

City of Johannesburg Council 2022-03-16/17

COJ : MAYORAL COMMITTEE 2022-03-13

GROUP FINANCE

66 DRAFT DETERMINATION OF PROPERTY RATES TARRIFS FOR TABLING 2022/2023

1 STRATEGIC THRUST

A well run City.

2 OBJECTIVES

- To obtain approval for tabling of the Draft Property Rates to be levied.
- To obtain approval for the granting of rebates in respect of the 2022/2023 financial year.
- Council to consider the inputs and submissions received during public participation.

3 SUMMARY

Property Rates are levied in terms of the Local Government: Municipal Property Rates Act, 6 of 2004 (the Act) as amended, read with the Council's Rates Policy.

The adoption of the various rates for the 2022/2023 financial year is based on the provisions of the Act and the Property Rates Policy. A separate rate in the Rand is being proposed for each category of property as listed in the Rates Policy and mentioned in the body of the report.

(1) Financial Overview

Rates revenue is one of the major funding sources for the City of Johannesburg. The services funded from the rates revenue include, inter alia, health, safety and security, roads, and public parks, as well as many other community related services. The factors influencing the cost structure of providing such services, are inflationary pressure and cost of supplies required to maintain these services and assets.

In keeping with the requirements of the City's tariff policy, the tariffs should continue to be affordable, competitive and promote economic development.

This rationale has guided the Council in the formulation of the budget and the rates tariff proposals for the ensuing financial year. Numerous factors were considered in recommending the tariffs for the 2022/2023 financial year, including but not limited to the following:

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- The market values of properties in the General Valuation Roll 2018.
- The ratios as previously determined by Council and the Minister for CoGTA.
- Budgetary requirements.
- Compliance with the tariff policy.
- The economy of the country
- The impact of the pandemic
- Affordability

(2) The Property Market Valuation Base

The 2018 General Valuation Roll was extracted on 31st January 2022 and consists of a total of 930 830 properties and the tariff modelling is based on this number. There were 1 669 properties that had not been valued when modelling was performed therefore they are called Nulls and are excluded in the calculation of projected revenue. Included in the figure of 930 830 are municipal owned properties and religious Properties that do not generate revenue for the City, therefore these are also excluded from the modelling.

Changes in the property base used to determine the rate in the Rand can be summarised as follows:

Category	Number of Properties	Market Value
To be Valued	1669	
Agricultural Business	733	R13 840 338 900
Agricultural Business	317	R5 794 607 000
Agricultural Business	2	R21 920 000
Agricultural Other	120	R531 677 750
Agricultural Other	14	R60 687 000
Agricultural Residential	5 842	R21 809 540 700
Agricultural Residential	145	R694 468 000
Agricultural Residential	11	R440 045 000
Business & Commercial	25 116	R288 183 975 813
Business & Commercial	996	R5 765 356 889
Business & Commercial	27	R286 293 000
Business & Commercial	353	R4 307 371 000
Consent Use	160	R304 409 000
Consent Use	1	R7 470 000
Education	1 639	R24 563 094 000
Education	66	R345 197 000
Education	18	R132 683 000
Farming	62	R231 761 000
Farming	12	R13 928 000
Mining	69	R221 653 000

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Category	Number of Properties	Market Value
Mining	3	R8 513 000
Multiple Purpose Business	47	R5 300 000
Multiple Purpose Business	2	R0
Multiple Purpose Residential	248	R58 733 000
Multiple Purpose Residential	36	R38 210 000
Municipal	26	R23 004 000
Municipal	2 257	R11 154 943 600
Private Open Space	676	R1 896 381 600
Private Open Space	26	R47 662 000
Public Benefit Organisations	8	R244 450 000
Public Open Space	190	R533 901 000
Public Open Space	2 322	R7 439 762 700
Public Service Infrastructure	7 548	R1 748 010 100
Public Service Infrastructure	4 753	R1 321 500 000
Public Service Infrastructure Private	826	R358 421 000
Public Service Infrastructure Private	15	R35 865 000
R.E. of Township	538	R7 645 913 237
R.E. of Township	241	R7 163 035 268
Religious	1 977	R7 099 094 419
Religious	8	R18 680 000
Residential	569 398	R659 529 304 216
Residential	9 331	R6 328 052 111
Residential	203	R1 645 162 000
Sectional Title Business	15 390	R34 202 386 940
Sectional Title Business	23	R34 653 000
Sectional Title Business	1	R2 050 000
Sectional Title Business	7 097	R4 982 869 000
Sectional Title Other	7 818	R491 784 500
Sectional Title Residential	233 982	R228 019 659 610
Sectional Title Residential	1 527	R434 307 000
Sectional Title Residential	1	R0
State	821	R21 072 328 800
State	16	R1 582 000
State	1	R13 582 000
Vacant Land	18 447	R26 552 423 910
Vacant Land	7 653	R8 596 688 650
Vacant Land	2	R1 912 000
	930 830	R1 406 306 601 713

