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RATES WATCH
MONITORING AND WATCHING YOUR VALUATIONS & PROPERTY TAXES

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The Municipal Manager
Buffalo City Municipality

Sir

BUFFALO CITY METROPOLITAN MUNICIPALITY: COMMENTS ON THE 2023/24 DRAFT RATES POLICY

Rates Watch (Pty) Ltd was appointed by the South African Property Owners Association (SAPOA) to submit comments on the draft Rates Policy.

SAPOA represents approximately 1,300 companies and organisations (amongst which include the following: ABSA, Nedbank, Investec Property Group, Old Mutual Properties, Liberty Properties, Eskom, Transnet, East London IDZ, Growthpoint Properties, the V&A Waterfront Company, ACSA, Eris Property Group, Encha Properties, Zenprop, Redefine properties, Resilient Properties.).

SAPOA members own and control about 90% of all commercial, retail, office and industrial properties in SA to the value of over R500bn and constitute some of the largest ratepayers in South Africa.

We have the pleasure to submit comments on the 2023/24 draft policy.

1 General

To avoid confusion, it is suggested that reference to the Municipal Property Rates Act, (Act No. 6 of 2004) should be consistent. In this policy, both “MPRA” and “The Act” are used.

2 Clause 7: Definitions

2.1 “Business and commercial”

The inclusion of properties that are used for the trading and hunting of game in the definition will have a devastating effect on the financial viability of these properties. The monthly rates

on a farm where game is hunted will increase by a factor of 10 or 1 000%. It will wipe out game farms.

The rating of these farms should not be different from a farm that is used for the grazing of livestock. It should be noted that the unit value of a game farm is typically higher than a farm that is used for the grazing of livestock and more rates are collected from game farms.

There is no rationale to include hostels, flats, communes and old age homes in the category 'Business and commercial'.

Hostels typically provide inexpensive lodging for a specific group of people, such as students or workers.

A commune is a group of people living together and sharing possessions and responsibilities.

Flats can be described as a suite of rooms forming one dwelling within a larger building containing several such dwellings.

Old age homes, also referred to as retirement homes or old people's homes, are multi-dwelling facilities intended for the elderly.

All of the above are used for human habitation and it is in principle not different from the building for human habitation on an erf in a township.

This definition conflicts with the definition of 'residential property' in the MPRA and should be removed because the definition in the MPRA takes precedence over the definition in the rates policy. Section 3(1) of the MPRA states that the policy must be consistent with the MPRA.

2.2 "Residential property"

The definition could be ultra vires as it conflicts with the MPRA definition.

The definition should reflect the amendments to the definition in the MPRA.

The MPRA definition refers to "residential purposes". It is suggested that a definition for "residential purposes" be included in the policy and the MPRA definition be included verbatim in this policy.

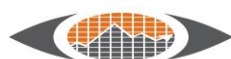
3 Clause 8.1: Categories of properties

In terms of section 8(2)(i) of the MPRA, the category for multiple purposes is compulsory and must be created. Why is it removed?

4 Clause 8.2: Criteria for categorising properties for multiple purposes

The category 'Multiple purposes' is compulsory which means that there is no longer the discretion provided for in sections 9(1)(a) & (b). These properties must be dealt with in terms of sections 9(1)(c) and 9(2).

This clause must be removed from the policy.



5 Clause 9: Rates relief measures relating to categories of property and categories of owners of property.

5.1 Municipal owned properties must be removed from this list

The municipality has the discretion, in terms of section 7(2)(a)(i) of the MPRA, not to rate properties of which the municipality is the owner.

The municipality must exercise the discretion not to levy rates on its properties. It is not part of the relief measures.

A new clause should be introduced to exercise the discretion. It should not be a sub-clause under clause 9, but it should have a separate number.

The proposed wording:

Properties owned by Buffalo City Metropolitan Municipality will not be levied rates in terms of Section 7(2)(a)(1) of the Act; except for the where:

- (a) Where Council owned property is leased to a third party and the lease agreement provides for the levying of property rates; or*
- (b) Where Council owned land is sold to a third and the deed of sale provides for the levying of property rates.*

5.2 Clause 9.1 Exemptions

5.2.1 Municipal properties

Municipal properties are not exempted in terms of section 15.

A new clause should be created:

'Municipal properties'

In terms of Section 7(2)(a)(i) no rates will be levied on properties of which BCMM is the owner.

A lessee of a municipal owned property for the purpose of the MPRA is deemed to be the owner of the property. Council properties leased to third parties will therefore be rateable.

A buyer in the case of a property that was sold by the municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer, will be deemed to be the owner and will be liable for the payment of rates.

The clause should be moved because it does not belong under clause 9.

5.2.2 Privately owned properties in rural areas

What is included in 'rural areas'?

Is it the intention to exempt all properties not in a proclaimed township from the payment of property rates?

What is the motivation to exempt these properties from the payment of property rates?

Rural areas must be defined.

5.3 Clause 9.2 Exclusions

Section 17(1) of the MPRA lists the properties that may not be rated or are excluded from the payment of property rates.

Why are only religious properties and the R15 000 exclusion on residential properties mentioned?

The clause should be moved because it does not belong under clause 9.

5.4 Clause 9.3.1 Pensioners and Disabled Persons

5.4.1 Clause 9.3.1(i) states that the senior citizen must own the property, the words *'The applicant must be the registered of the property'* could be deleted from clause 9.3.1(ii). The alternative is to delete clause 9.3.1(i).

5.4.2 Clause 9.3.1(iii) could be deleted because a 'Senior Citizen' is defined as a person *' who is sixty (60) years or older.'*

5.4.3 Clause 9.3.1(iv) – it does not make sense to include the alternative effective date (on which the application is received) The date on which the applicant turned 60 will always be the oldest date and should be the only applicable date.

The reference to *'retired person'* should be changed to *'person'*. There is no requirement in this policy that the person must be retired.

5.4.4 Clause 9.3.1(v) – The drafting can be improved.

Proposed wording:

'(v) ~~Submit an application~~ Apply for the 2023/24 financial year and thereafter when the age category changes or a person qualifies as a Senior Citizen'

5.4.5 Clause 9.3.1.1 is stating the obvious and can be deleted.

5.5 Clause 9.3.2: Disabled or medically boarded persons

5.5.1 The reference should be to clause 7 and not Section 7.

5.5.2 Clause 9.3.2.1 is stating the obvious and can be deleted.

5.6 Clause 9.3.3 Public Benefit Organisations and not for gain institutions

5.6.1 The subclauses should be numbered (i) to (xi) to align them with the numbering format in the policy.

5.6.2 Is it realistic to set a deadline of 30 June, a realistic deadline of 31 August is suggested.

It also means that the applications must be submitted before the rates policy is approved.



5.6.3 Exemptions should be backdated to the beginning of the financial year or the date of qualification.

5.7 Clause 9.3.5: General Relief

5.7.1 The numbers A and B should be replaced with 9.3.5.1 and 9.3.5.2 to align the numbering with the format applied to other clauses.

5.7.2 Clause 9.3.5 B – The rebate will be applicable to properties where the services listed are not available., Will the test not be applicable to individual properties? it is not clear why it is stated that *'This rebate **will not** be granted on an **individual** basis'*

Regards



Ben Espach

Professional Valuer



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