

City of Johannesburg Council 2024-03-19/20

COJ : MAYORAL COMMITTEE 2024-03-13

GROUP FINANCE

79 DRAFT DETERMINATION OF PROPERTY RATES TARIFFS FOR TABLING 2024/2025

1 STRATEGIC THRUST

A financial sustainable and resilient City.

2 OBJECTIVES

- To request Council to approve the draft tabled tariff determination report for 2024/25.
- To obtain authority from Council to engage the public on the 2024/25 tabled Draft tariffs.

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 2024/2025 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 rates 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 2024/2025 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

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- The economy of the country
- Affordability

(2) The Property Market Valuation Base

The 2023 General Valuation Roll consists of a total of 951 171 properties and the tariff modelling is based on this number. Included in the figure of 951 171 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:

Category	Nr. Properties	Market Value
Agricultural	52	231,111,000
Business & Commercial	40 684	359,692,721,982
Industrial	12 149	43,354,051,640
Mining	70	344,557,000
Multiple purposes	697	3,608,914,000
Municipal	2 228	10,491,689,000
Public benefit organization (PBO)		
Private open space	824	1,650,314,000
Public open space	2 662	4,927,841,000
Public service infrastructure	12 058	565,430,000
Public service infrastructure - Private	1 507	194,209,900
Public service purposes	1 096	26,377,463,900
Religious	1 907	8,148,340,400

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Category	Nr. Properties	Market Value
Residential	852 008	1,075,223,456,302
Residential with consent use	300	660,552,000
Township development	771	12,157,317,820
Vacant land	22 158	33,938,361,154
TOTAL	951 171	1,581,566,331,098

(3) Revenue Projection 2024/2025

On a base rate increase of 4.8%, the residential rate in the Rand will increase from 0.008791 to R0.009213 for 2024/2025 financial year. The business rate will increase from 0.021978 to R0.023033. This increase is based on retaining the business ratio at 1:2.5. The total rates revenue after rebates is estimated at R17.8 billion.

(4) Proposals for pensioner rebate

It is proposed that the residential threshold of property values qualifying for pensioner rebates remain at R1.5 million for pensioners between ages 60 and 69, and to R2 million for pensioners aged 70 and above, subject to certain qualifying criteria as outlined in the exemptions/rebates table. The first R1.5 million of the property value (inclusive of the residential threshold value) for pensioners between the ages of 60 – 69 will be exempted from rating, and the first R2 million of the property values (inclusive of the residential threshold value) for pensioners aged 70 and above will be exempted from rating.

All qualifying pensioners will receive the rebate and pay on the balance of values that exceed the above-mentioned thresholds.

It is proposed that the income levels for pensioners aged 60-69 be increased from the lower amount of R11 904 to R12 475 and the higher amount from R20 404 to R21 383. This renders an increase of 4.8%.

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The pensioner rebate benefit will be granted for the duration of the prevailing valuation roll. Pensioners will be required to re-apply, at the end of the duration of the prevailing valuation roll that lapse on the 30th of June 2027. Pensioners applying for expanded social package are now required to complete the pensioner's application form to qualify for the pensioner rebate.

(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 for 2023/2024	Rates tariffs for 2023/2024	Ratio for 2024/2025	Rates tariffs for 2024/2025	% Increase
1	Agricultural	1:0.25	0.002198	1:0.25	0.002304	4.8%
2	Business and commercial	1:2.5	0.021978	1:2.5	0.023033	4.8%
3	Industrial	1:2.5	0.021978	1:2.5	0.023033	4.8%
4	Mining land	1:2.5	0.021978	1:2.5	0.023033	4.8%
5	Multipurpose*1				0.000000	4.8%
6	Municipal property	0	0	0	0.000000	4.8%
7	Private open space	1:0.25	0.002198	1:0.25	0.002304	4.8%
8	Public benefit organisation	1:0.25	0.002198	1:0.25	0.002304	4.8%
9	Public open space	1:0.25	0.002198	1:0.25	0.002304	4.8%
10	Public service infrastructure	0	0	0	0.000000	4.8%
11	Public service infrastructure - private	1:0.25	0.002198	1:0.25	0.002304	4.8%

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No	Category	Ratio for 2023/2024	Rates tariffs for 2023/2024	Ratio for 2024/2025	Rates tariffs for 2024/2025	% Increase
12	Public service purpose	1:1.5	0.013187	1:1.5	0.013820	4.8%
13	Religious	0	0	0	0.000000	4.8%
14	Residential	1:1	0.008791	1:1	0.009213	4.8%
15	Residential Consent use	1:2	0.017582	1:2	0.018426	4.8%
16	Township Development	1:2.5	0.021978	1:2.5	0.023033	4.8%
17	Vacant land	1:4	0.035165	1:4	0.036853	4.8%

1	Unauthorised use	1:06	0.052747	1:06	0.055279	4.8%
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*1 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 charged 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.