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(3) Prevailing Rate in the Rand (current financial year)

The prevailing Rate in the Rand was set by the Council at its meeting held on the 27th of May 2021. This rate was based on differential rating, and it was estimated to yield a net amount of R13,479 billion after rebates.

(4) Revenue Projection 2022/2023

On a base rate increase of 4.85%, the residential rate in the Rand will increase from R0.008220 to R0.008619 for 2022/2023 financial year. The business rate will increase by 4.85%, from R0.020550 to R0.021547. This increase is based on retaining the business ratio at 1:2.5. Total rates revenue after rebates is estimated at R14,133 billion.

(5) Proposals for pensioner rebate

It is proposed that the income levels for pensioners be increased from the lower amount of R10 783 to R11 305 and the higher amount from R18 481 to R19 377. This renders an average increase of about 4.85%.

It is proposed that the residential threshold of property values qualifying for pensioner rebates be retained at R2.5 million.

The pensioner rebate benefit will be granted for the duration of the prevailing valuation roll. Pensioners will be required to reconfirm/re-apply, at the end of the duration of the prevailing valuation roll that lapses on the 30th June 2023. Pensioners applying for expanded social package are now required to complete the pensioner's application form to qualify for the pensioner rebate. ESP applicants who are identified as qualifying pensioners are referred to the Pensioner rebate application discussed above.

Life-right pensioners, who reside in sectionalised units registered in their names, will be considered for pensioner rebate as per the definition above. Where a pensioner owns more than one property, the rebate is restricted to the property used as the place of primary residence.

Life-right pensioners who reside in life-right schemes registered in the name of the Trust or company will continue to receive a 50% rebate on the whole retirement village. These schemes are not sectionalised.

(6) Township Industrial development rebate.

Qualification criterion

- (a) The rebate will apply to new industrial developments that would be developed within the identified townships in line with the City's priorities.

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- (b) The industrial development must be planned and implemented for the identified townships.
- (c) The rebate applicant would have to satisfy the industrial investment that would be approved by the Council.
- (d) The rebate will be granted in in two phases.
 - (i) The first phase rebate would be grated during construction
 - (ii) The last part of the rebate will be granted during the first and second year of the industrial operations.
 - (iii) The application for this rebate will be made at the Property Branch
 - (iv) Economic development within the City will assist in the determination of the minimum qualification capital investment.
 - (v) Refurbishment of dilapidated township industrial properties will also be considered for the Township industrial rebate

Duration of the rebate

- (i) The industrial property owner will pay 25% of the rate as per the category of property for a period not exceeding two years during the construction phase (the rebate is 75%)
- (ii) The industrial property owner will pay 50% rate charged for the first and second year of the industry being operational. (The rebate is 50%)
- (iii) The industrial property owner will be charged full rates under category industrial from year three of the industry being operational.

(7) Differential Rating

The concept of differential rating means that the rate in the Rand is not necessarily the same across all categories of property. This is authorised in terms of Section 8 of the Municipal Property Rates Act.

The residential tariff is used as the base rate and the other tariffs determined in relation to the residential tariff, calculated on the proposed ratios between categories.

To realise the income required to finance the envisaged operational activities of the Council for the ensuing financial year, the proposed differentials for categories and application of the ratios and tariffs, are as indicated in the table below.

