



Property Rates Petition – OUTA

FOR IMMEDIATE RELEASE:

12 May 2020

GAUTENG, South Africa: The Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO) responds to the resent petition circulated by **Organization Undoing Tax Abuse OUTA** regarding the cutting or reduction of property rates payable by property owners.

The current economic situation which the country is experiencing is not only impacting on private households and or businesses, but it also has a direct impact on government and especially local government. There are 3 types of Municipalities established in terms of the Constitution: category A (metropolitan municipalities), B (local municipalities) and C (district municipalities). Approximately 80% of Revenue generated by category A and B municipalities are from 'own sources' meaning this income is generated from local economies.

Any impact on the local economy will have a direct impact on the ability of the Municipality to generate the required revenue to fund services to the local communities. According to the second quarter financial information released by National Treasury, local government and specifically Metropolitan municipalities and secondary cities and towns are in dire need of revenue to fund services. At the end of this period (31 December 2019) there were already signs of financial distress.

Any pressure to reduce taxes in the local government sphere will have a further impact on the ability of Local Government to deliver non-tariff funded services. This same sphere is, to a large extent, also required to put in place processes and procedures required to minimise the spread of the Corona Virus Disease. This is an unfunded task that has been thrust on the local government sphere and which should be funded (or refunded) from the National Disaster Management Fund.

When an organization like OUTA canvasses support for an initiative to reduce property taxes, cognisance must be taken of the consequential reduction in the level of services that the municipality can provide. Reductions in income will also have an impact on the staff complement and, potentially, retrenchment could be imminent, further reducing the level of services provided.

The local government sphere, and CIGFARO in particular, have an appreciation for the difficulty suffered by property owners to keep their commitments up to date. However, as a sphere of government, municipalities have an obligation to collect all their revenue which is due and must abide by national legislation. Current legislation requires that all revenue must be collected, and any reductions, rebates or exemptions must be in accordance with approved Policies, accounted for in the municipal budget as income foregone where necessary and can only be allowed taking into consideration the sustainability of the Municipality.

CIGFARO is therefore highly concerned about this initiative to further reduce the revenues of Municipalities and the potential severe consequences to local communities. CIGFARO calls OUTA to engage with CIGFARO on this matter, together with COGTA, the National Government Department responsible for the Municipal Property Rates Act legislation quoted in the OUTA petition. COGTA is also the custodian of the Disaster Management legislation and can advise on the Municipal Disaster Relief Grant that has been made available and the items that it is funding related to the national COVID-19 disaster declared.

----ENDS---

For more information visit the website at: www.cigfaro.co.za - Media Room

Enquiries

Manager: Communications & Marketing

Ms. Ocean Makalima

oceanm@cigfaro.co.za

082 556 7984