

How Municipal Rates Will be Working

Have you heard of the Municipal Rates Act? What does it all mean? Everyone is speaking about valuers, and rates and taxes going up.

It's not enough to have load shedding and xenophobia issues, one may think to oneself, but another rates hike seems like overkill under the current economic circumstances. To be fair, we have to look at the facts.

Rates and taxes have traditionally been charged on municipal valuations – these have been extremely low, and undoubtedly the council had serious catching up to do to reach market values. You should be paying rates and taxes on the market value of your land and improvements on land. This is what the Municipal Rates Act has remedied.

In addition, before the Act, the Body Corporate would receive one lump sum rates and taxes account from the council. The Trustees would split the account, and charge each owner their share which would reflect as part of their monthly levy.

In terms of the Municipal Rates Act, the Body Corporate will no longer receive one account. Each individual unit owner is billed separately and has the responsibility to pay the Council directly. This means that the rates and taxes amount will be taken out of the monthly levy, and you'll receive a separate statement for rates and taxes from the council.

The units in the Johannesburg area have been valued and the new system will apply from next month. You can go onto the Johannesburg Council website (www.joburg.org.za) to check your valuation.

The consequence of the new rating system is that sectional title owners will face high increases in rates, and will be sued by Council if they don't pay. The other serious implication lies in a mayoral decision last week which states that where a body corporate is in arrears with their rates and taxes to council, they are obliged to pay the arrears, or make arrangements to pay.

If they don't, no transfer of any unit will be permitted because the Council will withhold the clearance certificate of that unit based on the fact that the building owed money to the council before the Rates Act was implemented. This is rather unfair in my opinion as it will slow down an already lethargic property market.

The Councils' failure to properly collect their monies now becomes a problem for an innocent unit owner who may have diligently paid his levies and now simply wants to sell his unit. It is imperative that managing agents sit with Trustees and re-budget for this change.

All in all, whilst councils stand to earn huge revenues from this system, failure of the Bodies Corporate to properly deal with the changeover will adversely affect the value of the units in the complex. It would be a comforting thought to know that the Council will be allocating the extra loot to service delivery, a concept yet to be grasped by our public servants.