

**GROUP FINANCE**

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**DRAFT DETERMINATION OF PROPERTY  
RATES TARRIFS FOR TABLING 2023/2024**

**1 STRATEGIC THRUST**

A financial sustainable and resilient City

**2 OBJECTIVES**

- To obtain approval for the Draft Property Rates to be levied.
- To obtain approval for the granting of rebates in respect of the 2023/2024 financial year.

**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 2023/2024 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

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considered in recommending the tariffs for the 2023/2024 financial year, including but not limited to the following:

- The market values of properties in the General Valuation Roll 2023
- The ratios as previously determined by Council and the Minister for CoGTA
- Budgetary requirements
- Compliance with the tariff policy
- The economy of the country
- Affordability

**(2) The Property Market Valuation Base**

The 2023 General Valuation Roll consists of a total of 934 652 properties and the tariff modelling is based on this number. Included in the figure of 934 652 are municipal owned properties, public open space 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:

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Category	Nr. Properties	Market Value
Farming	51	R246 181 000
Business & Commercial	46 200	R396 012 824 000
Industrial	4 429	R12 495 622 000
Mining	65	R351 479 000
Multiple purposes	1 768	R16 265 380 000
Municipal	2 345	R11 781 925 000
Public benefit organization (PBO)		
Private open space	813	R 1 717 960 000
Public open space	2 710	R 5 219 707 000
Public service infrastructure	12 141	R 542 743 000
Public service infrastructure Private	1 383	R 291 965 000
Public service purposes	1 675	R 35 403 836 000
Religious	1 675	R 8 163 203 000
Residential	836 383	R1 054 011 390 000
Residential with consent use	221	R 494 711 000
Township development	724	R 10 789 914 000
Vacant land	21 857	R 34 848 168 000
<b>TOTAL</b>	<b>934 652</b>	<b>R1 588 637 008 000</b>

(3) Revenue Projection 2023/2024

On a base rate increase of 5.3%, the residential rate in the Rand will increase to R0.009076 for 2023/2024 financial year. The business rate will increase to R0.022689. This increase is based on retaining the business ratio at 1:2.5. Total rates revenue after rebates is estimated at R16.3 billion.

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(4) Proposals for pensioner rebate

It is proposed that the income levels for pensioners be increased from the lower amount of R11 305 to R11 904 and the higher amount from R19 377 to R20 404. This renders an increase of 5.3%.

It is proposed that the property threshold for pensioners qualifying for the pensioner rebate be adjusted to R1.5 million for all pensioners from age 60 to 69 years. This sliding scale process will enable the City to increase pensioner benefiting from 28 000 to approximately 50 000 pensioners. All pensioners will get the rebate and pay on the balance of the values of the properties that exceed the R1,5million.

In Previous engagements in the past four years the pensioners made these submissions however implementation could not be done that that point until the implementation of the new General Valuation roll 2023.

Pensioners aged 70years with a property Value of not more than R2million will be granted 100% rebate with no consideration of the income. If the property value exceeds R2million the pensioner will be expected to pay rates on the value in excess of R2million.

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 30<sup>th</sup> of June 2023. Pensioners applying for expanded social package are now required to complete the pensioner's application form to qualify for the pensioner rebate.

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(5) 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:

No	Category	Ratio 2022/2023	Rates tariffs for 2022/2023	Ratio 2023/2024	Rates tariffs for 2023/2024	% Increase
1	Business and commercial	1:2.5	0.021547	1:2.5	0.022689	5.3%
2	Farming	1:0.25	0.002155	1:0.25	0.002269	5.3%
3	Industrial	1:2.5	0.021547	1:2.5	0.022689	5.3%
4	Mining land	1:2.5	0.021547	1:2.5	0.022689	5.3%
5	Multipurpose*1					
6	Municipal property	0	0	0	0	0%
7	Private open space	1:0.25	0.002155	1:0.25	0.002269	5.3%
8	Public benefit organisation	1:0.25	0.002155	1:0.25	0.002269	5.3%

