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Implications of the Municipal Property Rates Act (No: 6 of 2004) on municipal valuations.

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ABSTRACT

South Africa's past policy of racial separation has influenced challenges to property rates taxes in the country. In the apartheid era property rates only applied to the urbanised white areas and this was mostly influenced by pieces of legislations that were used in the past concerning property rates. The white areas had good infrastructure and services and were willing to pay their property rates, while the blacks were unprivileged: they had poor services, therefore were reluctant to pay their property rates.

After 1994, the post-apartheid era, it was the duty of Local Government to provide services to all municipalities. Local Government was restructured in 2000, in which municipalities were amalgamated and most of the black areas were incorporated as municipalities and this increased the property tax base.

Though property rates collection became popular it was still a problem to implement as different provinces used different rating systems, whereby some taxed both land only and others taxed both land and buildings. These systems adopted were: site rating, composite rating, differential rating and flat rating. These differences in the rating systems were repealed by the new Local Government: Municipal Property Rates Act, 2004, which sought to bring about uniformity in the rating system. The new Act codifies that property should be valued as land and improvements and the value of both land and improvements should be taxed for property rates. The new Act has been implemented since July, 2008, and its impact is illustrated in the research report. These include revaluation of properties, the need for more qualified valuers, increase in the property tax base and updating of the data base.

In conclusion, though the research is limited by the fact that the implementation of the Act was delayed until 2008, the Act has made the valuation process uniform in South Africa. Currently, it is being implemented by the City of Johannesburg Metropolitan Council and the rest of the municipalities. If the council does abide by the terms of the Act, there is a foreseen increase in municipal revenue collection; which if managed well will also contribute to the betterment of municipal services provision and promote willingness to pay property rates.

Suggested areas of research include the following;

(i) A critical evaluation of the implementation of the new Property Rates Act, 2004.

(ii) Performance of the rates collection since the introduction and implementation of the Act and

(iii) The extent of revenue utilisation for improving existing services.