(6) Rebates on Rates tariffs for 2024/2025

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.

Residential Value Exclusion The MPRA section 17(1) allows for R15 000. The City grants an additional R285 000.	First R300 000 of the value of all residential property to be excluded from rating.
Other rebates:	
Pensioners between ages 60 - 69 Pensioners whose gross monthly household income is lower than R12 475 and the property value up to R 1.5 million (inclusive of the residential threshold value) for pensioners from the age of 60.	100% Rates up to market value of R 1.5 million (inclusive of the residential threshold value). Rates will be levied on property market value in excess of R1.5 million.

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Pensioners between ages 60 - 69 Pensioners whose gross monthly household income is higher than R12 475 but equal or less than R21 383, and the property value up to R 1.5 million (inclusive of the residential threshold value) for pensioners from the age of 60.	100% Rates up to market value of R 1.5 million (inclusive of the residential threshold value). Rates will be levied on property market value in excess of R1.5 million.
Pensioners of 70 years and above Income levels are not considered.	100% Rates up to market value of R 2 million (inclusive of the residential threshold value). Rates will be levied on property market value in excess of R2 million.
Expanded social package pensioners (from age 60 and above), who live in a property valued not more than R1.5 million	100% Rates rebate up to market value of R 2 million (inclusive of the residential threshold value). Rates will be levied on property market value in excess of R2 million.
People who are on a government grant because of disability whose gross monthly household income is lower than R12 475 with a property value not exceeding R1.5 million for pensioners from 60 years of age.	100% Rates up to market value of R 1.5 million (inclusive of the residential threshold value). Rates will be levied on property market value in excess of R1.5 million.
People who are on Expanded social package (ESP) who are not pensioners, whose property value does not exceed R500 000	100% Rates
High density rebate (Residential property)	5% Rates
Heritage Sites	20% Rates
Private Sports Clubs	40% Rates
Protection of Animals	100% Rates
Vacant Land (undevelopable land)	50% Rates
Housing Development Schemes for Retired Persons (life rights)	50% rates rebate
Registered Social Landlords	40% rates rebate
Child Headed Households	100% rates rebate up to market value of R 1.5 million (inclusive of the residential threshold value).
Corridors of Freedom	Determined by Development Planning in line with the approved Strategic Area Framework
Township Industrial Development, including the refurbishment of dilapidated township industrial properties.	Phase 1: 75% rates rebate for two years during construction Phase 2: 50% rates rebate for the first two years of operation

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(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 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 2023.

(3) Public and Independent Schools

(a) Public schools under the category Public Service Purpose.

The property rates will be phased in over a four-year period.

The rates payable/levied will be:

Year 1 - 25% of the tariff for this category (2023/2024)

Year 2 - 50% of the tariff for this category (2024/2025)

Year 3 - 75% of the tariff for this category (2025/2026)

Year 4 and beyond - 100% of the tariff for this category.

(b) Independent schools under the category Business and Commercial.

The property rates will be phased in over a four-year period.

The rates payable/levied will be:

Year 1 - 25% of the tariff for this category (2023/2024)

Year 2 - 50% of the tariff for this category (2024/2025)

Year 3 - 75% of the tariff for this category (2025/2026)

Year 4 and beyond - 100% of the tariff for this category.

(4) Consideration on residential threshold rebate for 2024/2025 financial year

Threshold rebate for residential properties that are sectionalised but still owned by the same owner should each unit be granted threshold rebate as determined by Council at R300 000 or the threshold rebate limit as determined in Section 15 of MPRA at R15 000.

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Individual property owners that own more than one residential property consideration within the City whether should the City continue to grant threshold rebate for all properties as determined by Council or R300 000 or grant the threshold rebate as provided in for Section 15 of MPRA at R15 000.

(5) Rejuvenation of all Central Business districts/Centres

Rebates are proposed for the rejuvenation of all central business centres. These rebates are proposed to attract investors to rebuild and re-invest in all central business districts in the City. The proposed rebate will be applied on the similar principles as the Corridors of freedom and Township industrial development.

8 POLICY IMPLICATIONS

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

9 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 2024/2025 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 2024/2025 financial year.

10 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.

11 ECONOMIC IMPLICATIONS

(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.

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12 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.