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No	Category	Ratio 2022/2023	Rates tariffs for 2022/2023	Ratio 2023/2024	Rates tariffs for 2023/2024	% Increase
9	Public open space	1:0.25	0.002155	1:0.25	0.002269	5.3%
10	Public service infrastructure	0	0	0	0	0%
11	Public service infrastructure - private	1:0.25	0.002155	1:0.25	0.002269	5.3%
12	Public service purpose	1:1.5	0.012928	1:1.5	0.013613	5.3%
13	Religious	0	0	0	0	0%
14	Residential	1:1	0.008619	1:1	0.009076	5.3%
15	Residential Consent use	1:2	0.017237	1:2	0.018151	5.3%
16	Township Development	1:2.5	0.021547	1:2.5	0.022689	5.3%
17	Vacant land	1:4	0.034475	1:4	0.036302	5.3%

Penalty Tariff						
1	Unauthorised use	1:6	0.051713	1:6	0.054454	5.3%

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\*<sub>1</sub> Multipurpose properties will be rated according to the multiple purposes as defined in the Act. *This is defined as properties that have multiple categories; however, all the categories as implemented on the General Valuation roll will be billed on the same stand and account.* The tariff to be charged will follow the split that will be allocated to a property in the General Valuation roll.

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.

**(6) 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 of application. Below is the table containing all the rebates;

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Residential Value Exclusion <i>Govt as per the MPRA section 17(1) allows for R15 000</i> <i>The City grants an additional R285 0000</i>	First R300 000 of value of all residential property to be excluded from rating
Other rebates:	
Pensioners whose gross monthly household income is lower than R11 904 and the property value not more than R 1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
Pensioner owners whose gross monthly income is higher than R11 904 but lower that R20 404 and the property value not more than R 1.5 million for pensioners from the age of	50% of Rates up to market value of R 1.5 million. Additional Rates will be levied for property market value in excess of R 1.5 million
Pensioners aged 70years and above	Threshold is adjusted to R2million and any excess in value rates will be payable.
High density rebate	5%
Expanded social package pensioners, who live in a property valued not more than R 1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
People who are on Expanded social package who are not	100%



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Residential Value Exclusion <i>Govt as per the MPRA section 17(1) allows for R15 000</i> <i>The City grants an additional R285 0000</i>	First R300 000 of value of all residential property to be excluded from rating
pensioners, whose property value does not exceed R500 000	
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 R1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
People who are on a government grant because of disability whose gross monthly household income is lower than R11 904 with a Property value not exceeding R 1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
People who receive disability pension with a gross monthly income higher than R11 904 but lower that R20 404 in a property value not exceeding R 1.5 million for pensioners from the age of 60.	50% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
Township industrial development rebate. Property owners	First Phase of the

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Residential Value Exclusion <i>Govt as per the MPRA section 17(1) allows for R15 000</i> <i>The City grants an additional R285 0000</i>	First R300 000 of value of all residential property to be excluded from rating
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.	rebate 75% Second phase of the rebate 50%
Privately owned schools, colleges, and universities categorised business and commercial qualifies for rebate on application up to 30%.	Up to 30%

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

(6.1) 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.

(6.2) 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 property be exempt from rating. The Council granted an additional threshold rebate of R285 000 giving the total threshold of R300 000 of the market value for residential property for the current General Valuation Roll.

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**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 2023/2024 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 2023/2024 financial year.

**6 FINANCIAL IMPLICATIONS**

The proposed rates in the Rand are based on the funding requirements of the City, as well as the 2023 General Valuation roll, and subsequent supplementary valuation rolls.

**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**

The Rates tariff will be communicated as part of the IDP and Budget public consultation process. The communication will be done within the communication policy of the City and the prevailing legislations.

**9 OTHER DEPARTMENTS/BODIES CONSULTED**

Budget Office

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Legal and Compliance

Group Finance

**10 KEY PERFORMANCE INDICATORS**

Implementation of revised annual rates tariffs.

