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18 May 2021

To: The Minister of Finance, Mr Tito Mboweni
CC; National Treasury,
SA Local Government Association (SALGA), and
the Department of Cooperative Governance and Traditional Affairs (CoGTA)

Open letter to Tito Mboweni, National Treasury, SALGA and CoGTA

From Dear South Africa

Let's put a freeze on municipal increases in rates and taxes until this economic downturn is behind us.

In the midst of one of the worst economic downturns in recent memory, South Africans are expected to set aside their own personal and financial difficulties and front up inflation-plus increases in rates and taxes.

A study by the United Nations Development Programme (UNDP) published in August 2020 suggests up to a third of South African households have been pushed out of the middle class into vulnerability. Estimates show that the lockdowns may have cost the country one million permanent jobs. By the best estimations South Africa may only fully recover from this economic shock by 2024.

Yet, municipalities across the country demand increases of 6% or more on municipal rates when the country is suffering. The disciplines and frugality of the marketplace are seemingly absent when councilors award themselves generous pay increases while service levels decline. As we have seen, most increases feed the ballooning wage and salary demands of local government – precious little is allocated to maintenance or infrastructure upgrades.

Figures from Stats SA show local government spending increased by 12.2% for the year to March 2020, driven largely by increased spending on employee costs – now nearly a third of total municipal spending. Unfortunately, local government has become insensitive to the pain experienced by the rest of the country.

The latest Ratings Afrika Municipal Financial Sustainability Index (MFSI) for the fiscal year to June 2020 recently examined the 105 largest local municipalities plus eight metros in South Africa. This report shows it will take R51 billion to prevent a total collapse of municipalities and bring them on a level footing to pay their creditors.

"Unfortunately, this R51 billion burden will have to be carried by the already overstressed taxpayers" notes the survey.

The deteriorating financial position of municipalities is in plain sight. There are declining service levels, potholes unrepaired for years, sewage spills into public spaces and rivers, and municipal debtors' books that appear increasingly uncollectible. R18 out of every R100 now goes uncollected, against a target collection rate of 95%.



It is against this background that we urge Minister Mboweni, National Treasury, SA Local Government Association (SALGA), and the Department of Cooperative Governance and Traditional Affairs (CoGTA) to impose an immediate freeze on rates and tax increases at the local government level.

The Municipal Property Rates Act contains checks and balances to protect property owners. The “General Guidelines” issued as an addendum to the Act in March 2020 states the following:

“The Minister responsible for local government, with the concurrence of the Minister of Finance, can limit the cent amount in the Rand rate that municipalities impose, if such proof can be provided that such a cent amount in the Rand rate on specific category of properties is materially and unreasonably prejudicing national economic policies, economic activities across municipal boundaries or the national mobility of goods, services, capital or labour.”

Therefore, it is entirely within the Minister responsible for local government’s power (with the concurrence of the Minister of Finance) to impose a freeze on rates in the interests of national economic policy.

South Africans are already over-taxed. To continue to allow municipalities and metros to award themselves generous pay increases is to encourage resentment and disobedience – as that will surely follow.

We are not encouraging tax revolts, as we believe there are better ways to achieve fiscal responsibility. However, assuming this is business as usual cannot continue.

Rates and tax increases at local government level must be halted until South Africa is restored to pre-Covid lockdown levels of employment and economic activity. In light of the above, and on behalf of DearSA’s supporters but more importantly on behalf of the millions of South Africans who are suffering economically and subjected to deteriorating municipality management, we call on the Minister of Finance to put a freeze on municipal increases in rates and taxes until this economic downturn is behind us.

Kind regards

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