



KWAZULU-NATAL PROVINCE

COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

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CIRCULAR NOTICE [C/02/07/2021]

MUNICIPAL REPOSE TO CIVIL UNREST (JULY 2021) IN TERMS OF THE LOCAL GOVERNMENT MUNICIPAL PROPERTY RATES ACT No. 6 of 2004 AS AMENDED AND RELIEF MEASURES FOR PROPERTY OWNERS AFFECTED BY THE UNREST DUE TO THE DAMAGE TO PROPERTY AND RESULTANT IMPACT ON THE VALUATION ROLL MARKET VALUE AND PROPERTY RATES.

ATTENTION: TO ALL MUNICIPAL MANAGERS

INTRODUCTION

The purpose of this Circular is to offer guidance and support to municipalities in dealing with some of the many challenges that will be experienced as a result of the recent Civil Unrest in KwaZulu-Natal.

The civil unrest that occurred during July 2021 has resulted in significant and widespread damage to property, businesses, and livelihoods. Municipalities within the sphere of Local Government who provide services and support to ratepayers, and the residents and ratepayers consuming goods, services, and utilities within a municipality, will be directly affected.

In many cases business, commercial and industrial properties with structures have been damaged beyond repair and therefore can no longer be used. This will have a direct and immediate financial impact on affected municipalities and therefore each municipality will need to assess the extent of the damage and determine the financial impact to plan and prepare contingency and recovery plans. Ratepayers, businesses, and residents within a municipality, where their property has been damaged due to the unrest, will be seeking relief and the municipality needs to be prepared to assess and action any such applications.

This circular therefore covers the guidance relating to municipal property rates, the rates policy and valuation rolls together with the steps to follow and legislative provisions to enable amendments, adjustments, and relief measures to be considered and implemented where applicable due to the civil unrest damage to property, businesses, and livelihoods.



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LEGISLATIVE PROVISIONS

The below extracts of the legislation in *italics* are applicable to this guidance

15. *Exemptions, reductions and rebates*

(1) *A municipality may in terms of criteria set out in its rates policy—*

- (a) *exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or*
- (b) *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.*

(2) *When granting in terms of subsection (1) exemptions, rebates or reductions in respect of owners of categories of properties, a municipality may determine such categories in accordance with section 8(2) and subsection (2A), and when granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include—*

- (a) indigent owners;
- (b) owners dependent on pensions or social grants for their livelihood;
- (c) owners temporarily without income;
- (d) *owners of property situated within an area affected by —*
 - (i) a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - (ii) *any other serious adverse social or economic conditions;*
- (e) owners of residential properties with a market value lower than an amount determined by the municipality; or
- (f) owners of agricultural properties who are bona fide farmers.

78. *Supplementary valuations*

(1) *A municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any rateable property—*

- (a) incorrectly omitted from the valuation roll;
- (b) included in a municipality after the last general valuation;
- (c) subdivided or consolidated after the last general valuation;
- (d) *of which the market value has substantially increased or decreased for any reason after the last general valuation;*
- (e) substantially incorrectly valued during the last general valuation;
- (f) that must be revalued for any other exceptional reason;
- (g) of which the category has changed; or
- (h) the value of which was incorrectly recorded in the valuation roll as a result of a clerical or typing error.

(2) For the purposes of subsection (1), the provisions of Part 2 of Chapter 4 and, Chapters 5, 6 and 7, read with the necessary changes as the context may require, are applicable, except that—

- (a) a municipal valuer who prepared the valuation roll may be designated for the preparation and completion of the supplementary valuation roll; and
- (b) the supplementary valuation remains valid for the duration of the municipality's current valuation roll.



