



DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

**LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATES ACT NO. 6 OF  
2004  
CIRCULAR NO. 4 (ISSUED ON 19 MARCH 2010)**

**TO ALL:**

**MUNICIPAL MANAGERS  
MUNICIPAL CHIEF FINANCIAL OFFICERS**

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**CIRCULAR TO CLARIFY AND OUTLINE THE MEANING OF “ANY  
SPECIFIED PUBLIC BENEFIT ACTIVITY” IN ITEMS OF PART 1 OF THE  
NINTH SCHEDULE TO THE INCOME TAX ACT CONTEMPLATED IN THE  
AMENDED MUNICIPAL PROPERTY RATES REGULATIONS ON THE  
RATE RATIOS BETWEEN RESIDENTIAL AND NON-RESIDENTIAL  
CATEGORIES OF PROPERTY**

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The purpose of this Circular is to clarify what constitutes “any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act”.

The Minister for Cooperative Governance and Traditional Affairs, with the concurrence of the Minister of Finance promulgated Government Notice No. R. 195 in the Government Gazette No.33016 on 12 March 2010 amending the Municipal Property Rates Regulations on the Rate Ratios between Residential and Non-Residential Categories of Property that was published in Government Notice No. R. 363 on 27 March 2009. The substance of the amendment to said Regulations is to add a ratio for public benefit organisation property of 1:0.25.

## 1. Definition of “public benefit organisation property”

“Public benefit organisation property” is defined in the Regulations as follows:

*“public benefit organisation property” means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.*

The Ninth Schedule of the Income Tax Act lists a set of public benefit activities for the purposes of income taxation. For the purposes of municipal property rating, only three items out of these numerous items are applicable. In both the Regulations and the definition of “specified public benefit activity” in terms of the Municipal Property Rates Act (“the Act”), the scope of public benefit activities is restricted to those activities falling within the following 3 items:

- Item 1: welfare and humanitarian,
- Item 2: health care, and
- Item 4: education and development.

Therefore the ratio of 1.0.25 must be applied to properties **owned** by public benefit organisations **and used** for specific activities listed under any of the three items referred to above.

## 2. What specific activities and undertakings fall under “welfare and humanitarian”, “health care” and “education and development”?

The Ninth Schedule to the Income Tax is presented verbatim below for reference purposes. It is important to note that the Schedule is subject to change from time to time, therefore municipalities must annually refer to the Schedule which can be found at the South Africa Revenue Services website ([www.sars.gov.za](http://www.sars.gov.za)), and clicking on “Public Benefit Organisations window”.

### ***“Item 1 - Welfare and Humanitarian***

- (a) The care or counselling of, or the provision of education programmes relating to, abandoned, abused, neglected, orphaned or homeless children.
- (b) The care or counselling of poor and needy persons where more than 90 per cent of those persons to whom the care or counselling are provided are over the age of 60.
- (c) The care or counselling of, or the provision of education programmes relating to, physically or mentally abused and traumatized persons.
- (d) The provision of disaster relief.
- (e) The rescue or care of persons in distress.
- (f) The provision of poverty relief.
- (g) Rehabilitative care or counselling or education of prisoners, former prisoners and convicted offenders and persons awaiting trial.

- (h) The rehabilitation, care or counselling of persons addicted to a dependence-forming substance or the provision of preventative and education programmes regarding addiction to dependence-forming substances.
- (i) Conflict resolution, the promotion of reconciliation, mutual respect and tolerance between the various peoples of South Africa.
- (j) The promotion or advocacy of human rights and democracy.
- (k) The protection of the safety of the general public.
- (l) The promotion or protection of family stability.
- (m) The provision of legal services for poor and needy persons.
- (n) The provision of facilities for the protection and care of children under school- going age of poor and needy parents.
- (o) The promotion or protection of the rights and interests of, and the care of, asylum seekers and refugees.
- (p) Community development for poor and needy persons and anti-poverty initiatives, including—
  - (i) the promotion of community-based projects relating to self-help, empowerment, capacity building, skills development or anti-poverty;
  - (ii) the provision of training, support or assistance to community-based projects contemplated in item (i); or
  - (iii) the provision of training, support or assistance to emerging micro enterprises to improve capacity to start and manage businesses, which may include the granting of loans on such conditions as may be prescribed by the Minister by way of regulation.
- (q) The promotion of access to media and a free press.

