

## Stellenbosch Municipality: 2022/23 Rates Policy change implications

30 May 2022

### Introduction

A Rates Policy of a Municipality must be reviewed on an annual basis according to and as stated in the Local Government: Municipal Property Rates Act, generally referred to as the MPRA.

A Rates Policy basically provides for the procedures and criteria that are applied by a Municipality to best effect the provisions of the MPRA and the budgetary needs of that Municipality. It determines how properties within its jurisdiction are valued, categorised, and rated. The rating value is the amount in a given financial year due by the owner of said property to the Municipality.

Based upon the best practices regarding administration matters, feedback or input during the year from owners or role players as well as advisory input from the Appeal Board, Stellenbosch Municipality undertook a review of said Rates Policy. One of the guiding principles in focus during the review process was the fairness to all concerned regarding the rates assessment processes. Several changes were applied and have been approved by Council.

Some of these changes may have significant implications to some owners of specifically properties that are or had been categorised during the valuation process as having an agricultural component.

The details below are an abridged extract from the Rates Policy and an amplification pertaining to changes specific to agricultural type properties.

### The applicable definitions

There are four definitions that provide criteria or described provisions relating to agricultural type properties. The first is the "Agricultural Properties" definition from the MPRA which is then further supported by three definitions from the Rates Policy. All are verbatim copies from said documents, only the sentence layout has been structured for ease of reading.

***'agricultural property'***

*means property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;*

And, from the Rates Policy;

***"agricultural purposes"***

*refers to the active pursuit by a bona fide farmer to derive the principal source of income, which is commercially sustainable, from agricultural activities exclusively on Agricultural Properties.*

***"agricultural activities"***

*means the intensive cultivation of soils for purposes of planting or growing, and gathering of trees or crops in a managed and structured manner; the intensive rearing of livestock or aquaculture.*

*In addition, all the provisions as detailed in the definition of "Agricultural Property" in the MPRA persist in this Policy.*

***"bona fide farmer"***

*is a person or legal entity that is a legitimate farmer whose primary income originates from agricultural activities.*

## Further extracts from the Rates Policy

A short extract from paragraph 7.2 of the Rates Policy describes the application of “Multiple use Properties” and reads:

*Properties with multiple uses as per Section 9 of the MPRA may be categorised for each distinct use as determined by the Municipality and which category will be applied for billing at the appropriate and applicable rate.*

Basically, a property may be divided into two or more components. The total market value of the property will be apportioned to each component, and it will be categorised according to its use. Each component will be distinctly rated, and the sum of the different rates will be the rates due by the owner.

The particulars relating to agricultural properties may be extracted from paragraph 7.5. Specifically, paragraphs 7.5.1 and 7.5.2 are important provisions, nevertheless the overall context of the Rates Policy will prevail.

### Paragraph 7.5.1 “Agricultural Use”

*The Municipality will apply the rate ratio as set out in the MPRA to properties that are used for agricultural purposes by bona fide farmers. These properties will however not qualify for any relief measures.*

*For a property to be categorised as agricultural, processes and structures fundamental to agricultural activities on that farming unit, will be considered. Structures such as a dwelling used by the farmer and farm employees will be considered integral to such processes.*

*The Municipality may consider applying multiple use categorisation as per paragraph 7.2 if any structures are not used exclusively for agricultural purposes, or the structures are used for delivering or selling services or products to/for customers.*

*The Municipality deems property with extent less than one hectare not to be agricultural property.*

### Paragraph 7.5.2 “Alternate Criteria and Use”

- (a) Where a property in a rural area is being used for business, mining, or industrial purposes, such as truck depots, construction yards, restaurants, functioning venue, guesthouses, and/or factories, said property will be valued and rated according to the category for business, mining or industrial properties as applicable. The Municipality may however, consider valuating said property as a Multiple Use Property (refer to paragraph 7.2 of this Policy).*
- (b) Properties in rural areas that are primarily used for residential purposes will be valued and rated as residential properties and may thus qualify in terms of the definition of residential property for the applicable relief measures (refer to paragraph 8 of this Policy).*
- (c) Owners of a property in rural areas which is not categorised as agricultural, but which in the opinion of the owner should be agricultural, must apply (refer to paragraph 14.1 of this Policy) for a revaluation, submit documentation as required by the CFO and declare in an affidavit, that no contraventions of the criteria for agricultural activities are taking place on the property. The application will be dealt with according to the supplementary valuation process.*

## Possible actions by Owners

Understandably, not all owners will be affected in the same manner.

A concern may be raised by submitting a review objection as described in the Notice to the Supplementary Valuation or said owner may make use of the procedures as described in paragraph 7.5.2(c) as noted above.