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No	Category	Ratio 2021/2022	Rates for 2021/2022	Ratio 2022/2023	Rates tariffs for 2022/2023	% Increase
1	Industrial			1:2.5	0.021547	4.85%
2	Residential	1:1	0.008220	1:1	0.008619	4.85%
3	Residential Consent use	1:2	0.016440	1:2	0.017237	4.85%
4	Business and commercial	1:2.5	0.020550	1:2.5	0.021547	
5	Residential Sectional title ancillary ^{*1}	1:1	0.008220	1:01	0.008619	4.85%
6	Municipal property	0	0	0	0	0%
7	Farming	1:0.25	0.002055	1:0.25	0.002155	4.85%
8	Mining land	1:2.5	0.020550	1:2.5	0.021547	4.85%
9	Vacant land	1:4	0.032881	1:4	0.034475	4.85%
10	PSI	0	0	0	0	0
11	PSI privately owned	1:0.25	0.002055	1:0.25	0.002155	4.85%
12	Private open space	1:0.25	0.002055	1:0.25	0.002155	4.85%
13	Public open space	1:0.25	0.002055	1:0.25	0.002155	4.85%
14	Public service purpose/State	1:1.5	0.012330	1:1.5	0.012928	4.85%
15	Religious	0	0	0	0	0
16	Multipurpose ^{*2}					

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No	Category	Ratio 2021/2022	Rates for 2021/2022	Ratio 2022/2023	Rates tariffs for 2022/2023	% Increase
17	Township Development	1:2.5	0.020550	1:2.5	0.021547	4.85%
18	Public benefit organisation	1:0.25	0.002055	1:0.25	0.002155	4.85%
	Penalty Tariff					
1	Unauthorised use	1:6	0.049321	1:6	0.051713	4.85%

*¹ Residential sectional title ancillary is a sub-category that is still awaiting the approval from the Minister of Traditional Affairs and Cooperative affairs.

*² Multipurpose properties will be rated according to the multiple purposes as defined in the Act. *This can be defined as properties that have multiple categories; however, all the categories will be billed on the same stand and account.* The tariff to be charge will follow the split that will be allocated to a property.

The ratio for unauthorised use (penalty tariff) is determined by Council on a yearly basis. It is proposed that the unauthorised tariff be retained at the ratio of 1:6 and be increased by CPI as determined by Council on a yearly basis.

(8) Rebates on Rates tariffs for 2022/2023

In line with the provision of Municipal Property Rates Act 6 of 2004 Council grants rebates to specific categories of properties. The City of Johannesburg Rates Policy covers extensively the rebates and the process off application. Below is the table containing all the rebates;

Residential Value Exclusion	First R350 000 of value of all residential property to be excluded from rating
Other rebates:	
Pensioner owners whose gross monthly household income is lower than R11 305 and the property value not more than R2.5 million	100%
Pensioner owners whose gross monthly income is higher than R11 305 but lower than R19 377 and the property value not more than R2.5 million	50%
Pensioner owners who are seventy years old and above irrespective of income, with a property value equal to or less R2.5 million	100%

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Residential Value Exclusion	First R350 000 of value of all residential property to be excluded from rating
High density rebate	5%
Expanded social package pensioners, who live in a property valued not more than R2.5 million	100%
People who are on Expanded social package who are not pensioners, whose property value does not exceed R500 000	100%
Heritage Sites	20%
Organizations with the purpose of Animal Protection	100%
Property Owned by Organizations in terms of the Housing Development Schemes for Retired Persons Act	50%
Vacant Land subject to conditions	50%
Private Sports Clubs	40%
Child headed family/household with a property value not exceeding R2.5 million	100%
People who are on a government grant because of disability whose gross monthly household income is lower than R11 305 with a Property value not more than R2.5 million	100%
People who receive disability pension with a gross monthly income higher than R11 305 but lower than R19 377 in a property value not more than R2.5 million	50%
Township industrial development rebate. Property owners who qualify will receive 75% rebate of the rate for a period not exceeding two years and they will receive 50% rebate of the rate for the first two years of the industry being operational . This rebate will also be afforded to Refurbishment of dilapidated township industrial properties.	First Phase of the rebate 75% Second phase of the rebate 50%

The increase to the income levels for this category of rebates is inflation (CPI) related.

