

UPDATE ON CITY'S DRAFT RATES POLICY

The deadline for commenting on the City's draft Rates Policy ended on 31st October and high-level estimates indicate that many property owners in the City could see their rates bill increase when the City implements its Rates Policy in July 2008.

This is due to the new rating method – according to market value (ie land and improvements) – and not just land value as was the case in past years; and as a result of the property boom that has seen property values sharply escalating over the past five years.

The Member of the Mayoral Committee responsible for Finance Councillor Parks Tau says the figures show that there are about 155 000 individual Sectional Title properties in the City who will all be getting a separate rates bill for the first time. "I stress that these are very high level estimates using certain assumptions. We did this in order to get a view of the impact of the recommendations in our draft Rates Policy," he says. "What we found is more or less in line with what we expected."

There are about 826 000 registered properties in the City.

Tau says the estimates also show that many property owners will see their rates bill reduced. "The intention remains to have a threshold below which rates won't be levied and all indications are that there are a significant number of properties that will be exempt from rating and a significant number of properties that will be paying rates for the first time," he says.

The City has issued a draft Rates Policy for public comment as part of its compliance to the Municipal Property Rates Act of 2004.

Rates levied on property comprise the single most important basic revenue source for the City – about 20% of total income, Tau says. The Council, he notes, does not make any profit from property rates.

Currently, residential property makes up 81,6% of the total number of registered properties but generate only 32% of the City's total rates income. Commercial property, on the other hand, makes up 7,4% of the total number of registered properties, but brings in 46,1% of the total rates income received by the City.

"For the past three months we have been soliciting comments from the public on the proposals in the draft policy. We still want to hear suggestions from the residents of Joburg. For example, we have not had any comments about the impact of the policy on Sectional Title properties. Some comments relate to the impact on pensioners but no suggestions are offered as to the acceptable age and income to be considered," he says.

Tau says the recommendations in the draft policy are just that – recommendations. "We will seriously consider the comments we receive from the public and that's why it is important for organisations or people who may be affected by the recommendations to send us their comments. Without input from the public we will have to put our recommendations to Council for approval."

Significant changes recommended in the draft Rates Policy include:

- Rates will, from 1 July 2008, be levied on the market value of the property (ie land value and improvements);
- Individual Sectional Title property owners will receive a rates bill for the first time;
- Sectional Title properties are currently not being considered for a separate tariff rate;
- Properties will be rated according to specific categories of properties based on existing zoning rights;
- There will be no automatic rebates; organisations or individuals who qualify for a rebate will have to make a written request for the rebate to be applied to their property;
- Pensioners who own properties worth more than R500 000 and/or have an income in excess of R5000 will not qualify for any rebate;
- Private schools will be liable to pay rates for the first time – and recommendation is 50% of the ratable tariff.
- Privately-owned sports clubs will be charged rates;
- All properties valued at R15 000 or more will be charged rate

Implementation will be from 1 July 2008. But, says Tau, the Municipal Property Rates Act allows the Council to phase it in. "The policy proposes phasing in but we need comment from the public to determine what the acceptable levels should be."

For more information on this Bill visit www.joburg.org.za