

19 February 2009

Dear Property Owner

**Municipal Property Rates Act:**

**Implementation of Property Valuation Roll**

This is a very important communication and we thank you for taking a few minutes out of your busy schedule to familiarise yourself with the contents hereof.

A new General Valuation of all properties within the area of jurisdiction of the Kouga Municipality will be implemented with effect from 1 July 2009. This Valuation has been carried out in terms of the new Valuation Act (No 6 of 2004 as amended) as well as the Regulations published in terms thereof in Government Gazette No 29304.

In addition, the Municipality will very shortly be publishing and embarking on a public consultation process in regard to the adoption of a Rates Policy and By-Law which are legal pre-requisites for the levying of rates.

The legislation referred to has introduced a number of innovations and changes which have been designed to provide nationwide uniformity, simplicity and certainty as well as to take into account the historical imbalances and the annual rates burden on the poor.

This communication is an earnest endeavour on the part of your council to inform you of some of the salient aspects of the legislation with a view to your being better informed and enlightened which will also obviate and hopefully minimise premature speculation whether made mischievously, in good faith or out of ignorance.

Should you, after having read the contents herein, still have queries which you wish to have clarified, you are encouraged to avail yourself of any of the following options:

- Write, fax or e-mail the Municipality quoting your name, property reference number, address and stating briefly the nature of your enquiry.
- Make use of the Help Desk telephone number (042 2002 298) where an official of the Municipality will either answer your query or, if unable to do so, call you back as soon as possible once an answer has been sourced.
- If your call cannot be attended to immediately, please leave a message and provide your name, address, telephone number, fax or e-mail address as well as the property reference number reflected on the Valuation Form, thus enabling the Help Desk to follow-up and return your call.

Information pertaining to the Valuation Roll, the impending Rates Policy and By-Laws can also be accessed via the Municipal Website, [www.kougamunicipality.gov.za](http://www.kougamunicipality.gov.za).

In order to make the communication more reader friendly and easily understood, it has been formatted on a question and answer basis and reflects experiences gleaned locally and from municipalities elsewhere in the country.

**What is the Municipal Property Rates Act?**

- The Municipal Property Rates Act is National Legislation which has been introduced in order to provide nationwide uniformity, simplicity and certainty as well as to take into account the historical imbalances and rates burden on the poor.

### **What is the Purpose of the Municipal Property Rates Act?**

- To regulate the power of a Municipality to impose rates on property.
- To make provision for Municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policy.
- To make provision for fair and equitable valuation methods of properties.
- To make provision for an objections and appeals process regarding the market valuations.
- To ensure people are rated in a fair and equitable manner.

### **What are the main features of the Municipal Property Rates Act?**

- Property will continue to be valued at the market valuation i.e. the price that a willing buyer and willing seller agree upon. The individual units within a sectional title complex will now be rated and each owner will receive his/her own rates bill. There will be more flexibility in granting relief to the poor or medically boarded persons and pensioners below a certain level of income and who qualify as well as greater flexibility in rating different categories of properties.

### **What is meant by the date of valuation?**

- This is a date set by the municipality to which all values relate. The values must reflect the market value of the properties in accordance with the market conditions which applied at that date. The current date of valuation has been set at 1 July 2008.

### **What happens when the market changes?**

- The Act provides that the Municipality must set a new date and re-value all properties at least once in every four years.

### **What does the Municipal Property Rates Act mean to me?**

- The valuation placed on your property under the new Act will be more easily understood and equitable in that it will equate to what your property is actually worth at the time of valuation.

### **How does it differ from what has happened in the past?**

- Different situations prevailed in the various Provinces, but insofar as the Eastern Cape Province is concerned, land and improvements will continue to be valued at their market value and rates levied against a total value as opposed to the past where land and improvements were valued separately.

### **Valuations**

#### **Why has my property value increased so much?**

- The previous revaluation of properties was indexed to 1 January 2002, whilst the valuation date for this valuation is 1 July 2008. This is a period of six and a half years during which property prices had, at the date of valuation, escalated quite considerably.

#### **My property hasn't been sold in 20 years, how was it valued?**

By reference to similar properties in the neighbourhood that have been sold.

### **What criteria were used to assess property values?**

- Market valuations are based on transactions between willing buyers and willing sellers and the factors that influence these transactions.

