Property value affects rates and taxes

Each month homeowners receive a bill for the rates and taxes applicable to their property, but what are these municipal rates used for and how is the amount worked out?

Municipal property rates are financial liabilities that owners of immovable property are required to pay monthly for basic services that their local municipality provide, says Adrian Goslett of RE/MAX. Some of these services include maintenance of roads, street lighting, storm drainage, sidewalks, schools, fire fighting and so on.

Utilities such as water and electricity do not fall under property rates and are charged separately. Goslett adds that the revenue received from property rates is used to fund services that will better the lives of those living in that particular community.

"Since the introduction of the Municipal Property Rates Act on 1 July 2008, local municipalities are obliged to value and rate immovable properties within their area of jurisdiction. The objectives of the Act are to ensure that the local municipality has enough revenue to provide the public with the basic requirements to run the area, along with ensuring long-term sustainability, enhancing the developmental agenda of the municipality, and addressing some of the imbalances caused by past policy," says Goslett. "Property rates provide the municipality will a reasonably reliable income that can be used to improve the local community and ensure it is well-maintained over the long term."

All property owners, regardless if they own a freehold property or sectional title unit - must pay rates.

The property rates that the homeowner is charged is based on the market value of the property as determined by a town-appointed property valuer. Before the introduction of the Act, different methods were used to calculate rates in the different regions, with some areas not being charged at all.

The Act brought about uniformity in how the rates were worked out by town councils. "Legislation required municipalities to appoint an evaluator and compile a valuation roll with the services of professional property valuers. Data was collected around the country to determine market-related property values.

Through research and market analysis, property valuers assessed and verified the value of each property based on what buyers were prepared to pay for the home. Property inspectors did not visit each home but looked at the average sales values in and around a particular area," says Goslett.

"Once the valuation roll was certified and handed to the city manager, it was publically advertised for a period so that the people were able to put in any objections they may have had regarding the valuations. After the prescribed period the valuation roll was finalised and the rates implemented."

For some, the introduction of the new rate structure meant an increase in their monthly payment, while for others it was a welcomed decrease.

"Whether the homeowner’s rates went up or down - depended on how their home was valued by the local municipal office. Areas that had experienced high levels of appreciation during the boom years would have seen their rates increase substantially, while other areas not as much," says Goslett.

"The Act does provide for the revaluation of property, which as a general rule of thumb should complete every four years to ensure that the rates charged are an accurate reflection of the property’s current market value," he concludes.

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