

FREQUENTLY ASKED QUESTIONS

The Municipal Property Rates Act

What is the Municipal Property Rates Act?

In the past each province has valued and rated property under its own legislation. Some have valued land only whilst others have valued both land and buildings. There have also been various methods of valuation prescribed including market value and depreciated replacement cost.

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 to 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 now be valued on the market valuation ie the price that a willing buyer and willing seller agree on
- The individual units within a sectional title complex will now be rated and each unit will receive its own rates Bill
- More flexibility in granting relief to the poor, medically boarded persons and pensioners
- More flexibility in rating different categories of property

What is the basis of property valuation under the Municipal Property Rates Act?

Property must be valued at market value, which is the amount the property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer.

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 2007.

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 understandable and equitable in that it will equate to what your property is actually worth.

How does it differ from what has been happening in the past in eThekweni Municipality?

Previously land was valued at market value whilst buildings were valued at replacement cost less depreciation in respect of age and condition.

This resulted in two identical houses in different parts of the municipality having substantially the same municipal value in respect of the building value component with the only difference being in the value of the underlying land. In reality however these two properties could sell for vastly different prices depending on the neighbourhood in which each is located.

Valuations

Why has my property value gone up so much?

The previous revaluation of properties was indexed to 01 January 1998 whilst the valuation date for this valuation is 1 July 2007. This is a period of nine and a half years during which property prices have escalated.

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

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

What criteria was 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.

It must be mentioned that any exercise involving data-collection should always take cognizance 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 be legally changed by the owner without the necessity of having to submit 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 regularly paid their levies.

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 the 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 analyzing 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 Rates Act requires 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 that benefit the community as a whole. These include: constructing and maintaining streets, roads, sidewalks, street lighting, and storm drainage facilities; building and operating clinics, parks, recreational facilities and cemeteries beaches, libraries and the administration of the municipality .

Who pays rates?

Rates are paid by all owners of property whether residential, commercial, sectional title unit owners and even 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 from the budget. 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 cent), then
- 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 is spread over 12 months) to the municipality.

Example No 2

- Market Value R 800,000
- Annual Rates ~ 800 000 x 0.015 = R 12 000
- Monthly = R 1 000

Will my rates go up?

The total amount of rates collected each year is a budget balancing figure that currently comprises only some 23% of the total municipal budget, which budget

generally rises by around 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 values to the new then all would reflect a similar rates increase at around the rate of inflation.

The reality however is that the various types of property in the various parts of the municipality have shown different increases in value and thus will have different rates increases. Those properties that have shown a valuation increase below the average could find that their rates will actually decrease.

The specific effect on an individual property will obviously only be known once the budget process is complete and the rate randages are applied to the new valuation roll.

Why do we have category 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. (Refer section 5 of the Policy)

Why do we have category of Owners?

The Property Rates Act allows a Municipality to define categories of Owners to whom Rebates, Reductions and exemptions may be granted. Eg. Pensioners and disability grantees 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 are paid monthly and are consolidated with your water and electricity bill. You can make payment at any one of our cash halls / municipal offices or at EASYPAY pay points, direct debit, internet. If you do not receive an account, then you, as owner of the property, must request an account.

Notification of valuation

When will the Roll be released?

It is planned to publically release the Valuation Roll on 13 February 2008

How will I know what my new value is?

A notice will be posted to each registered property owner informing him of the value which has been assessed in respect of his property.

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

You may view the entire valuation roll at Valuation Roll Section, 75 Winder Street, Durban, at the Regional Centres or on the Web at www.durban.gov.za.

The valuation roll will also available for sale for R 285.00 from:-

Real Estate Unit,
13th Floor,
75 Winder Street,
Durban.

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.

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.

Objection forms are attached to this auto-response.

The forms are also obtainable from Real Estate Unit, 13th Floor, 75 Winder Street, Durban, Regional Centres or may be downloaded from the web at www.durban.gov.za.

Objections can be e-mailed to:-

mundiev@durban.gov.za,

posted to:-

Ethekweni Municipality,
Real Estate Department,

P.O. Box 272
Durban,
4000 - Attention:- Valuation Roll

or handed in at:

The Real Estate Department,
Valuation Roll,
13th Floor, 75 Winder Street,
Durban.

What happens after I have lodged my objection?

The matter will be referred back to the municipal valuer, who will review the valuation in the light of any additional information provided by you. You will be informed in writing of the outcome of this review.

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 together with the outcome of your objection.