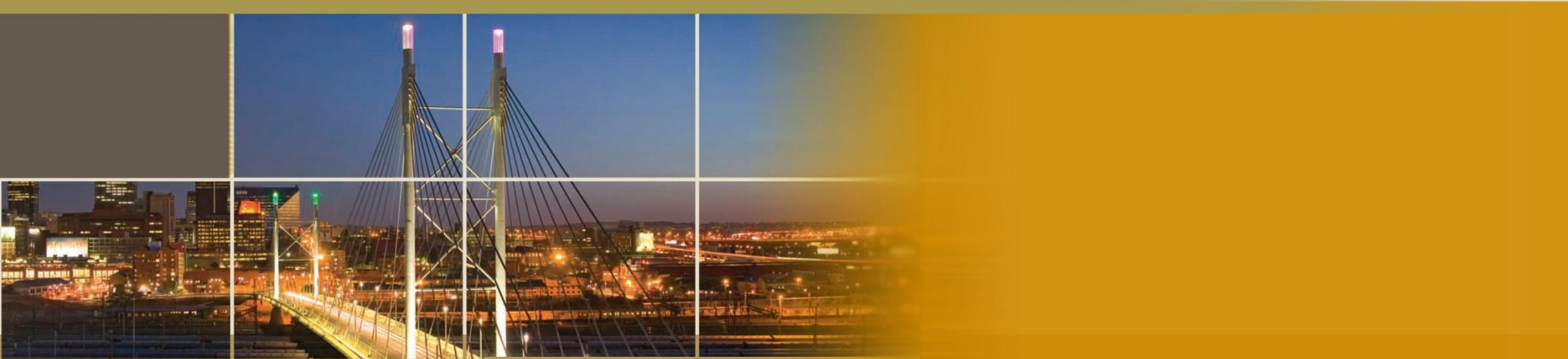


CITY OF JOHANNESBURG



a world class African city



Rates Policy Review Presentation 2015/2016 Councillor Briefing

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Processes and Dates for Rates Policy review

- First phase public input into the current Rates Policy
- Second phase proposed Rates Policy and proposed Tariffs (April 2015)
- Due date for comments, submission and inputs is 27 February 2015
- Current Rates policy is available on : www.joburg.org.za
- Written comments can be:
 - Emailed to : RatesComment@joburg.org.za
 - Fax Number : 011 727 0189



- **The key principles of the review of the Rates Policy is the following;**
- **Legislative directive**
 - **City strategic policy directions**
 - **short and long term**
 - **GDS**

Jozi@work

Blue economy and Green economy

Public inputs and Submission



- In terms of section 62(1)(f)(ii) of the MFMA, the Municipal Manager appointed in terms of section 82 of the Structures Act, must, in his capacity as the Council's accounting officer, ensure that the Council has and implements a Rates Policy.
- Council must annually review, and if necessary, amend its rates policy
- The Rates Policy guides the City in all aspects of levying rates on property owners as required by the Local Government Municipal Property Rates Act 6, of 2004 (MPRA).
- Council levies different rates for different categories of rateable property based on zoning .
- Property rates is a tax in terms of Section 11 of the Prescription Act 68 of 1969 and the Council may recover rates in arrear for a period of up to 30 years .
- During the City's budget process, the City determines the rates tariffs for the new financial year. This is called the rate in the Rand. Property Rates are levied as a cent in the Rand based on the market value of the property as reflected in the valuation roll.



Context of the review of current conditions

- The Rates Policy review process for 2015/2016 financial year will be done under the following climate from an administrative perspective:
 - The value of the rand has dropped
 - The cost of basket of goods and services have increase, even though the has been a decrease in the cost of fuel.
 - ▶ Basket of services from the municipality has increased
 - The disposable income for the property owners is under pressure
 - Growing percentage of property owners that are getting rates rebates and reduction
 - More requests for rebates and reduction, from property categories that previously did not request for rebates.
 - Cost of doing business in Johannesburg is too high compared to other Metros



The Rates Policy review process for 2015/2016 financial year is done under the following context:

