:<br>(Market Value per the 2018 Valuation Roll)                              | R2.5 million         |
|                       | • Gross monthly income for 100% rebate   | R9 753               |
|                       | • Gross Monthly income for 50% rebate is   | R9 753 to<br>R16 716 |
|                       | Military veterans:   | 100% Rates rebate.   |

The increase to the income levels for this category of rebates is inflation (CPI) related.

**(10) Special Cases**

Various instances arise where the Council is requested to consider relief in respect of the payment of rates. This type of relief can be granted in terms of the rates policy to specified categories of property ownership.

In terms of the Rates Policy, those organisations and pensioners who continue to qualify for a rebate will be recorded on the billing system as a category of ownership. This will ensure that beneficial rating continues to apply to such property owners.

In the case of pensioners who own and live in those properties, the pensioner rebate benefit will be granted for four years or for the duration of the prevailing valuation roll. Pensioners will be required to reconfirm/re-apply, at the end of the four year period or at the end of the duration of the valuation roll, for the continuation of pensioner rebate. Pensioners applying for expanded social package are now required to complete the pensioner's application form in order to qualify for the pensioner rebate. The period of granting the ESP pensioners will be same as the ordinary pensioners.

- (11) Determination of Property Values and earning Levels for Property Owners for rebates based on Category of Ownership. The Rates Policy allows for residential property owners who are retired to apply for pensioner rebate. It is necessary

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that the Council determines the appropriate cut off levels for the application of such rebates for pensioners.

It is proposed that the threshold be increase to R9 245 per month for the lower level and the ceiling of the upper level be increased to R15 845 per month.

Life right pensioners, who live in sectionalised units registered in their names, will be treated as pensioners stated above.

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Life rights pensioners who reside in life rights scheme registered in the name of the Trust or company will continue to receive the 50% rebate on the whole retirement village. Where a pensioner owns more than one property, the rebate is restricted to the property used as the place of primary residence.

### (12) Exemptions, Reductions and Rebates

Section 15 (2)(e) of the Act permits a Council to allow rebates to the owners of residential properties with a market value lower than an amount determined by the municipality. The Act provides that the first R15 000 of the value of all residential property be exempt from rating. The Council granted an additional threshold rebate of R335 000 giving the total threshold of R350 000 of market value for residential property.

### (13) Residential high density rebate

The policy of the Council is to encourage the improved utilisation of land. The development of Sectional Title is an appropriate avenue through which the Council's objectives are to archive densification. It is proposed that the current sectional title rebate be terminated, and the densification rebate be applied. The category consists of properties that are developed with a minimum density of 80 dwelling units per hectare, including sectional title units. A rebate of 5% of the current monthly rates will be applied.

### (14) Vacant Land where Council is not able to provide infrastructure services

Certain pockets of land may be vacant owing to the Council not being in a position to provide infrastructural services within the ensuing financial year. Under such circumstances, a rebate of 50% of the vacant land tariff will be proposed.

The granting of this rebate is dependent upon successful application by the property owner concerned and the application has to be supported by the technical service departments concerned. Provision has been made in the estimates for a rebate 50% for property situated outside the urban development zone since development is presently not permitted owing to lack of infrastructure services.

### (15) Public service Infrastructure

In line with section 11(1)(b) of the Municipal Property Rates act, the City of Johannesburg will continue to exempt from rates the 30% of the value of the public service infrastructure.



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### 4 POLICY IMPLICATIONS

The provisions of the Rates Policy of the Council have been complied with.

### 5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

This report has been finalised in conjunction with Legal Services to ensure compliance with all relevant legislation. It should be pointed out that in terms of Section 28(6) of the Local Government : Municipal Finance Management Act, 56 of 2003, the new proposed rates, once determined in respect of the 2019/2020 Financial Year, may not be further increased during that financial year. Care should thus be exercised to ensure that the proposed increases comply with the budgeted needs of the Council in respect of the 2018/2019 Financial Year.

### 6 FINANCIAL IMPLICATIONS

The proposed rates in the Rand have been based on the funding requirements of the City as well as the 2018 General Valuation roll and subsequent supplementary valuation rolls.

### 7 ECONOMIC IMPLICATION

(1) Economic development initiatives/project

None.

