

MEC calls for change to property rates system

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FOLLOWING concerns about escalating property rates, Local Government MEC Anton Bredell has called for changes to the system used to determine property rates.

This was after media reports that property owners were not coping with their rates bills and a City of Cape Town official was quoted last week saying owners should "move out" of richer areas if they could not afford rates and taxes.

Although Bredell said the statement was "very unfortunate and uncalled for", he said he was aware of concerns from property owners as the debate on rising property rates raged on.

He said the market value system was "problematic and unfair" and needed to be rectified. Property owners are taxed based on the market value of their property.

"What is a market-related price, what is a willing buyer and seller and what if you are forced to sell your house because you cannot afford to pay the rates and taxes?" asked Bredell.

He said many owners were paying high rates for improvements to their homes.

"The system punishes people and discourages them from making home improvements as they would have to pay higher rates and taxes for the rest of their lives," he said.

The economic recession made the situation worse. Bredell said the last valuations were done in 2007 when the

property market was at its peak.

"Now we are in a recession and when the next valuation takes place in 2012, the 'richer' people in their bigger houses would pay less rates and taxes, while the 'poorer' people's rates and taxes could go up by 300 per cent, because in effect the poor will have to pay for the rich, which is unjust," said Bredell.

He would approach Finance MEC Alan Winde and they would set up a committee to discuss possible changes to the current municipal rates and taxes system. Among options to be considered would be charging tax on the land and not the house. But they would seek expertise from local universities.

"We can't sit by and watch people taxed out of their houses. Every time you extend your house you get taxed.

"Tax must be fair and reasonable," said Bredell.

Another downside to the property valuation system was the cost of hiring private firms to determine property value and keeping the valuation roll up to date.

Bredell said this was costing municipalities millions of rand, money that could be spent on service delivery. To set up the evaluation roll and to keep it up to date costs a small municipality at least R5 million, said Bredell.

"These costs come from within the current assets budget and may not be capitalised. Therefore municipalities can spend at least R10 to R15 million less per annum on service delivery."

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