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## **LATEST MPRA COMPLIANCE REQUIREMENTS**

The Local Government: Municipal Property Rates Act, 6 of 2004 (hereafter MPRA) regulates the power of a municipality to impose rates on property, these are known as property rates. Municipal rates policies make provision for fair and equitable rating and extend rates relief to vulnerable households within the municipalities. The MPRA provides for differential rating, that is different categories of property are rated differently.

In 2015 the MPRA was amended. 1 July 2021 is the effective date for the shift to the prescribed categories of property, section 8. Section 93B of the MPRA Amendments provided for seven years for municipalities to transfer from discretionary categories of property to categories of property within the prescribed schedule.

## 1. PRESCRIBED CATEGORIES OF PROPERTIES, SECTION 8

From 1st July 2021 the MPRA prescribes 9 categories of property:

Section 8, MPRA	Category of Property	Comments
8(2)(a)	Residential properties	Properties where the primary and permitted use is residential.
8(2)(b)	Industrial properties	Properties with industrial use. This is not defined in the MPRA. The definition must be defined in the rates policy.
8(2)(c)	Business and commercial properties	Properties with commercial or business use. This is not defined in the MPRA. The definition must be defined in the rates policy.
8(2)(d)	Agricultural properties	Properties used primarily for agricultural use excluding any portion used for the hospitality of guests, for ecotourism or for the hunting and trading of game.
8(2)(e)	Mining properties	Properties used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 28 of 2002.
8(2)(f)	Public Service Purpose (PSP) properties	Properties owned and used by the State, as defined in the MPRA.
8(2)(g)	Public Service Infrastructure (PSI)	Publicly controlled infrastructure as defined in the MPRA.
8(2)(h)	Public Benefit Organisations (PBO)	Property owned and used for specific public benefit activities (welfare and humanitarian, health care, education, and development) and registered in terms of the 9th Schedule of the Income Tax, 1962.
8(2)(i)	Properties used for multiple purposes	Properties with more than a single use.
8(3)	Vacant land	All vacant land, irrespective of zoning, within the municipal general plan.

**Watch out for the following categories of property:** Communal land; State owned properties; Educational properties. These previously used discretionary categories are not included within the prescribed categories of property. These properties must be re-allocated to a prescribed category of property ahead of the effective compliance date, 1st July 2021.

Municipalities are required to separate industrial and commercial categories of property. Neither commercial/business nor industrial properties are defined within the MPRA. Municipal rates policies should include the definitions for these categories of property. Municipal rates policies must be reviewed annually, section 5(1) and adopted with the annual municipal budget. Rates by-laws must be adopted to support the rates policies.

## Impermissible differentiation

The rates equation or amount of property rates levied per property is calculated by multiplying the market value of the property as determined by the municipal valuer by the respective tariff allocated for that specific category of property. The differential tariffs are determined annually by the municipality in their budgetary process.

A municipality may not apply differential tariffs within any category of property.

There is provision for subcategories. Subcategories need to be applied for from the National Minister 15 months prior to the effective date section 4(b)(iii).

## Additional categories of property

A municipality may determine additional categories of property provided these do not circumvent the prescribed categories, section 8. Examples of additional categories of property are as follows: Municipal owned property, places of public worship, formally protected areas and national monuments and section 17, impermissible categories of property (properties where the levying of rates is disallowed). Un-authorized use is also a commonly used additional category of property supported by various case law.

## 2. RATES RELIEF

Municipalities have discretion through their rates policies, subject to annual review, to extend discretionary rates relief through exemptions, rebates, and reductions to both categories of property and categories of owners of property. The criteria for rates relief and the application mechanisms are defined within the rates policies of each municipality.

Below is a closed list of categories of owners that may be extended discretionary rates relief through the municipal rates policy:

MPRA section 15(2)	Rates relief in the form of rebates, reductions, and exemptions may extended to:
(a)	Indigent owners
(b)	Owners' dependent on pensions & social grants
(c)	Owners temporarily without income
(d) (i) & (ii)	Owners of properties situated within a disaster area and other serious adverse social or economic conditions
(e)	Owners with a residential property lower than an amount determined by the municipality
(f)	Owners of agricultural properties who are bona fide farmers

### Frequently asked question:

How does a municipality address extending rates relief to categories of property that are excluded from the closed list, section 15(2), above?

The municipality may create an additional category provided that, this does not circumvent the prescribed categories, section 8(3). The provisions are that a separate tariff must be determined for the additional categories. No relief may be extended to these categories of property.

### Examples of additional categories of property include:

- Animal shelters
- Voluntary associations, that are not registered Public Benefit Organisations
- Cemeteries

## 3. NEW MPRA CIRCULARS

Following a compliance evaluation from a sample of municipalities the Department of Cooperative Governance and Traditional Affairs (DCoG) issued 3 new MPRA circulars to provide clarification around non-compliance for certain aspects of implementation and reporting.

### Circular 11, February 2021, replaces Circular 6, April 2014

Item	Description	Municipal action
Section 6	Rates by laws	Must be adopted by Council to legalise the rates policy.
	Why? Inconsistent rates by laws are adopted.	Must include categories of properties & categories of owners.
Section 14	Promulgation of the resolution for levying rates.	Notice must be published separately within 60 days of the date of the Council resolution.
	Why? Resolution formats are varied.	Use the prescribed template in the Circular Resolution must include proposed cent in the Rand for the financial year for each category of property & details of any rates relief per category of property or category of owner..
	There is a prescribed template for the resolution for the levying of rates.	Publication of the resolution in the Provincial Gazette is regulatory.



## Circular 12, February 2021, replaces Circular 6, April 2014

Item	Description	Municipal action
Section 9	Properties used for multiple purposes.	Municipal valuer is required to apportion the market value to the different actual use purposes.
		The municipality must apply differential tariffs to each value apportionment according to actual use.
Section 19	Impermissible differentiation	
	May not levy different rates on residential properties, section 19(1)(b)	The municipality may grant relief to categories of owners of residential property (closed list).
Ratios 19(1)(b)	Regulatory requirement to use the prescribed ratio between residential and agricultural, public service infrastructure and public benefit organisations properties of 1:0.25.	Municipalities are urged to check the ratio calculations for compliance. Municipalities should avoid using the Public Service Purpose category of property as a 'cash cow', or any other unreasonable discrimination.

## Circular 13, February 2021, replaces Circular 3, April 2014

Item	Description	Municipal action
Ratios 19(1)(b)	The prescribed ratio of 1:0.25 between residential and agricultural, public service infrastructure and public benefit organisations must be applied.	The ratio calculation must be INCLUSIVE of all rates relief.
	The prescribed ratios are the UPPER limits of the rates relief for these categories of property.	A municipality may not EXEMPT these categories of property from the payment of rates.
Agricultural property	This category of property is defined as primarily for agricultural use, excluding portions used commercially for hospitality of guests, ecotourism or hunting and trading of game.	Any agricultural property used for other purposes is not eligible for the 1:0.25 ratio.

### Closing comments

MetGovis, as the industry leader, is available to assist municipalities and interested stakeholders with further information regarding the items discussed above or any other MPRA related issues.

The full MPRA legislative framework including all the regulations and circulars is published on our website.

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