(1) Special Cases

Various instances such as declaration of National disaster arise where the Council is requested to consider relief in respect of the payment of rates. This type of relief can be granted in terms of the rates policy to specified categories of property. Special reports will be submitted to council to request the necessary approval should the special cases arise.

(2) Exemptions, Reductions and Rebates

Section 15 (2)(e) of the Act permits a Council to allow rebates to the owners of residential properties with a market value lower than an amount determined by the municipality. The Act provides that the first R15 000 of the value of all residential

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property be exempt from rating. The Council granted an additional threshold rebate of R335 000 giving the total threshold of R350 000 of the market value for residential property for the current General Valuation Roll.

(3) Residential high-density rebate

The policy of Council aims to encourage greater utilisation of land. The development of Sectional Title is an appropriate avenue through which the Council's objectives for densification are to be achieved. The category consists of properties that are developed with a minimum density of 80 dwelling units per hectare, including sectional title units. A rebate of 5% of the current monthly rates will be granted.

(4) Vacant Land where Council is not able to provide infrastructure services

Certain pockets of land may be vacant owing to Council not being able to provide infrastructure services within the ensuing financial year. Under such circumstances, a rebate of 50% of the vacant land tariff will be applicable.

The granting of this rebate is dependent upon successful application by the property owner concerned and the application must be supported by the technical service departments concerned. Provision has been made in the estimates for a rebate of 50% for property situated outside the urban development zone since development is presently not permitted owing to lack of infrastructure services.

4 POLICY IMPLICATIONS

The provisions of the Rates Policy of the Council have been complied with.

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

This report has been finalised in conjunction with Legal Services to ensure compliance with all relevant legislation. In terms of Section 28(6) of the Local Government: Municipal Finance Management Act, 56 of 2003, the new proposed rates, once determined in respect of the 2021/2022 financial year, may not be further increased during that financial year. Care should thus be exercised to ensure that the proposed increases comply with the budgeted needs of the Council in respect of the 2021/2022 financial year.

6 FINANCIAL IMPLICATIONS

The proposed rates in the Rand are based on the funding requirements of the City, as well as the 2018 General Valuation roll, and subsequent supplementary valuation rolls.

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7 ECONOMIC IMPLICATION

(1) Economic development initiatives/project

The report supports initiatives linked to economic development through rebates

(2) Job creation

The report supports initiatives linked to job creation through rebates

(3) Skills development

None.

8 COMMUNICATIONS IMPLICATIONS

Public participation meetings took place from 8th February to the 8th March 2022.

9 OTHER DEPARTMENTS/BODIES CONSULTED

Budget Office
Legal and Compliance
Group Finance

10 KEY PERFORMANCE INDICATORS

Implementation of revised annual rates tariffs in alignment with the Rates Policy.

IT IS RECOMMENDED

- 1 That in terms of Sections 2, 7, 8 and 14 of the Local Government : Municipal Property Rates Act 6 of 2004 ("the Act"), read with Sections 4(1)(c)(ii) and 11(3)(i) of the Local Government : Municipal Systems Act 32 of 2000 ("the Systems Act") and Section 24(2)(c)(i) of the Local Government : Municipal Financial Management Act 56 of 2003 ("the MFMA"), The Council of the City of Johannesburg Metropolitan Municipality hereby declares its intention that the following draft rates in the Rand are to be levied for the financial year 1 July 2022 to 30 June 2023, on the market value of property or on the market value of a right in land within the area of jurisdiction of the Council as appearing in the valuation roll, in respect of the various categories of properties set out below:**

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No	Category	Ratio 2022/2023
1	Industrial	1:2.5
2	Residential	1:1
3	Residential Consent use	1:2
4	Business and Commercial	1:2.5
5	Residential Sectional Title ancillary* ¹	1:1
6	Municipal property	0
7	Farming	1:0.25
8	Mining land	1:2.5
9	Vacant Land	1:4
10	PSI	1:0.25
11	PSI privately owned	1:0.25
12	Private open space	1:0.25
13	Public open space	1:0.25
14	State	1:1.5
15	Religious	0
16	Multipurpose* ²	
17	R E of a township	1:2.5
18	Public benefit organisation	1:0.25
	Penalty Tariff	
1	Unauthorised use	1:6

*¹ Residential sectional title ancillary is a sub-category that is still awaiting the approval from the Minister of Traditional Affairs and Cooperative affairs.