- City has implemented the second Valuation roll since the promulgation of the Municipal Property Rates Act
- The reviews that were done during the first two years of the implementation of the Rates policy were to insure that MPRA has been captured correctly in the City's Rates Policy
- The reviews that were done in the past three years of the implementation of the Rates policy assisted in stabilizing the policy while ensuring that revenue growth is maintained going forward.
 - Aligning the Rates policy with other policies and the strategic direction adopted by the City
 - Implementation of the strategic direction GDS 2040
 - ▶ Corridors of freedom
 - ▶ Jozi@work
 - ▶ Blue and green economy
 - Civic education on the Rates policy, Rates By-law, Valuation and its impact
 - ▶ Municipal Rates Amendment act



Changes done on the policy 2014/2015 financial

- Changes were done on the flow of the policy document and the language used
- Adding of the recommendations as per the Judge recommendations in the Caunaght case

Major changes

- Threshold rebate for residential property was retained at R200 000.
- Sectional title residential rebate was reduced from 15% to 10%
- Reduction of business ratio from 3.0 to 2.8
- Zero rating all municipal owned properties
- Creation of penalty tariff to enforce the Building control by-law
- Rebate for building projects within the Corridors of Freedom
- Increase of income notch for pensioner who qualifies for pensioner Rebates



Property Rates amendment act

- The Mayor and MMC finance presented to Standing committee of Parliament the impact of the amendments from the City of Johannesburg perspective
- Property Rates amendment act has been signed off for implementation 1st July 2015
- Regulations to be promulgate
- The implementation of the amendment of the Rates Policy has a huge financial implication
 - Projected revenue loss if the amendment are implemented is approximately R600 million



Property Rates amendment act

- The following is covered by the amendment act;
 - To provide that a rates policy must determine criteria for not only increasing but also decreasing
 - To provide for the publication of Rates By Law
Prescribing categories of properties
 - Additional sub-categories will have to be applied for to the Minister
 - To regulate the time frame for the publication of resolution for levying rate and what must be contained in the promulgation resolution
 - Redefining mining land
 - Exclusion from rates certain categories of public service infrastructure
 - To provide that a person liable for rates must furnish the municipality with his or her postal address
 - Increased to reporting requirements for the Valuer
 - Amend the date on which the Supplementary to take effect
 - To provide for notification of owners affected by a supplementary Valuation



Current categories of properties and Ratios

No	Category	Ratio 2014/2015	Rates for 2014/2015 (Cents in the Rand)
1	Agricultural Residential	0.9	0.005545
2	Agricultural Business	2.8	0.017252
3	Agricultural other	0.9	0.005545
4	Residential	1	0.006161
5	Consent use	1.2	0.012322
6	Business and Commercial	2.8	0.017252
7	Sectional title business	2.8	0.017252
8	Sectional title residential	1	0.006161
9	Sectional title other	1	0.006161
10	Municipal property	0	0
11	Farming	0.25	0.001540
12	Mining land	2.8	0.017252
13	Vacant land	4	0.024645
14	PSI	0.25	0.001540
15	PSI privately owned	0.25	0.001540
16	Private open spaces	0.25	0.001540
17	State	1.5	0.009242
18	Public benefit	0.25	0.001540
19	Education	0.25	0.001540
20	Religious	0	0
21	Multipurpose Residential	1	0.006161
22	Multipurpose Business	2.8	0.017252
23	Unauthorised use	4	0.024645

PROPOSED AMENDMENTS TO THE CITY'S RATES POLICY Administrative proposals

- ❑ Implementation of the changes in line with the Property Rates amendment act
- ❑ Review of the illegal use tariff
- ❑ Review of Business ratio
- ❑ Reviewing the Agricultural holding ratio
- ❑ Further redefining of processes and qualification criterion for building projects within the identified Corridors of Freedom inline with principles and procedures governing Corridors of Freedom
- ❑ Provide relief to high density areas in order to support the City's vision "Corridors of freedom", in turn stimulate opportunities within the SMMES's and create a world class City.
- ❑ Public inputs form different stakeholders
- ❑ Inputs from Section 79 and Individual Councilors



- **Stabilisation of the revenue base**
 - **Zoning and category of properties**
- **Providing the necessary support less privilege by providing rebates and reductions**
- **Civic education on Rates Policy, Rates by-law, Valuation and Property Rates amendment act**



Questions and Discussion

Thank you