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- (3) Supplementary valuations must reflect the market value of properties determined in accordance with—
- (a) market conditions that applied as at the date of valuation determined for purposes of the municipality's last general valuation; and
 - (b) any other applicable provisions of this Act.
- (4) ***Rates on a property based on the valuation of that property in a supplementary valuation become payable with effect from—***
- (a) the first day of the month following the posting of the notice contemplated in subsection (5), in the case of a property referred to in subsection (1)(a) or (f);
 - (aA) the first day of the month following the posting of the notice contemplated in subsection (5) in the case of property referred to in subsection (1)(a), (e), (f) or (h): Provided that in the case of a decrease in value in respect of a property referred to in subsection (1)(e), the rates become payable on the date the property was incorrectly valued or the clerical or typing error was made;
 - (b) the date on which the property was included in the municipality, in the case of a property referred to in subsection (1)(b);
 - (c) the date on which the subdivision or consolidation of the property was registered in the Deeds Office, in the case of a property referred to in subsection (1)(c);
 - (d) the date on which the event referred to in subsection (1)(d) has occurred;*** or
 - (e) the date on which the change of category referred to in subsection (1)(g) occurred.
- (5)
- (a) A municipal valuer must on completion of the supplementary valuation contemplated in subsection (1)(a) to (g), and following a correction contemplated in subsection (1)(h), serve the results of the supplementary valuations or corrections contemplated in subsections (1)(g) and (h), by ordinary mail, or if appropriate, in accordance with section 115 of the Municipal Systems Act, on every owner of property who has been affected by a supplementary valuation contemplated in subsection (1)(a) to (g) and a correction contemplated in subsection (1)(h), a notice reflecting the supplementary valuation or correction of the property, as well as the particulars listed in section 48(2);***
 - (b) The notice referred to in paragraph (a) must inform the property owner that he or she may lodge a request for review with the municipal manager in writing, within 30 days after the posting of the notice in respect of any matter reflected in the supplementary valuation.
 - (c) The municipal valuer may adjust the valuation on consideration of the request for review contemplated in paragraph (b).
- (6) The municipality must, at least once a year, compile and publish a supplementary valuation roll of all properties on which a supplementary valuation, as contemplated in subsection (1) was made, including review decisions referred to in subsection (5)(b), and make it public and available for inspection in the manner provided for in section 49.



MUNICIPAL RATES RELIEF CONSIDERATIONS

In accordance with legislation and the rates policy adopted by a municipality, rates relief can be considered and granted to a property owner affected by the unrest by way of a revaluation of a property that has been damaged. For those municipalities that have applied the KZN COGTA Generic guideline rates policy 2021/2022, the below table extracts are applicable in the context of the unrest and providing rates relief to property owners. ***As a municipality you will need to apply your own individual rates policy as adopted by your Council and implement the rates relief measures and criteria accordingly.***

<p>Disaster</p> <p>(Deals with the treatment of the Category of Owner of Property)</p>	<p>Means a disaster within the meaning of the Disaster Management Act (Act 57 of 2002) or any other serious adverse social or economic condition as adopted by a Council resolution from time to time.</p>
<p>Disaster area</p> <p>(Deals with the treatment of the Category of Owner of Property)</p>	<p>Means owners of property situated within an area affected by:</p> <p>(a) a disaster within the meaning of the Disaster Management Act 57 of 2002;</p> <p>(b) any other serious adverse social or economic conditions;</p>

In terms of sections 9 and 10 of the Generic Guideline Rates policy the following criteria is applicable for owners of properties affected by a disaster or other serious adverse social or economic condition

<p>10.5 Owners of properties affected by a disaster or other serious adverse social or economic conditions</p>							
<p>10.5.1 Criteria</p>	<p>The owner of any category of property may make application for the consideration of a reduction in the municipal valuation of his/her property as contemplated in section 15 of the Act, where it is contended that the market value of the property is being affected by -</p> <table border="1" data-bbox="560 1592 1444 2031"> <tr> <td data-bbox="560 1592 655 1702">(a)</td> <td data-bbox="655 1592 1444 1702">A disaster within the meaning of the Disaster Management Act (57 of 2002); or</td> </tr> <tr> <td data-bbox="560 1702 655 1814">(b)</td> <td data-bbox="655 1702 1444 1814">Any other serious adverse social or economic conditions as may be defined and determined by the Council.</td> </tr> <tr> <td data-bbox="560 1814 655 2031">(c)</td> <td data-bbox="655 1814 1444 2031">To retain the relief the owner must apply annually for a review in April, preceding the year of rates implementation. The municipal valuer may at his/her discretion amend the market value if the property is reinstated and deemed habitable.</td> </tr> </table>	(a)	A disaster within the meaning of the Disaster Management Act (57 of 2002); or	(b)	Any other serious adverse social or economic conditions as may be defined and determined by the Council.	(c)	To retain the relief the owner must apply annually for a review in April, preceding the year of rates implementation. The municipal valuer may at his/her discretion amend the market value if the property is reinstated and deemed habitable.
(a)	A disaster within the meaning of the Disaster Management Act (57 of 2002); or						
(b)	Any other serious adverse social or economic conditions as may be defined and determined by the Council.						
(c)	To retain the relief the owner must apply annually for a review in April, preceding the year of rates implementation. The municipal valuer may at his/her discretion amend the market value if the property is reinstated and deemed habitable.						