*² Multipurpose properties will be rated according to the multiple purposes as defined in the Act. *This can be defined as properties that have multiple categories, however, all the categories will be billed on the same stand and account.* The tariff to be charge will follow the split that will be allocated to a property.

- 2 That the rates so levied in terms of Paragraph 1 above shall become due and payable in twelve equal installments on fixed days for twelve consecutive months, these being the due date stipulated in the account sent to the ratepayer.
- 3 That in terms of Section D Paragraph 3(c) of the Council's Property Rates Policy, interest is charged on rates not paid on or before the fixed days, at the rate determined by the Council from time to time.
- 4 That the following proposed rates be levied for the financial year 2022/2023 to any owner of ratable property as indicated in below table:

No	Category	Ratio 2022/2023	Rates tariffs for 2022/2023	% Increase
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No	Category	Ratio 2022/2023	Rates tariffs for 2022/2023	% Increase
1	Industrial	1:2.5	0.021547	4.85%
2	Residential	1:1	0.008619	4.85%
3	Residential Consent use	1:2	0.017237	4.85%
4	Business and commercial	1:2.5	0.021547	
5	Residential Sectional title ancillary* ¹	1:01	0.008619	4.85%
6	Municipal property	0	0	0%
7	Farming	1:0.25	0.002155	4.85%
8	Mining land	1:2.5	0.021547	4.85%
9	Vacant land	1:4	0.034475	4.85%
10	PSI	0	0	0
11	PSI privately owned	1:0.25	0.002155	4.85%
12	Private open space	1:0.25	0.002155	4.85%
13	Public open space	1:0.25	0.002155	4.85%
14	Public service purpose/State	1:1.5	0.012928	4.85%
15	Religious	0	0	0
16	Multipurpose* ²			
17	Township Development	1:2.5	0.021547	4.85%
18	Public benefit organisation	1:0.25	0.002155	4.85%
	Penalty Tariff			
1	Unauthorised use	1:6	0.051713	4.85%

*¹ Residential sectional title ancillary is a sub-category that is still awaiting the approval from the Minister of Traditional Affairs and Cooperative affairs.

*² Multipurpose properties will be rated according to the multiple purposes as defined in the Act. *This can be defined as properties that have multiple categories, however, all the categories will be billed on the same stand and account.* The tariff to be charge will follow the split that will be allocated to a property.

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- 5 That the City of Johannesburg may, in terms of the criteria set out in the Rates Policy, exempt a specific category of owners of properties or owners of a specific category of property, from the payment of a rates levied on their property: or grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties, as determined in this policy. All exemption, reduction and rebates must be done on a prescribed application form at the Property Branch. In terms of Section 15(1)(b) of the Act read with Sections B of the Property Rates Policy, Council grants exemptions reductions and rebates as stipulated below:**
- (1) Residential property owned and occupied by natural persons who have limited income and who are not pensioners, and the value of their property does not exceed R500 000, but can show that his or her annual income falls below the limit determined by Council from time to time in terms of the Expanded Social Package: rebate dependent on points rating.**
 - (2) Residential property owned and occupied by natural persons who are dependent on a State social security grant in terms of the Social Assistance Act 59 of 1992 as their sole source of income and the property value is less than R350 000: 100% rebate.**
 - (3) Residential property owned and occupied by pensioners who are not persons contemplated in Paragraph (ii) if the total income of the household does not exceed the maximum of R10 835 per month over the previous income tax year: 100% rebate.**
 - (4) Residential property which is occupied by a household headed by a minor or minors whose parents have passed on while they were owners of the property: 100% rebate.**
 - (5) Residential property owned and occupied by a pensioner who is seventy years and above, whose value of the property complies with the criteria set out above, would be exempted from paying rates. The criteria set out in (a) to (f) below has reference:**
 - (a) Residential property owned and occupied by pensioners who are not persons contemplated in Paragraph 5 (ii) above, if the total income of the household does exceed the average of R11 305 per month over the previous income tax year but does not exceed the maximum of R19 377 per month over the previous income tax year: 50%:**
 - (b) Provided that the rebate contemplated in Subparagraphs 5(iii) to 5(v) above shall only be granted wherein:**