***Item 2 – Health Care***

- (a) The provision of health care services to poor and needy persons.
- (b) The care or counselling of terminally ill persons or persons with a severe physical or mental disability, and the counselling of their families in this regard.
- (c) The prevention of HIV infection, the provision of preventative and education programmes relating to HIV/AIDS.
- (d) The care, counselling or treatment of persons afflicted with HIV/AIDS, including the care or counselling of their families and dependants in this regard.
- (e) The provision of blood transfusion, organ donor or similar services.
- (f) The provision of primary health care education, sex education or family planning.

***Item 4 - Education and Development***

- (a) The provision of education by a "school" as defined in the South African Schools Act, 1996, (Act No. 84 of 1996).
- (b) The provision of "higher education" by a "higher education institution" as defined in terms of the Higher Education Act, 1997, (Act No. 101 of 1997).

- (c) "Adult basic education and training", as defined in the Adult Basic Education and Training Act, 2000, (Act No. 52 of 2000), including literacy and numeracy education.
- (d) "Further education and training" provided by a "public college" or "private college" as defined in the Further Education and Training Colleges Act, 2006 (Act No. 16 of 2006), which is registered in terms of that Act.
- (e) Training for unemployed persons with the purpose of enabling them to obtain employment.
- (f) The training or education of persons with a severe physical or mental disability.
- (g) The provision of bridging courses to enable educationally disadvantaged persons to enter a higher education institution as envisaged in subparagraph (b).
- (h) The provision of educare or early childhood development services for pre-school children.
- (i) Training of persons employed in the national, provincial and local spheres of government, for purposes of capacity building in those spheres of government.
- (j) The provision of school buildings or equipment for public schools and educational institutions engaged in public benefit activities contemplated in subparagraphs (a) to (h).
- (k) Career guidance and counselling services provided to persons attending any school or higher education institution as envisaged in subparagraphs (a) and (b).
- (l) The provision of hostel accommodation to students of a public benefit organisation contemplated in section 30 or an institution, board or body contemplated in section 10 (1) (cA) (i), carrying on activities envisaged in subparagraphs (a) to (g).
- (m) Programmes addressing needs in education provision, learning, teaching, training, curriculum support, governance, whole school development, safety and security at schools, pre-schools or educational institutions as envisaged in subparagraphs (a) to (h).
- (n) Educational enrichment, academic support, supplementary tuition or outreach programmes for the poor and needy.
- (o) The provision of scholarships, bursaries, awards and loans for study, research and teaching on such conditions as may be prescribed by the Minister by way of regulation in the Gazette.
- (p) The provision or promotion of educational programmes with respect to financial services and products, carried on under the auspices of a public entity listed under Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999)."

**3. Public benefit organisation properties can be identified using the means indicated below:**

- (i) The South African Revenue Service (SARS) issues approval letters to public benefit organisations (PBO) as proof that they are registered as such for tax purposes (exemptions) in terms of the Income Tax Act.

- (ii) In respect of its jurisdictional area a municipality should request an owner of a property who claims that a specific public benefit activity is undertaken on that property as per the Regulations to submit a SARS approval letter as proof that the organisation is registered as a public benefit organisation for tax purposes together with a tax clearance certificate that indicates that the public benefit organisation has its tax affairs in order in terms of the Income Tax Act in relation to those activities. In the case where a specific national or provincial public benefit organisation has branches or affiliates throughout the country or province, a municipality must verify with SARS whether a specific branch or affiliate within its jurisdiction is explicitly included or cited in the list in terms of which SARS has granted public benefit organisation status to the particular organisation for tax exemption purposes in terms of the Income Tax Act.
- (iii) A municipality can confirm the authenticity of the approval letter with the SARS Tax Exemption Unit in Pretoria. The particulars of the SARS Tax Exemption Unit are as follows:  
Tel: (012) 422 8800, Fax: (012) 422 8830 E-mail: [teu@sars.gov.za](mailto:teu@sars.gov.za),  
Web: [www.sars.gov.za](http://www.sars.gov.za), click on the "Public Benefit Organisations" window.

## **CONTACT PERSON**

Should municipalities require any further information on the matters dealt with in this Circular, requests are to be directed to the Department of Cooperative Governance and Traditional Affairs for the attention of:

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