(2) Job creation

None.

(3) Skills development

None.

### 8 COMMUNICATIONS IMPLICATIONS

Public participation meetings will takes place in April 2019, in addition to the promulgation of the rates tariffs as prescribed by the applicable legislation.

### 9 OTHER DEPARTMENTS/BODIES CONSULTED

Budget Office  
Legal and Compliance

### 10 KEY PERFORMANCE INDICATOR

Implementation of revised annual rates tariffs in alignment with Rates Policy  
**IT IS RECOMMENDED**

**1 That in terms of Sections 2, 7, 8 and 14 of the Local Government : Municipal Property Rates Act 6 of 2004 ("the Act"), read with Sections 4(1)(c)(ii) and 11(3)(i) of the Local Government : Municipal Systems Act 32 of 2000 ("the Systems Act") and Section 24(2)(c)(i) of the Local Government : Municipal Financial Management Act 56 of 2003 ("the MFMA"), The Council of the City of**

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**Johannesburg Metropolitan Municipality hereby declares its intention that the following draft rates in the Rand are to be levied for the financial year 1 July 2019 to 30 June 2020, on the market value of property or on the market value of a right in land within the area of jurisdiction of the Council as appearing in the valuation roll, in respect of the various categories of properties set out below:**

**No Category Ratio 2019/2020**

- 1 Agricultural residential 1:1**
- 2 Agricultural business 1:2.6**
- 3 Agricultural other 1:1**
- 4 Residential 1:1**
- 5 Consent use 1:2**
- 6 Business and commercial 1:2.6**
- 7 Sectional Title Business 1:2.6**
- 8 Sectional Title residential 1:1**
- 9 Sectional Title other 1:1**
- 10 Municipal property 0**
- 11 Farming 1:0.25**
- 12 Mining land 1:2.6**
- 13 Vacant Land 1:4**
- 14 PSI 1:0.25**
- 15 PSI privately owned 1:0.25**
- 16 Private open space 1:0.25**
- 17 Public open space 1:0.25**
- 18 State 1:1.5**
- 19 Public benefit organisation 1:0.25**
- 20 Education 1:0.25**
- 21 Religious 0**
- 22 Multipurpose residential 1:1**
- 23 Multipurpose business 1:2.6**
- 24 R E of a township 1:2.6**
- Penalty Tariff**
- 25 Unauthorised use 1:6**

**2 That the rates so levied in terms of Paragraph 1 above shall become due and payable in twelve equal installments on fixed days for twelve consecutive months, these being the due date stipulated in the account sent to the ratepayer. The ratepayer who wants to pay the rates twelve months in advance would be required to make an application. The ratepayer will receive the rebate that would be determined by Council as set in the body of this document.**

**3 That in terms of Paragraph 16(3)(b) of the Council's Property Rates Policy interest be charged on rates not paid on or before the fixed days, at the rate determined by the Council from time to time.**

**4 That in terms of Section 15(1)(b) of the Act read with Sections 9 and 10 of the Council's Property Rates Policy, the Council grants, subject to paragraph.**

**5 That the following rates which are proposed to be levied for the financial year 2019/2020 to any owner of rateable property in the following circumstances:**

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### No Category Ratio

#### 2019/2020 Rates tariffs for 2019/2020 % Increase

- 1 Agricultural residential 1:1 0.007749 5.5%
  - 2 Agricultural business 1:2.6 0.020147 5.5%
  - 3 Agricultural other 1:1 0.007749 5.5%
  - 4 Residential 1:1 0.007749 5.5%
  - 5 Consent use 1:2 5.5%
  - 6 Business and commercial 1:2.6 0.020147 5.5%
  - 7 Sectional Title Business 1:2.6 0.020147 5.5%
  - 8 Sectional Title residential 1:1 0.007749 5.5%
  - 9 Sectional Title other 1:1 0.007749 5.5%
  - 10 Municipal property 0 0 0%
  - 11 Farming 1:0.25 0.001937 5.5%
  - 12 Mining land 1:2.6 0.020147 5.5%
  - 13 Vacant Land 1:4 0.030996 5.5%
  - 14 PSI 1:0.25 0.001937 5.5%
  - 15 PSI privately owned 1:0.25 0.001937 5.5%
  - 16 Private open space 1:0.25 0.001937 5.5%
  - 17 Public open space 1:0.25 0.001937 5.5%
  - 18 State 1:1.5 0.011623 5.5%
  - 19 Public benefit organisation 1:0.25 0.001937 5.5%
  - 20 Education 1:0.25 0.001937 5.5%
  - 21 Religious 0 0 0%
  - 22 Multipurpose residential 1:1 0.007749 5.5%
  - 23 Multipurpose business 1:2.6 0.020147 5.5%
  - 24 R E of a township 1:2.6 0.020147 5.5%
- Penalty Tariff
- 25 Unauthorised use 1:6 0.046494 5.5%