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10.5 Owners of properties affected by a disaster or other serious adverse social or economic conditions	
10.5.2 Relief Granted	<p>The relief provided will be in the form of a reduction in the municipal valuation of the property in relation to a certificate issued for this purpose by the Municipal Valuer, effective from the date of the disaster.</p> <p>The resultant reduction in the quantum of the rates payable will be for the current financial year only and calculated on a pro-rata basis from the date of the disaster or adverse conditions to the end of the financial year.</p>

An owner of property who has been affected due to the unrest where there is an impact on the market value of the property, should be invited to complete and submit an application for municipal property rates relief consideration on the prescribed form.

Notwithstanding the above rates policy relief criteria read with section 15, the legislation provides that a valuation roll can be amended, and rates adjusted by a Supplementary valuation in terms of section 78 (1) (d) “of which the market value has substantially increased or decreased for any reason after the last general valuation”. The owner of a property affected can therefore still make application under the legislation even if the rates policy does not provide for the specific relief of disaster.

In order for a municipality to apply section 15 of the MPRA for rates relief with reference to section 15 (2) (d) (ii), the rates policy of a municipality must have provided for the relief measures and adopted by the Council.

GUIDANCE ON SUGGESTED PROCESSES

Municipal Property Rates

- The municipality should prepare and table a “first” report to Council outlining the broad impacts, legislative / policy provisions, and the mechanisms / application process for considering and applying property rates relief. Refer to ANNEXURE (2) Guideline REPORT TO COUNCIL UNREST RATES RELIEF July 2021.
- The municipality should communicate through the media to All ratepayers, businesses and residents inviting them to make application on a prescribed form to the municipality for consideration of property rates relief in terms of relevant legislation and rates policy criteria, where the property as recorded on the valuation roll has been damaged due to the unrest and affected by serious adverse social and economic conditions. An application form (PROPERTY DAMAGE DUE TO UNREST) should be prepared and made available on the municipality’s website for download. Tenants (Lessees) who are seeking relief must then submit applications through the owner of the property.



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- The municipality should then create and maintain a Register (Unrest Damage) Annexure (3) of all the applications received from ratepayers, businesses, and residents of damaged and affected properties identified on the valuation roll.
- The municipality should then forward the register (Unrest Damage) and application forms of damaged property to the municipal valuer for processing.
- The municipal valuer should then perform a supplementary valuation based on the merits of each application and adjust the valuation roll in terms of section 78 (1) (d) of the municipal property rates act - which states that a municipality must cause a supplementary valuation to be made in respect of any rateable property of which the market value has substantially increased or decreased for any reason after the last general valuation.
- It is recommended that the **category of property remain the same** and not be changed, and only the value will be amended by supplementary based on the merits of each case.
- The municipality should then update the register (Unrest Damage) with the amended supplementary valuations in terms of the section 78 (5) notices of each supplementary valuation issued by the municipal valuer and calculate the market value change and the estimated rates loss to the municipality.
- The municipality must prepare and table a second detailed report to Council on the valuation roll amendments and the financial impact due to the loss in rates income together with the budget adjustment estimates.
- The municipality must adjust the rates account according to the supplementary valuation roll in terms of section 78 (4) (d) which states that rates on a property based on the valuation of that property in a supplementary valuation become payable with effect from – the date on which the event referred to in subsection (1) (d) has occurred.
- The municipality should consider the situation where an owner (ratepayer) has been affected by other serious adverse social or economic conditions as a result of the unrest / damage to property and provide for relief measures in terms of section 15 (2) (d) (ii).
- Annexure (1) – Guideline **Municipal Property Rates Relief** Application Form (PROPERTY DAMAGE DUE TO UNREST) to be customised and made available on the municipality's website.
- Annexure (2) – Guideline **REPORT TO COUNCIL UNREST RATES RELIEF July 2021** which can be customised and then tabled at a Council meeting for adoption.



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If you require any support or guidance in the implementation of the MPRA or clarification on the contents of the circular, please kindly contact the MPRA project office email - mpra.project@kzncogta.gov.za

Yours faithfully,

**HEAD OF DEPARTMENT
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

DATE: _____