### **Were different finishes such as tiles and fitted kitchens taken into account in the valuation?**

- There are many factors which influence the value of a property and these can broadly be broken down into location, size of property, extent and type of buildings, quality and condition. In any exercise involving data-collection cognisance should always be taken of the ability to maintain the integrity of this information. There would be little point in collecting information on those aspects of a property that may have been legally changed by the owner without having submitted building plans and thus alert the Municipality to these changes.

### **Sectional Title Properties**

#### **How will properties held under Sectional Title be treated?**

- In terms of the Municipal Property Rates Act each registered sectional title unit must be separately valued and a separate rates account sent to each individual registered owner. Rates will therefore no longer be the concern of the Body Corporate.

#### **How does this differ from what has been happening in the past?**

- Previously sectional title units were not valued separately and a single value was assessed for the entire property. Rates were accordingly raised on the entire property and a single rates account was sent to the Body Corporate, which had to apportion this account between the individual unit holders and collect the amounts owing by way of a levy.

#### **How will the new system benefit owners of Sectional Title units?**

- There are many cases where some unit holders have failed to pay their levies and consequently the rates for the entire block have fallen into arrears. Previously, the Municipality could only hold the Body Corporate liable and as a last resort would have to attach and sell the entire property in order to recover the rates. This was unfair on those unit holders who had paid their levies regularly. Under the new system sectional title unit holders are individually responsible for their own rates and only those owners who do not pay will be in danger of having their individual units attached and sold. It is important to note however that rates and any arrears owing up to 30 June 2008 will remain the responsibility of the Body Corporate.

#### **How will the common property in Sectional Title schemes be valued?**

- By definition, a sectional title unit is a section together with its undivided share in the common property. Common property therefore does not have a separate value in the market place, its value being inherent in the value of each unit.

#### **How will account be taken of differences between the various units in a scheme?**

- Individual units in sectional title schemes will be valued at what they would sell for on the open market. Valuers do not create value but merely interpret the market by analysing sales and thus, if sales show that there are price differences between various units within the same scheme because of size, view or other reason, then such differences will be taken into account when valuing the various units.

## Rates

### **Why have a rates policy?**

- Section 3 of the Municipal Property Rates Act makes it obligatory for a Municipality to adopt a rates policy.

### **Why do we charge rates?**

- Municipalities need a reliable source of revenue to provide basic services and perform their functions. Revenue from property rates is used to fund services which benefit the community as a whole. These include, but are not limited to, constructing and maintaining streets, roads, sidewalks, street lighting, storm water drainage facilities, providing, operating and maintaining clinics, parks, recreational facilities and cemeteries, beaches, libraries as well as the administration of the Municipality.

### **Who pays rates?**

- Unless otherwise provided for, rates are paid by all owners of properties whether residential, commercial, industrial, farming, agriculture, sectional title unit owners as well as the Government.

### **How do we calculate rates?**

- Property rates are calculated on the value of the property. The Property Rates Act requires that this value must be the "Market Value". Rates are calculated by multiplying the market value of immovable property by a cent amount in the Rand which is determined when the budget is approved.

**For example:** If the market value of immovable property is R 140 000, and the cent amount in the Rand is R0.015 (which is 1.5 cents), then the amount due for property rates = R 140 000 x 0.015 = R 2 100 for the whole year, which means that every month the property owner will pay R 175.00 (this is calculated by dividing R 2 100 by 12 as rates payable to the Municipality can also be spread over 12 months).

**Example No 2:** Market Value R 800,000  
Annual Rates R 800,000 x 0.015 = R 12,000  
Monthly = R 1,000

### **Will my rates increase?**

- The total amount of rates collected each year is a budget balancing figure that currently comprises only some 29% of the total Municipal budget, which generally rises at approximately the annual inflation rate each year. It is the increase in the budget shortfall each year that determines the overall increase in property rates. The amount that each property owner pays is determined by the value of his property in relation to the other properties in the municipal area.

If all properties showed the same increase from the old to the new values, they would reflect a similar rates increase at around the rate of inflation. The reality however is that the various types of property in different parts of the Municipal area have shown different increases in value and thus will have different rates increases. The specific effect on an individual property will obviously only be known once the budget process is complete and the Rand rate is applied to the new Valuation Roll.

