



## KWAZULU-NATAL PROVINCE

COOPERATIVE GOVERNANCE AND  
TRADITIONAL AFFAIRS  
REPUBLIC OF SOUTH AFRICA

### DIRECTORATE: MUNICIPAL FINANCE

Private Bag X9078, PIETERMARITZBURG, 3200

Communication : Municipal Finance

Southern Life Plaza, 271 Church Street, Pietermaritzburg, 3200

Tel: 033 355 6100 Fax: 033 00 0000

## CIRCULAR NOTICE [C/01/07/2021]

**KZN PROVINCIAL STEERING COMMITTEE MEETING -  
TO DETERMINE INDIVIDUAL MARKET VALUES AND SEPARATE RATES  
ACCOUNTS FOR EACH REGISTERED GOVERNMENT OWNED PROPERTY, SO  
THAT EACH REGISTERED PROPERTY HAS ITS OWN MARKET VALUE FOR  
SEPARATE RATING, THEREBY ELIMINATING THE APPLICATION OF “UNITY  
OF USE”. THE CIRCULAR IS ISSUED IN TERMS OF THE LOCAL GOVERNMENT:  
MUNICIPAL PROPERTY RATES AMENDMENT ACT, 2004 (MPRA)**

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### **ATTENTION: TO ALL MUNICIPAL MANAGERS AND DESIGNATED MUNICIPAL VALUERS**

In terms of Section 81 of the Municipal Property Rates Act, the MEC for local government must monitor whether municipalities in a province comply with the provisions of the MPRA.

At a recent KZN Provincial Steering Committee (PSC) meeting held on 23 June 2021 a matter was raised by a Government Department and discussed, where they had received rates accounts for several properties and noticed that the total market value was recorded against one of the properties and the remaining properties were valued at zero. Due to their financial audit procedures, they are not able to process and pay these rates as they require a market value assigned to each Government owned registered property on the valuation roll. This has caused a delay in rates payment to certain municipalities.

It was noted that valuers are following a guideline issued by the valuer profession “Guideline: Agricultural Properties Farmed in Unity of Use”, where properties which are farmed and transacted as an economic farming unit are then valued as a unit with the total market value of all the Unity of Use subdivisions placed on one of the main roll records. The Department advised that their properties are not being farmed as unity of use and should rather be recorded separately and further a registered property is often individually sold or reallocated individually to other departments, and the “Unity of Use” causes delays and challenges in revaluation for rates purposes.

### **Background**

In the preparation of valuation rolls the valuer profession guideline of valuing agricultural property under the concept of “Unity of Use” for valuing a farming unit is often applied in. ***“From the guideline, this means that in assessing the market value of a farm for rating purposes, it must first be established what subdivisions making up the farm in question constitute the farming unit.*”**



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*Secondly, the valuer must investigate whether a compelling dependency exists between two or more contiguous subdivisions in the successful running of the farm business. Dependencies may include factors such as water, irrigation reticulation, road access, optimising crop or livestock yields, scattered labour housing, particular camp systems and the like. Thirdly, the valuer should determine whether the farm unit would typically be brought to sale as a 'single' farm property, or whether a break-up of the component parts could yield a higher overall value and that the subdivisions would typically be brought to sale individually rather than as a unit.*

*It may also be the case that one of the subdivisions falls in the adjacent Municipal Area and that the process of Municipal Boundary Demarcation has overlooked the farm unit dependency/ies. In these cases, the Valuer will need to value the whole farm unit and then make a hypothetical adjustment to the final value so as to exclude the portion outside the Municipal Area in question. Valuers are advised to note such instances and encouraged to inform the Valuer of the adjacent Municipality where a portion of a farm unit is split by Municipal boundaries.*

*The recording of farm values in the Valuation Roll should be made as a single value against the Farm Unit unless of course individual subdivisions would typically be brought to sale individually. It will be up to the Valuer to cross reference each subdivision making up such a Farm Unit. Individual or pro rata values applied by the Valuer to the separate subdivisions forming part of a single farming unit will, if recorded as such in the Valuation Roll, be construed as having been separately valued.*

### Conclusion

KZN CoGTA has reviewed the matter raised together with the agricultural guideline, and the last paragraph and last sentence provides that *"Individual or pro rata values applied by the Valuer to the separate subdivisions forming part of a single farming unit will, if recorded as such in the Valuation Roll, be construed as having been separately valued."* This is in line with the request by Government Departments for separate market value and rates account for each registered property as they are not farming in "Unity of Use".

To support the payment of rates by Government Departments, the Municipal Manager and Municipal Valuer of a municipality to please take note of the Circular content and determine individual or pro rata values and separate rates accounts for each registered property, where identified or on request by a Government Department. The definition of property and section 9, properties used for multiple purposes in the context of the municipal property rates act, remains applicable.

If you have any questions or require support or guidance in the implementation of the MPRA, please kindly contact the MPRA project office email - [mpra.project@kzncogta.gov.za](mailto:mpra.project@kzncogta.gov.za)

MRS HB KRISHNAN

CHIEF DIRECTOR: MUNICIPAL FINANCE

DATE: 19/08/2021