13 OTHER DEPARTMENTS/BODIES CONSULTED

Budget Office
Legal and Compliance
Group Finance

14 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 2024 to 30 June 2025, 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, refer to (4):**
- 2 That 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.**

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- 4 That the following proposed rates tariffs be levied for the financial year 2024/2025 to any owner of ratable property as indicated in the table below:

No	Category	Ratio 2024/2025	Rates tariff for 2024/2025	% Increase
1	Agricultural	1:0.25	0.002304	4.8%
2	Business and commercial	1:2.5	0.023033	4.8%
3	Industrial	1:2.5	0.023033	4.8%
4	Mining land	1:2.5	0.023033	4.8%
5	Multipurpose*1			4.8%
6	Municipal property	0	0	4.8%
7	Private open space	1:0.25	0.002304	4.8%
8	Public benefit organisation	1:0.25	0.002304	4.8%
9	Public open space	1:0.25	0.002304	4.8%
10	Public service infrastructure	0	0	4.8%
11	Public service infrastructure - private	1:0.25	0.002304	4.8%
12	Public service purpose	1:1.5	0.013820	4.8%
13	Religious	0	0	4.8%
14	Residential	1:1	0.009213	4.8%
15	Residential Consent use	1:1.2	0.018426	4.8%
16	Township Development	1:2.5	0.023033	4.8%
17	Vacant land	1:1.4	0.036853	4.8%

Penalty Tariff				
1	Unauthorised use	1:6	0.055279	4.8%

***1** 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 charged will follow the split that will be allocated to a property in the General Valuation roll.

- 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.

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All exemption, reduction and rebates must be done on a prescribed application form and a reference number must be attached to the application form. 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:

- (a) That the first R300 000 of the value of all residential property shall be exempt from rating.**
- (b) 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.**
- (c) Residential property owned and occupied by pensioners aged 60-69 whose income does not exceed the maximum of R12 475 per month over the previous income tax year, 100% rebate up to the market value up to R 1.5 million. Rates will be levied on the property market value in excess of R1.5 million.**
- (d) Residential property owned and occupied by pensioners aged 60-69 whose income exceed R12 475 but does not exceed R21 383 per month over the previous income tax year, 50% rebate up to the market value up to R 1.5 million. Rates will be levied on the property market value in excess of R1.5million.**
- (e) Residential property owned and occupied by pensioners aged 70 and above, qualifies for 100% rebate up to the market value of R2 million. Rates will be levied on the property market value in excess of R2 million.**
- (f) Residential property owners who are on a government grant due to a disability whose gross monthly household income is lower than R12 475 with a property value not exceeding to R 1.5 million, qualifies for a 100% rates rebate.**
- (g) Residential properties meeting the requirements for high density as set out by the City can apply for high density rebate and will qualify for a rebate of 5% on the monthly charge for rates.**
- (h) Residential property which is occupied by a minor whose parents have died while they were owners of the property: 100% rebate. The market value should not exceed R1.5 million.**

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- (2) 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.**
- (3) That property owned by private sports clubs that are used primarily for sports purposes will qualify for 40% rebate.**
- (4) 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.**
- (5) 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.**
- (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 8 (i) - (iii).**
- (7) Properties owned by individuals or entities designated as Registered Social Landlords qualifies for a 40% rebate. The property must comply with the conditions contained in the Social Housing Act (No.16 of 2008).**
- (8) Those properties developed within the identified Corridors of Freedom qualifies for the following rebates:**
 - (a) 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**
 - (b) 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.**
- (9) Township industrial properties developed within the identified townships qualifies for the following:**
 - (a) During construction rebate 75% of the rate as per the category of land for a period not exceeding two years during construction, and**

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- (b) **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.**

(10) Public and Independent Schools:

- (a) **Public schools under the category Public Service Purpose.
The property rates will be phased in over a four-year period.
The rates payable/levied will be:
Year 1 - 25% of the tariff for this category (2023/2024)
Year 2 - 50% of the tariff for this category (2024/2025)
Year 3 - 75% of the tariff for this category (2025/2026)
Year 4 - 100% of the tariff for this category (2026 and beyond)**
- (b) **Independent schools under the category Public Service Purpose.
The property rates will be phased in over a four-year period.
The rates payable/levied will be:
Year 1 - 25% of the tariff for this category (2023/2024)
Year 2 - 50% of the tariff for this category (2024/2025)
Year 3 - 75% of the tariff for this category (2025/2026)
Year 4 - 100% of the tariff for this category (2026 and beyond)**

- 6 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.**

- 7 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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- 8 That the report be submitted to the relevant Section 79 Committee for comment.**

(GROUP FINANCE)

(Veli Hlophe)

(Deputy Director: Policy and Revenue Enhancement)

(tc)