It is not correct to assume that because the value of your property may have doubled that the rates will automatically increase by the same percentage. Property valuations constitute the base value from which property rates can be derived.

The actual rate in the Rand will therefore only be determined once the municipality has calculated how much money it requires from rates to balance the budget.

#### **Why do we have categories of Property?**

- The Property Rates Act allows a Municipality to levy differential rates to different categories of properties. This permits greater flexibility in spreading the rates charge more equitably.

#### **Why do we have categories of Owners?**

- The Property Rates Act allows a Municipality to define categories of owners to whom rebates, reductions and exemptions may be granted e.g. the poor, pensioners below a certain income and disability grantees who qualify will receive a percentage rebate while sporting bodies and public benefit organisations will receive exemptions provided they meet the criteria set out in the policy.

#### **How and when do I pay rates?**

- Rates can either be paid in a lump sum annually or in monthly instalments consolidated with your water and electricity bill. Payments can be made at the Municipal offices or at EASYPAY and Post Office pay points, or by direct debit or via internet transfers. If you do not receive an account, then you, as owner of the property, must request an account. The non-receipt of an account does NOT exonerate a property owner from paying such account. It is the responsibility of the owner to make the necessary enquiries from the Municipality.

#### **Notification of valuation**

##### **When will the Valuation Roll be made public?**

- It is planned to make the Roll available for public scrutiny and objections during February 2009.

##### **How will I know what the new value of my property is?**

- A notice will be posted to each registered property owner informing him/her of the value which has been determined in respect of his/her property. Again, should you not receive a notice, the onus is on the property owner to contact the Municipality.

##### **Where can I find out what other properties have been valued at?**

- You may view the entire Valuation Roll at the offices indicated in the attached notice or on the Municipal Website, [www.kougamunicipality.gov.za](http://www.kougamunicipality.gov.za).

#### **Objections and Appeals**

##### **What should I do if I am unhappy with the valuation?**

- Should you feel that your property has been over- or under valued, you may lodge an objection on the prescribed form which is obtainable from the Municipality or downloaded from the abovementioned website.

##### **How do I lodge an objection?**

- You can do this by completing and handing in the prescribed form together with any information you have in support of your objection at the Municipal offices in Jeffreys Bay or by posting the objection to P O Box 21, Jeffreys Bay, 6330.

**Notification of outcome of objections & furnishing of reasons:**

- Within 30 days after having been informed of the decision of the Municipal Valuer an objector or owner may, in writing apply to the Municipal Manager for the reasons for the decision. A prescribed fee of R25.00 must accompany the application.

**What happens if I am still unhappy with my valuation?**

- You may lodge an appeal against the valuation and this appeal will be heard by the Valuation Appeal Board, which is a tribunal appointed by the Provincial Government.

**How do I lodge an Appeal?**

- Details of this will be provided to you when you are advised of the outcome of your objection.

**General****Orders as to costs:**

- The general valuation of properties is very costly and when an Appeal Board gives its decision, it may issue an order with regard to costs they regard as just and equitable. When making an order, the board may also order any person whose appeal or opposition to an appeal is considered to have been made in bad faith or frivolously, to compensate the Municipality in full or in part for costs incurred in connection with the appeal.

**Assistance to persons who cannot read or write:**

- A Municipal Manager must assist an objector to lodge an objection if that person cannot read or write, and any person seeking such assistance is invited to contact the Municipal Help Desk beforehand.

**Copyright of Valuation Rolls and other data:**

- The copyright of all documents pertaining to the Valuation Roll vests in the Municipality.

**Objections endorsed "Attention Valuations" can be e-mailed to:** [valuations@ec108.org.za](mailto:valuations@ec108.org.za)

**Posted to:** Kouga Municipality, PO Box 21, Jeffreys Bay, 6330

**Delivered to:** Kouga Municipality, 33 Da Gama Street, Jeffreys Bay

**before the closing date stipulated in the attached Notice.**

We look forward to being of assistance to you and thank you for your indulgence.

Yours faithfully



Dr E M Rankwana  
Municipal Manager

Ref: PMG/02/09

***Hierdie dokument is ook op aanvraag in Afrikaans van die Munisipaliteit verkrygbaar.  
Le mbalelwano iyafumaneka nangesi Xhosa KwaMasipala.***