**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 2023 to 30 June 2024, 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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**Category Ratios for 2023/2024**

No	Category	Ratio 2023/2024
1	Business and commercial	1:2.5
2	Farming	1:0.25
3	Industrial	1:2.5
4	Mining land	1:2.5
5	Multipurpose* <sub>1</sub>	
6	Municipal property	0
7	Private open space	1:0.25
8	Public benefit organisation	1:0.25
9	Public open space	1:0.25
10	Public service infrastructure	0
11	Public service infrastructure - private	1:0.25
12	Public service purpose	1:1.5
13	Religious	0
14	Residential	1:1
15	Residential Consent use	1:2
16	Township Development	1:2.5
17	Vacant land	1:4

Penalty Tariff		
1	Unauthorised use	1:6

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\*1 Multipurpose properties will be rated according to the multiple purposes as defined in the Act. *This is defined as properties that have multiple categories; however, all the categories as implemented on the General Valuation roll will be billed on the same stand and account.* The tariff to be charged will follow the split that will be allocated to a property in the General Valuation roll.

2. The rates 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 tariffs be levied for the financial year 2023/2024 to any owner of ratable property as indicated in below table:

No	Category	Ratio 2023/2024	Rates tariffs for 2023/2024	% Increase for 2023/2024
1	Business and commercial	1:2.5	0.022689	5.3%
2	Farming	1:0.25	0.002269	5.3%
3	Industrial	1:2.5	0.022689	5.3%
4	Mining land	1:2.5	0.022689	5.3%
5	Multipurpose*1			5.3%
6	Municipal property	0	0	

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No	Category	Ratio 2023/2024	Rates tariffs for 2023/2024	% Increase for 2023/2024
1	Unauthorised use	1:6	0.054454	5.3%

\*1 Multipurpose properties will be rated according to the multiple purposes as defined in the Act. *This is defined as properties that have multiple categories; however, all the categories as implemented on the General Valuation roll will be billed on the same stand and account.* The tariff to be charged will follow the split that will be allocated to a property in the General Valuation roll.

5. 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 nearest walk-in centre and a reference number must be obtained. 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:

(i) 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 R600 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.

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(ii) 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 R300 000: 100% rebate.

(iii) 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 R11 904 per month over the previous income tax year: 100% rebate up to the market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million

(iv) 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.

(v) Residential property owned and occupied by a pensioner who is sixty years and above, whose value of the property complies with the criteria set out above, would be exempted from paying rates in line with criteria set out under table of exemption/rebates. 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 904 per month over the previous income tax year but does not exceed the maximum of R20 404 per month over the previous income tax year: 50% of Rates up to market value of R 1.5 million. Additional Rates will be levied for property market value in excess of R 1.5 million.

(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 R 1.5 million for pensioners from the age of 60 and
  - ii. The property owner personally occupies the property.
  - iii. A pensioner rebate will be applied to one property per pensioner or pensioner and spouse only.
  - iv. The pensioner rebate will be based on the total household income.
6. 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

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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 R300 000 of the value of all residential property shall be exempted from rating.
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. 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. 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

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(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 public school under the category Public Service Purpose will qualify for 50% rebate. Private schools, colleges and university privately owned qualifies for an education rebate of up to 30% on application.


17. 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:

- (i) Display the notice and the documents in the manner prescribed.
- (ii) 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
- (iii) 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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18. 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.



Author: Veli Hlophe

Deputy Director: Policy and Revenue Enhancement

17/03/2023  
Date



Candy Jaftha

Group Legal & Contracts: Legal Advisor

17/03/2023  
Date



Sihle More

Group Head: Property Branch

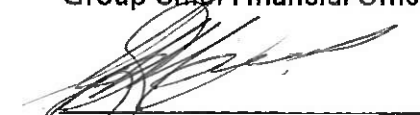
17/03/2023  
Date



Tebogo Moraka

Group Chief Financial Officer

20/03/2023  
Date



Cllr Dada Morero

MMC Finance

20/03/2023  
Date