

Urban Management

Manner of Management

Various local communities have banded together in order to improve the environment for the areas in which they live. These take the form of neighborhood- watch, or may develop further by registration of a company (previously known as Urban Improvement Precinct companies) to manage delivery of additional services (complimentary to existing services provided by local or national government). The cost for these benefits is born by members of communities concerned, often supplemented by various funding drives that they undertake.

Additional Property Rates

Municipal Property Rates Act 2004 (Section 22) refers to Special Rating Areas. This provides for increased property tax in specific areas for purposes of funding improvements, and regulates how such provision is applied by each municipality. The annual Rates Policy adopted by our Municipal Council includes details for establishment and financing of Special Rating Areas within Ethekewini region. The necessary application form is attached, for establishment of a Special Rating Area. A number of local communities have taken advantage of this provision, and succeeded in our Municipal Council determining SRA's for their areas. The operation of their registered companies is accordingly financed by an additional property tax imposed on all property owners of the areas concerned.

Establishment of Special Rating Areas

Both the governing legislation and Rates Policy are available in Treasury Section of the website for Ethekewini Municipality. Criteria for establishment of a Special Rating Area include minimum size (200 properties or minimum total property value), at least 66% support by local property owners, and registration of a company (in terms of Section 21 Companies Act). Applications in respect of new areas are required by 30 September (to enable necessary consultation and inclusion in municipal budget for next ensuing financial year). A sample "Support for Establishment" form is attached, for use of demonstrating support by individual property owners to a proposal. Once our Municipal Council resolve to establish a Special Rating Area, additional property rates are assessed in respect of area concerned, and included in municipal bills. The collection of these debts is subject to Credit Control and Debt Collection Policy for our municipality (also available on its website). Each U I P company is required to conclude an annual financing agreement, whereby receipts relating to this additional tax are transferred to their respective bank accounts on a monthly basis.

Assessment of Additional Rates

The assessment of additional rates is determined by annual operating requirements for the companies managing each area (differing for each Special Rating Area), together with market value and use of each property concerned. Details are available for

individual properties on website for Ethekwini Municipality, in terms of Municipal Valuations Roll. Any inquiries in respect of which should be directed to Real Estate Department (telephone 031 311 1111)

Any further inquiries concerning Special Rating Areas should be directed to Revenue Department (telephone number 031 322 9018), or to Revenue Call Centre (telephone number 031 324 5000).

Frequently Asked Questions

1. Why should I be liable for assessed additional rates when I did not support the establishment of a Special Rating Area?

Additional rates are levied (in terms of Rates Policy for our Municipality) on all properties located within the boundaries of each Special Rating Area, and on the categories of property determined by the resolution which our Council adopted for the establishment of each SRA.

2. While I receive same level of services to other rate-payers, why should I be charged more than others for “Rates (Special Rating Areas)”?

The basis for assessment of property tax is the value for individual properties (in terms of Municipal Property Rates Act 2004), and is unrelated to level of service enjoyed by each property-owner.

3. Although my rates assessment has been adjusted in terms of a revised property valuation, why has my additional rate assessment not been similarly adjusted?

The Rates Policy for our Municipality does not allow adjustment to annual additional rate assessments. The benefits for changing property values or attributes will be enjoyed in next ensuing financial year.

4. How do I withdraw my support for a Special Rating Area?

The Municipal Property Rates Act [Section 22(2)] requires each municipality to obtain consent of majority members of the local community before determining a Special Rating Area. Our Municipal Council will need evidence that this requirement is no longer being met when it considers dissolution of a Special Rating Area. Failing which, your liability will continue for assessed additional rate.

5. Can I pay my other municipal debts without paying “Rates (Special Rating Area)”?

As assessed additional rate is a property tax, it (together with other property rates) has first claim on any payments you make. You are accordingly unable to pay for other services in preference to this debt.

6. Why is the additional rate assessment for my property so high?

The annual additional rate assessment is a combination of budget requirements for the company that manages your Special Rating Area, and both the value and use for your property (in terms of Municipal Property Valuations Roll). If the use or market value has changed for your property, the next ensuing additional rate assessment will be accordingly affected. Any questions concerning property values or use should be directed to Real Estate Department.

If no change has occurred in respect of attributes for your property, the level of the additional rate assessment in all likelihood is due to the annual budget needs for the company concerned. Any questions concerning the budget or operations of the Urban Improvement Precinct (Section 21) Company, should be directed to it.

7. Why must applications for proposed new Special Rating Areas be submitted so much before the first assessed additional rate charges are billed?

The Municipal Finance Management Act 2003 (Section 17) requires that the annual municipal budget be accompanied by a draft resolution (when tabled for each Municipal Council), regarding imposition of any municipal tax. This legislation also requires that the municipal budget undergo a consultation process including various stakeholders before adoption by the Municipal Council. In order to comply, the proposed additional rates in respect of each Special Rating Area need to be included in the submission that is considered by the Executive Committee at end of February each year.

The Municipal Property Rates Act 2004 (Section 22) requires that the municipality consult with the local community before determining a special rating area. Time is consequently needed (after submission of a proposal regarding a new Special Rating Area) for this consultation process, to enable our Municipal Council to resolve on the matter before consideration of annual municipal budget by Executive Committee.

8. How is the majority determined for property owners affected by the establishment of a Special Rating Area?

A minimum of 66% is required (in terms of Rates Policy for our Municipality) to support a proposal, of the number of property owners who will become liable for additional property tax. This is likely to differ from the number of properties concerned, where an individual or company may own more than one property. In addition, this support needs to represent at least 51 % of total value for all properties concerned.

9. Are there any conditions for monthly release of funding to the companies that manage Special Rating Areas?

The release of funding is subject to conclusion of annual contract with the companies concerned. These contracts require a business plan to accompany each annual budget request, and each company is required to account on a monthly basis for expenditure incurred in terms of the plan it submitted.

10. Can Special Rating Areas grow by addition of further properties?

The current Rates Policy for our municipality (Clause 9) provides for inclusion of new developments within jurisdiction of a Special Rating Area, but does not provide for change in boundaries for existing SRA's. Each proposal will consequently have to be considered on its merits.