(1) Residential property owned and occupied by natural persons who have limited income and who are not pensioners and the value of their property does not exceed R500 000 but can show that his or her annual income falls below the limit determined by Council from time to time in terms of the Expanded Social Package: dependent on points rating.

(2) Residential property owned and occupied by natural persons who are dependent on a State social security grant in terms of the Social Assistance Act 59 of 1992 as their sole source of income: 100% rebate

(3) Residential property owned and occupied by pensioners who are not persons contemplated in Paragraph (2), if the total income of the household does not exceed the maximum of R9, 753 per month over the previous income tax year: 100% rebate

(4) Residential property owned and occupied by pensioner who is seventy years and above whose value of the property complies with the criteria set out above would be exempted from paying rates.

(a) and above whose value of the property complies with the criteria set out above would be exempted from paying rates

(i) Residential property owned and occupied by pensioners who are not persons contemplated in Paragraph (2), if the total income of the household does exceed

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the average of R9 753 per month over the previous income tax year but does not exceed the maximum of R16 716 per month over the previous income tax year: 50%: Provided that the rebate contemplated in Subparagraphs 5(1) to (3) above shall only be granted where:

(b) The market value of the property as recorded in the prevailing valuation roll does not exceed R2 500 000 and in the case of a pensioner, such pensioner has attained the age of 60 or be 70 years or older; and in the case of dual ownership at least one of the owners has attained the age of 60 years or older; and

(c) The property owner personally occupies the property.

(d) A property owner who is a pensioner and is seventy years and above who live in a property not more than R2 500 000 qualifies for 100% rebate.

(e) A pensioner rebate will be applied to one property per pensioner or pensioner and spouse only.

6 That properties owned by organisations that are registered in terms of the Housing Development Schemes for Retired Persons Act: 50%.

(1) Property owned by pensioners in terms of the Housing development Scheme for Retired Persons who are sectionalized and registered in their name would be treated as per Paragraph (2) to (4).

7 That property owned by private sports clubs that are used primarily for sports purposes: 40%.

8 That property declared as heritage sites in terms of Section 27, 28 and 31 of the National Heritage Resources Act 25 of 1999: 20%.

9 That residential high density rebate: 5%.

10 That property registered in the name of an institution or organisation which has as its exclusive objective the protection of animals: 100%

11 That property that is vacant but that may not be developed as a direct result of the inability of Council to provide services, subject to the owner to provide written confirmation from the service entity stating that no development to be allowed for the duration of the ensuing financial year, as a result of lack of services: 50% of the vacant land tariff.

12 That the first R350 000 of the value of all residential property shall be exempted from rating.

13 That the first 30% of the value of the public service infrastructure would not be rateable.

14 That in terms of Section 14 of the Act read with Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21, 21A(1) and (2) of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000) as amended, the City of

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**Johannesburg:**

- (1) Display the notice and the documents and notice in the manner prescribed;**
- (2) Seek to convey to the local community by means of radio broadcasts covering the area of the City, the information contemplated in Section 21A(c) of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000) as amended; and**
- (3) Publish a notice in the manner prescribed and invite the local community to submit written comments or representations in respect of the City's proposed Property rates tariffs.**

**15 That in terms of Section 22(b)(i) and (ii) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) a copy of the notice and documents be sent forthwith to the National and Provincial Treasury; MEC for Local Government and Housing; as well any other organ of state or municipality affected by the budget to solicit their view.**

(FINANCE)  
(Veli Hlophe)  
(tc)