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- (i) The market value of the property as recorded in the prevailing valuation roll does not exceed R2 500 000, and in the case of a pensioner, such pensioner has attained the age of 60 or be 70 years or older; and in the case of dual ownership at least one of the owners has attained the age of 60 years or older; and
 - (ii) The property owner personally occupies the property.
 - (iii) A property owner who is a pensioner and is seventy years and above who live in a property not more than R2 500 000 qualifies for 100% rebate.
 - (iv) A pensioner rebate will be applied to one property per pensioner or pensioner and spouse only.
 - (v) The pensioner rebate will be based on the total household income.
- 6 That those properties owned by organisations that are registered in terms of the Housing Development Schemes for Retired Persons Act: 50%. (1) Property owned by pensioners in terms of the Housing development Scheme for Retired Persons who are sectionalized and registered in their name would be treated as per Paragraph 5 (iii) to 5 (v).
 - 7 That property owned by private sports clubs that are used primarily for sports purposes will qualify for 40% rebate.
 - 8 That property declared as heritage sites in terms of Section 27, 28 and 31 of the National Heritage Resources Act 25 of 1999 will qualify for 20% rebate.
 - 9 That residential sectional title properties meeting the requirements set out by the City for high density can apply for high density rebate and will qualify for a rebate of 5% on the monthly charge for rates.
 - 10 That property registered in the name of an institution or organisation which has, as its exclusive objective the protection of animals will qualify for 100% rebate
 - 11 Those properties that are vacant but may not be developed as a direct result of the inability of Council to provide services, subject to the owner providing written confirmation from the service entity stating that no development can be allowed for the duration of the ensuing financial year, because of lack of services will be granted 50% rebate of the vacant land tariff.
 - 12 That the first R350 000 of the value of all residential property shall be exempted from rating.

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- 13 That the properties situated within an area affected by a disaster, within the ambit of the Disaster Management act 57 of 2002, be granted (for a limited period) as prescribed by Council, a rebate up to 100% of the monthly charge for rates. Property owners must apply to the Property Branch for such a rebate once granted by Council. The Property Branch may require proof before the rebate is granted.**
- 14 That those properties developed within the identified Corridors of Freedom qualifies for the following rebates:**
- (1) During construction, a rebate of 75% of the rate as per the category of land for a period not exceeding two years during construction, and**
 - (2) Post construction, a rebate of 50% of the rates payable as per the category assigned in the General Valuation Roll for a period not exceeding one year.**
- 15 That township industrial properties developed within the identified townships qualifies for the following:**
- (1) During construction rebate 75% of the rate as per the category of land for period not exceeding two years during construction, and**
 - (2) Post construction, the industrial property owner qualifies for 50% of the rates payable as per the category assigned in the General Valuation Roll for a period not exceeding two years.**
- The above rebate also applies to refurbishment of township industrial properties**
- 16 That in terms of Section 14 of the MPRA read with Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21, 21A(1) and (2) of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000) as amended, the City of Johannesburg is required to:**
- (1) Display the notice and the documents in the manner prescribed.**
 - (2) Convey to the local community by means of radio broadcasts covering the area of the City, the information contemplated in Section 21A(c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended; and**
 - (3) Publish a notice in the manner prescribed and invite the local community to submit written comments or representation in respect of the City's proposed Property rates tariffs.**

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- 17 That in terms of Section 22(b)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) a copy of the notice and documents be sent forthwith to the National and Provincial Treasury; MEC for Local Government and Housing; as well any other organ of state or municipality affected by the budget to solicit their view.**

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