national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT:
DATE EXTENSION FOR PUBLIC COMMENTS ON DRAFT MUNICIPAL FISCAL POWERS AND FUNCTIONS AMENDMENT BILL

National Treasury has recently published the Municipal Fiscal Powers and Functions Amendment Bill (MFPFAB) for public comments (Gazette Notice number 3 of 2020). The initial comments submission date was until the 31st March 2020. However, due to Covid-19 and president's 21-day national lockdown announcement, **the submission date for public comments has been extended to 30th April 2020** (see below for details on submission process). The Amendment Bill aims to provide for a uniform regulation of development charges and can be accessed on the National Treasury Website (www.treasury.gov.za). Development charges are a once off charge levied by a municipality on the land owner as a condition for approving land development application. They are imposed to cover the costs incurred by the municipality when installing new infrastructure or upgrading an existing infrastructure that is required to service the proposed development.

Key reforms that are introduced through the Amendment Bill:

1. The Amendment Bill establishes an unambiguous, fair and consistent basis for municipalities to recover development charges for all new land development projects that require statutory approvals through the municipal land use planning system.

2. The aim of the Amendment Bill is to increase the amount and the predictability of development charge revenue, to provide both municipalities and developers with more certainty and assurance that the costs of infrastructure are covered by its users. The incidence of the payment is also immediately apparent as the land owner pays and, to the extent that the market permits, the land owner will pass on these costs to the purchaser of the property that is sold.

3. The Bill ensures that the cost of the municipal infrastructure required to service a new land development (including an intensification in land use) is primarily borne by its direct beneficiaries. This promote the principles of aligning costs with benefits and intergenerational equity (i.e. the burden of payment for infrastructure) is shifted from

the existing tax payers to land owners and new users of the infrastructure, who finance this over time through private borrowing.

4. The Bill restricts the scope of engineering services to those already covered in the definition of engineering services provided in the Spatial Planning and Land Use Management Act (SPLUMA). These are the provision of water, sewerage, electricity, municipal roads, storm water drainage, gas and solid waste collection and removal required for the purpose of land development. However, some level of flexibility has been provided for municipalities to levy development charges on other engineering services not specified in SPLUMA by providing for a municipality to apply to the Minister of Finance for an extension of services to be included in the calculation of development charges.

5. The Bill makes provision for the subsidisation or exemption of certain categories of land owners and land developments from the payment of development charges. However, where a municipality decides to grant an exemption from the payment of development charge, it must identify an alternative source of revenue to fund the associated infrastructure. 6. The infrastructure for servicing the poor households is funded by the fiscus through conditional grants transfers. Therefore, development charges will not have an impact on the poor.

Benefits of levying development charges

1. Development charges ensure that infrastructure required to service new developments is paid by direct beneficiaries, so that existing residents do not continue to subsidise new developments.
2. Development charges enable municipalities to provide infrastructure in a timely and sufficient manner thereby supporting economic development.

3. Development charges provide a pledgeable revenue stream to support borrowing for infrastructure. Where the municipality has borrowed to provide infrastructure in advance of a development, development charges can be used to repay this debt, which will reduce the finance charges in rates and tariffs and reduce the cost burden on existing residents.

4. Even though development charge is a financial tool it has a spatial impact. Development charges have the potential to guide planning by discouraging urban sprawl which perpetuates unequal spatial patterns. In other words, development charges can help encourage infill development (i.e. developing in areas where

infrastructure already exists) and densification. This will begin to reverse the unsustainable low density expansion of urban and peri-urban settlements.

5. Development charges promote integrated planning and budgeting among spheres of government by ensuring each sphere bears the full cost of infrastructure provision. This will be achieved by requiring other spheres of government to align their development plans with those of a municipality. Where a development by either a national or provincial sphere of government falls outside the municipal prioritised areas or plans, it will trigger a development charge.

Public Comments and Parliamentary Process Members of the public are invited to submit written comments on the draft MFPFA Bill by 30 April 2020, via email to Development.Charges@treasury.gov.zA, and enquiries may be directed to Mmachuene.Mpyana@treasury.gov.za.

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