## Francophone Southern Africa Appendix 3: South Africa

Samuel Jibao

© 2010 Lincoln Institute of Land Policy

## **Lincoln Institute of Land Policy Working Paper**

The findings and conclusions of this Working Paper reflect the views of the author(s) and have not been subject to a detailed review by the staff of the Lincoln Institute of Land Policy.

Contact the Lincoln Institute with questions or requests for permission to reprint this paper. help@lincolninst.edu

**Lincoln Institute Product Code: WP10FSA3** 

## **South Africa**

## Contextual Data

Basic Country Information					
Geographic size	1,219,912 km <sup>2</sup>	Population	Est. 49.3million <sup>1</sup>		
Capital city	Pretoria	Urbanisation	52% <sup>2</sup>		
Secondary cities	Johannesburg, Durban, Cape Town, Ekurhuleni, Port Elizabeth <sup>3</sup>	GDP per Capital (nominal)	US\$5,695 (2008)		
System of government	Republic constitution Multiparty democracy				
Independence	31 May 1961				
	Government Struct	ures			
Levels/Tiers of government	Three-tier system of government and independent judiciary i.e. national, provincial and local levels of government. There are 9 provinces, 6 metropolitans, 46 District municipalities and 231 local councils.				
Traditional authorities or chiefdoms					
	Land Issues and the Prope	rty Market			
Land tenure	Freehold, leasehold, customary tenure, state land and others.				
Land titling/registration	Deeds Office				
Land rent	A fee for payment or use/right to occupy land. Charged according to area of land and location. M0.05-0.10 a year per square meter for residential land; M0.25-0.30 a year per square meter for commercial land. Levy of 5% for late payment.				
Property market	Land and property markets in the metropolitan and district municipalities are largely formal.				
Taxes					
National	Taxes on net income and profit; Taxes on individuals; Taxes on Goods and Services of which are VAT, Excise, Petroleum levy; Taxes on international trade i.e. Customs duties				
Sub-national	Property Tax; Charges				
Property-related Taxes: National					
Property Transfer Tax	Individuals:				
	1 <sup>st</sup> R500,000 0%				
	R500,000-R1,000,000 5%				
	>R1,000,000 8%				
	Company and Trust – a uniform rate of 8%				
	The supply of goods (property) subject to VAT is exempt from transfer duty.				
Estate Duty	The duty, at the rate of 20%, is calculated on the dutiable amount of the estate. Certain admissible deductions from the total value of the estate are allowed as well as a general				

<sup>&</sup>lt;sup>1</sup> The medium variant of the population estimated at 49,32 million; see Statistics South Africa at www.statssa.gov.za.

<sup>2</sup> See *Local Government Budgets and Expenditure Review 2008* at www.treasury.gov.za.

<sup>&</sup>lt;sup>3</sup> Cities with a population of over one million.

	threshold amount which is currently R3.5 million	
Capital Gains Tax	Introduced in October 2001 and forms part of the income tax system and is based on capital gains made on the disposal of assets.	
VAT	14% levied on some transactions	

Annual Property Tax  Relevant Legislation: Local Government: Municipal Property Rates Act (Act No. 6 of 2004) (hereinafter the MPRA)				
Tax Base & Taxpayer				
Tax base	Market value of land plus improvement			
Coverage of tax base	All rateable properties within area of jurisdiction of municipalities			
Taxpayer	Owners (or occupiers) of immovable property	The definition of "owner" includes certain persons who are not strictly speaking owners – e.g. tenants of municipal property.		
Valuation & Assessment				
Valuation	Market Value			
Responsibility for valuations	Municipalities to designate so-called "municipal valuers" who must be registered valuers or associate valuers.	In-house valuers for large municipalities; smaller municipalities contract to private firms through an open bidding process		
Valuation cycle	4 years with a possible one year extension (i.e. maximum of 5 years).	Few municipalities are over extended.		
Objection & appeal	Valuation Appeal Board			
Quality control measures	Minister in charge of Local Government			
Rate Setting and Tax Relief				
Tax rates	Municipalities set their rates but Minister in charge of local government can set an upper limit on the percentage by which rates on properties or a rate on specific category of properties may be increased. Uniform rate in respect of residential properties within a specific municipality.			
Exemptions	Few, such as places of public worship; land reform beneficiaries for a period of 10 years from acquisition.			
Tax relief measures	On the basis of age, physical or mental disability and or income			
Tax Administration				
Billing	Received by ordinary mail. However, a person is liable for payment of a rate whether or not that person has received a written account			
Collection	Monthly payment	Annual payment may be agreed upon between municipality and owner of property		

Enforcement	Interest on arrears	The enforcement mechanisms are
	Clearance certificate for a transfer of	found in the Local Government:
	ownership	Municipal Systems Act 32 of 2000
	Seizure and public sale after 3 years	(Chapter 9).
Additional Comments		
Importance of property tax	Approximately 20% of own revenues for municipalities and by far the most important tax levied locally.	