



SOUTH AFRICA – May 2019

CAPE TOWN HOME OWNERS: HERE'S THE SWEET SPOT FOR PROPERTY RATES..... 1

Cape Town home owners: here's the sweet spot for property rates

The deadline for objecting to the new municipal valuations of Cape Town properties was Tuesday 30 April.

If your valuation is 22% more than in 2015 - your rates bill will be bumped higher.

But anything less than this could see your property rates go down.

The sweet spot for this year's Cape Town's new municipal property valuations is an increase of anything below 22%.

If, according to the municipality, your property value increased by less than 22% since 2015 - your property rates bill should go down.

Property owners of Cape Town had until 30 April to submit their objections to the latest municipal valuations.

Cape Town rates are determined by the valuation of their property and a "rate-in-the-rand" tariff charge. (Your rates bill is a fraction of your home value.)

The city cut the "rate-in-the-rand" by 22% to compensate for higher property price increases. According to the draft budget, it is currently at 0.00555 for residential homes, says Ben Espach, a professional valuer and director of municipal valuation watchdog Rates Watch.

This means your annual rates bill should equal 0.00555 of the value of your home, according to Espach.

Property rates are based on values indicated in the General Valuation Roll 2018 (GV) with the date of valuation being 2 July 2018. The Rate in the Rand for Property Rates for 2019/2020 financial year are:

PROPERTY CATEGORIES	RATE-IN-THE-RAND
Residential	0.00555
Industrial	0.0111
Business and Commercial	0.0111
Agricultural	0.00111
Mining	0.0111
Properties owned by an Organ of State and used for public service purposes	0.0111
Public service infrastructure	0.001388
Public service infrastructure (phase out)	0.000139
Properties owned by a Public Benefit Organisation and used for specified public benefit activities	0.001388
Multiple purposes	As per allocation
Vacant land	0.0111

City of Cape Town, Draft PROPERTY (TAX) RATES 2019/20

“Owners of properties where the value increased by less than 22% will pay lower rates from 1 July 2019,” said Espach.

As a general rule: Rates for other properties will increase by the difference between the increase in the value and 22%. As an example: If your municipal valuation increased by 60%, your municipal rates will increase by (60% - 22%) 38%.

The increase will be slightly tempered by the increase in the reduction on residential properties. The reduction was increased by R100,000 from R185,000 to R285,000. This amount plus the R15,000 provided for in the Municipal Property Rates Act 2004, will mean that the first R300,000 of the value of residential properties will not be rated.

Example

Value	Normal Rates	Rates after relief	Difference	% saving
600 000	270,56	138,75	131,81	49%
1 500 000	686,81	555,00	131,81	19%
2 500 000	1 149,31	1 017,50	131,81	11%
5 000 000	2 305,56	2 173,75	131,81	6%
10 000 000	4 618,06	4 486,25	131,81	3%

Source Rates Watch.

“The impact on high value properties is not significant, but it makes a big difference on low value properties,” explained Espach.

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Most of the objections that Espach deals with are either properties that have been overvalued in the new valuations, or that the properties were under-valued in 2015 and then have been corrected to more accurately reflect the surrounding market in a specific area.

Many objections

"Our agents have literally had hundreds of requests for assistance with their property valuations," says Ross Levin, Director for Seeff Atlantic Seaboard, Waterfront & City Bowl.

According to Levin, almost across the board, valuations have been well above the market. Levin says property value growth has been around 3% to 4%, while the City of Cape Town values have been considerably higher - around 22% on average.

"Many suburbs have outliers when it comes to sales, which should be taken out of the equation before calculating the average increases. An area such as Camps Bay for example had a lot of anomalous sales," said Levin.

Metropolitan municipalities are legally required to produce a General Valuation (GV) roll at least once every four to five years, but the City of Cape Town produces theirs every three years, to accommodate big fluctuations in property values.

Susan Watts, manager at RE/MAX Living, says her team has also received many requests, but her overall view is the valuations have been fair, barring a few exceptions.

The most affected are homes in high-value streets that are priced at exactly the same value as neighbouring houses that are in a much better condition, she told Business Insider.

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