

Property purchasers should not overlook municipal rates - Le Roux

The payment of municipal rates is often overlooked by property buyers, who focus on bond costs and repayment, transfer duties and legal fees.



Of course everyone knows that they have to pay water and lights but, do they know how much? And what about property rates based on your home's valuation? Did you factor these amounts into your budget when applying to purchase a property? Do you keep an eye on these rates in order to know if you're being charged accurately?

"Many a property owner has been caught unaware by the property rates determined by the municipality. While it is possible to object to the valuation it takes time and could be rejected. It is essential that buyers find out what their municipal rates will be before putting pen to paper," says Jan le Roux, CEO of the Leapfrog Property Group.

The property valuation roll

Every municipality across the country possesses a General Valuation Roll which contains the municipal valuations of all the properties within its purview. This valuation roll is used to determine what property rates home owners will pay based on the properties they own.

Municipal property rates are established by multiplying the market value of a property by a Cent amount, as determined by the local municipality. The Sunday Tribune reports that Durban works on 0.976 Cents, Cape Town on 0.5613 and Johannesburg on 0.5573.

According to official guidelines each province deducts a certain amount off of the property's value (the first R200,000 in the case of Cape Town) after which the rates are calculated based on the remaining value. A good example of how the figures are computed can be found on the City of Johannesburg website.

Normally the valuation roll is re-evaluated every four years and amendments are made based on, inter alia, a change in the

market value of properties. The objection period for the latest General Valuation Roll in Cape Town closed on Sunday, 30 June 2013 whereas the objection period for Johannesburg closed on 3 May and Durban's on 17 May.

Should a home owner's objection have been successful they can look forward to paying decreased property rates. However, many might not notice the reduction in rates as municipal rates for water, sanitation and electricity are all increasing in each province.

Increasing municipal rates

Johannesburg:

Based on the latest reports, electricity for the 2013/2014 period will go up by 7.32%, which although it is lower than the 8% proposed by Eskom, will still amount to an increase of R58.56 on a monthly bill of R800, amounting to an additional R702.72 per year.

All households will still receive the first 6 kilolitres (6000 litres) of water free, but those using between 6 and 10 kilolitres can expect a 5.3% increase in costs. According to the official government website that means that those consuming up to 20kl per month will pay 11.82%.

Tshwane:

As of 1 July, Tshwane residents will be paying 8% more for electricity, 25% for solid waste and an increase of 10% for water and sanitation respectively.

Using the same example as above an electricity bill of R800 per month will be going up by R64 adding up to a total of R768 extra per annum.

According to Pretoria News the mayor of Tshwane, Kgosietsi Ramokgopa, has announced a 37% reduction in property rates for the elderly, the poor and those with disabilities, in an attempt to mitigate these municipal rates increases.

Durban:

In Durban electricity will increase by 5.5% leading to a R44 increase on a bill of R800 per month (R528 extra per year). Water will increase by 9.5% and sanitation by 6.9%.

DA councillor Rick Crouch told the Sunday Tribune, "Durban is not only the highest but also has the highest percentage increase (in terms of property rates). Durban ratepayers, who earn less, pay more in rates than ratepayers in Cape Town and Joburg." He believes this to be the case as only 13% of eThekweni residents are rate payers.

Cape Town:

According to the 2013/2014 budget released by the City of Cape Town the following rates (averaged per category) will take effect: water and sanitation will increase by 9.53% each, refuse will go up by 6.32% and electricity by 7.86%. As such electricity will now cost R62.88 more per month (totalling R754.56 extra per year).

The Cape Argus reports that economists, as well as a consumer body, have indicated that these rates increases "would not bode well for families and small businesses, given that all would be higher than the inflation rate, which is hovering around 5.9 percent".

"It is clear that owning a property is becoming more expensive as municipal rates increase," says Le Roux. "That being said, I still believe that owning a home is one of the best investments anyone can make. Just do your homework first and be certain that you can afford to pay the bond and rates."

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