

Our Ref: DR AD DE SWARDT/NDUP/M374
Your Ref: MR DD MABUZA/MR P POWELL

4 August 2025

THE MUNICIPAL MANAGER
MERAUFONG CITY LOCAL MUNICIPALITY
CARLETONVILLE

BY E-MAIL

Sir/Madam

**MERAUFONG CITY LOCAL MUNICIPALITY / SUPPLEMENTARY VALUATION ROLL 6 re:
VALUATION APPEAL BOARD PROCEEDINGS**

We refer to the abovementioned matter and would like to provide an updated report on the proceedings of the Valuation Appeal Board, as requested.

General Background

1. General Valuation Roll 2012 to 2017 incorporated mining property valuation on an income valuation methodology.

Valuation Roll 2008:	R8,24 million	R300,000 per annum property rates income
Valuation Roll 2012:	R4,3 billion	R130 million per annum property rates income
VAB Ruling in 2014:	R252 million	R9 million per annum property rates income

2. 2015 Amendment of Property Rates Act enabling **valuation of mining rights** to be incorporated in Municipal Valuation Roll.

SVR3 – excluded any mining rights, industrial buildings and infrastructure.

SVR6 – agreed upon valuation methodology of cost valuation less depreciation. Vehement opposition by mining houses, including rehabilitation liabilities attempting to reduce mining right valuation to nominal value.

SVR6 – mining houses proposed backdated application to 1 August 2015, agreed to.

General Valuation Roll 2019 – to be implemented after finalization of valuation appeals of SVR6, on same principles as determined in SVR6 by the Valuation Appeal Board in its ruling upon conclusion of those proceedings.

Supplementary Valuation Roll 6 – Critical Disputes

3. New Replacement cost value of all buildings and immovable structures settled between the parties but during the course of the proceedings the mines unilaterally reduced the agreed value with R1,8 billion in July 2024. We have not accepted this departure from the agreement and the Municipal Valuer and the Municipality is disputing this approach.
4. QUANTIFICATION of all civil services, roads, reservoirs, water supply, electrical supply, sewer and pipe networks have been settled other than the dispute by the mining houses of the residential square meter usage applicable to civil services.
5. New Replacement cost value of all civil services settled in total, except the Appellant mining houses dispute rateability of all civil services excluding roads and reservoirs.
6. QUANTIFICATION and COSTING and market value of –
 - 6.1. INDUSTRIAL ELECTRICITY;
 - 6.2. INDUSTRIAL COOLING AND AIR-CONDITIONING; and
 - 6.3. INDUSTRIAL HEADGEAR submitted by Municipal Valuer and Municipality all disputed by Appellant mining houses.
7. DEPRECIATION methodology in dispute. The mines incorrectly simply apply a Straight-line depreciation from date of construction, completely ignoring Life-of-Mine principles applicable to mining property. The mines have applied a 79,58% depreciation which is completely unrealistic.
8. REHABILITATION liabilities: Mines deduct the full value of possible rehabilitation at the end of Life-of-Mine while the Municipal Valuer and the Municipality approach it on the basis that it can only be taken into account through a section 78 supplementary valuation upon rehabilitation.

Critical Differences in Calculations

9. The Municipal Valuer has determined Market Value in accordance with generally recognized valuation principles, primarily determined by section 17(1)(f) of the MPRA.
10. The mining houses are not interested in Market Value as prescribed by the Act. Their sole purpose is to reduce the value to the minimum to reduce property rates liability.
11. Other than roads and reservoirs, the mining houses have **completely ignored all civil services** and a **multitude of mining infrastructure**, including headgear and air-conditioning plant.
12. The mining houses have **applied depreciation incorrectly**. They have not identified any specific physical, functional or economic obsolescence as required in terms of the International Valuation Standards. They simply applied Straight-line depreciation from commencement of mining to termination of the mining rights in approximately 2037, or with the closure of specific shafts.

13. The mining houses have applied **complete rehabilitation** as though all buildings are demolished as at date of valuation (2011).
14. Rehabilitation can only be taken into account iro. **section 78(5) once done.**
15. The mining houses insist on a **multi-purpose** property category. This is wrong. **The category is Mining** with all other uses subservient to mining. The reason is simple – the tariff for multi-purpose is split - Business (R0,0427), Residential (R0,0176) and Mining (R0,0557). It is yet another attempt to reduce the property rates payable without legal substantiation as all mining is conducted under the registered mining rights.

Chronology

16. From a valuation perspective, there are significant principle differences between the parties, especially iro. the rateability of civil services infrastructure and mining infrastructure.
17. The Appellant mining houses have drawn the proceedings out over multiple years, essentially hoping that the Municipality would stop the litigation and enter into a “cheap” settlement.
18. The Valuation Appeal Board proceedings have already sat for 72 days. At the last sitting while under cross-examination, the main expert witness of the mining houses, Mr Saul du Toit, unfortunately had a stroke which necessitated an adjournment of the proceedings. There are only two days of further cross-examination left and then the Municipal Valuer and her expert, as well as the two experts on behalf of the Municipality will finalize the evidence. Unfortunately, due to the ill health of Mr du Toit, we could not force a sooner sitting of the proceedings but confirm that the further dates for the continuation of the hearing are 9-11 September, 16-19 September, 23 September, 25 & 26 September, 14-17 October, 4-6 November and 1-5 December 2025.
19. The cross-examination of the expert valuer of the mining houses was extremely successful and we are confident that their entire approach should be rejected. To this extent, we would really appreciate an opportunity to meet with your team to provide the necessary feedback.
20. It is appropriate to advise that in Rand West City Local Municipality where the same dispute is pending, the Valuation Appeal Board found all items identified by the Municipal Valuer under infrastructure placed on the valuation roll, to be rateable. There is currently High Court review proceedings pending where the High Court dismissed the urgent review ordering the mines to complete the Valuation Appeal Board proceedings. In its never-ending attempt to out-litigate the municipalities, the mining houses proceeded with appeals to the Full Bench of the High Court, the Supreme Court of Appeal and even a reconsideration before the Supreme Court of Appeal, every single one which was dismissed with costs. Unsurprisingly, they have now issued a further appeal to the Constitutional Court which is pending.
21. The amendment of section 17(1)(f) brought about a substantial increase in the rateability of the mining rights and the associated infrastructure and there can be no doubt that there will be a significant increase in property rates taxes due to the Municipality upon conclusion of this matter.

Kind regards

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