

How to Understand COJ Municipality's Rates Clearance Figures

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INTRODUCTION

Recently, the City of Johannesburg Metropolitan Municipality (COJ) appears to have changed the format of the clearance figures issued through its online platform. What is this change and how do we understand the new-format figures?

HOW TO INTERPRET RATES CLEARANCE FIGURES

For the purposes of illustration, consider this image of the table typically contained in a set of COJ rates clearance figures. A larger image is contained on the last page of this article.

- To understand this table, look firstly to the second column from the left headed "Contract account". This will indicate whether there is more than one relevant account that must be "cleared", or only one.
- Secondly look to the third column from the left headed "division". This breaks down the charges billed by the COJ into various groups, depending on what type of charge it is (electricity, water, refuse, rates or sewer). You will see that each division is broken down into four rows – total outstanding, s 118 balance, forward projection and total balance, one underneath each other.

WHAT IS "HISTORICAL S118(3) DEBT" AND "S118(1) DEBT"?

Although section 118(3) of the Systems Act does not expressly refer to the amounts payable for clearance, in the industry the amount owing for "all time" is known as the section 118(3) amount, so we will just keep using that terminology so as not to confuse the public [even though it is not strictly accurate]. Section 118(3) or historical debt is debt that was incurred in connection with the property which is more than two years old at the time of requesting rates clearance figures. In contrast, section 118(1) debt would be debt incurred in the two years immediately prior to the application for rates clearance figures.

WHY DOES ANYONE CARE ABOUT S118(3) V S118(1) DEBT IN RATES CLEARANCE FIGURES?

It is not lawful for a municipality to require you to pay any amount older than two years, in order to obtain your rates clearance certificate. Understanding the numbers in your rates clearance document might save you paying amounts that you are not lawfully required to pay at the time, to obtain your clearance certificate to pass transfer.

HOW DID COJ PRESENT RATES CLEARANCE FIGURES IN THE PAST?

In the past, the City of Johannesburg Metropolitan Municipality (COJ) would issue clearance figures that show both the calculation of the s 118(1) amounts (known as abridged amounts, which include ONLY charges accruing to the property in the two years prior to application for figures) and the s 118(3) amounts (known as full or historical charges, which include ALL amounts owing and accruing to the property, including amounts older than 2 years).

COJ used to include the "full" or "historical" or "all time" amount in the block at the top of each division in the table (the block that says TOTAL OUTSTANDING).

Clearance Reference Number : 2200824941

Premise	Contract Account	Division	Total	Balance	VAT	Interest
0000254344	000550039393	Electricity				
		Total Outstanding	0.0	0.0	0.0	0.0
		S118 Balance	0.0	0.0	0.0	0.0
		Forward Projection	0.0	0.0	0.0	0.0
		Total Balance	0.0	0.0	0.0	0.0
0000254344	000550039393	Water				
		Total Outstanding	0.0	0.0	0.0	0.0
		S118 Balance	0.0	0.0	0.0	0.0
		Forward Projection	156.28	135.88	20.4	0.0
		Total Balance	156.28	135.88	20.4	0.0
0000254344	000550039393	Sewerage				
		Total Outstanding	1216.33	1057.67	158.66	0.0
		S118 Balance	0.0	0.0	0.0	0.0
		Forward Projection	5702.96	4959.08	743.88	0.0
		Total Balance	6919.29	6016.75	902.54	0.0
0000254344	000550039393	Refuse				
		Total Outstanding	0.0	0.0	0.0	0.0
		S118 Balance	0.0	0.0	0.0	0.0
		Forward Projection	0.0	0.0	0.0	0.0
		Total Balance	0.0	0.0	0.0	0.0
0000254344	000550039393	Refuse				
		Total Outstanding	385.79	335.47	50.32	0.0
		S118 Balance	0.0	0.0	0.0	0.0
		Forward Projection	1858.4	1616.0	242.4	0.0
		Total Balance	2244.19	1951.47	292.72	0.0
0000254344	000550039393	Property Rates				
		Total Outstanding	794.46	794.46	0.0	0.0
		S118 Balance	0.0	0.0	0.0	0.0
		Forward Projection	3827.0	3827.0	0.0	0.0
		Total Balance	4621.46	4621.46	0.0	0.0
0000254344	000550039393	Other Charges				
		Total Outstanding	0.0	0.0	0.0	0.0
		S118 Balance	0.0	0.0	0.0	0.0
		Forward Projection	0.0	0.0	0.0	0.0
		Total Balance	0.0	0.0	0.0	0.0

If you sum the totals of the blocks marked “TOTAL OUTSTANDING” you should arrive at the total in the very bottom block, with the same heading. This amounts in the total outstanding block represents all debt incurred in connection with the property for all time, including periods older than two years. This amount – the full amount owing – would then pull through and be included in the bottom block for each division in the table (because it would represent the full amount owing, for all time, for that particular type of charge).

WHAT CHANGED?

COJ has now changed the format of the figures issued online, so that the amount that appears in the TOTAL BALANCE block (right at the bottom of each division in the table), is no longer the “historical” or “all time” amount, but ONLY THE section 118(1) AMOUNT INCURRED IN THE TWO YEARS PRIOR TO TRANSFER. COJ has confirmed that the figures issued through the online platform do not display the breakdown of the total debt and the section 118 (1)(b) amounts. As a result of the above, people do not realise this change occurred and may pay the wrong amount, thinking that it is the “full clearance” when it might not be.

INTERPRETING THE NEW FIGURES

It is critical that conveyancers understand how to interpret these numbers and that they advise their clients properly on how much must be paid, depending on their instructions from their client, the legislation, and the offer to purchase.

Other Charges		
Total Outstanding		93.9
S118 Balance		93.9
Forward Projection		0.0
Total Balance		93.9
Total Outstanding		89806.68
S118 Balance		42593.09
Forward Projection		6737.8
Total Balance		49330.89
Total Outstanding		89806.68
S118 Balance		42593.09
Forward Projection		6737.8
Total Balance		49330.89

With reference to the colour coded arrows in the illustration above:

- The block with the amount of R 89k in it (blue arrow) is the 118(3) (historical figures).
- The block underneath it (red arrow) which says “s118(1) balance” is R 42k odd and is the abridged (only two year figures).
- It looks like the block that says, “TOTAL BALANCE” (green block) now adds up to the s 118(1) balance, and not the s 118(3) balance. In the past, the amount in this block used to be the full or historical amount, or s 118(3) balance.

THE CALCULATION

To calculate how much you need to pay, to pay the HISTORICAL or FULL CLEARANCE:

Start with: Total outstanding
 Add: Forward projection
 Add: Administration fees
 Equals: TOTAL AMOUNT TO PAY TO COJ

[Remember to include your VAT in your calculations].

COJ has confirmed the above calculation is accurate and has emphasised that people ensure that the administration fee is added to the calculation.

CONSEQUENCES OF INCORRECT CALCULATION AND PAYMENT

In a case where the client has amounts owing that are older than two years, if client pays the “TOTAL BALANCE”, they will only be paying part of what they owe to the COJ. They will still get a clearance certificate but after transfer they will remain liable to the COJ for the amounts owing to the COJ which are older than two years. In addition, they will likely not be entitled to any refund after transfer. They may be in breach of their offer to purchase IF the offer to purchase requires a “full” clearance or a clearance of all amounts owing to the COJ.

CHANGING THE FORMAT BACK AGAIN?

COJ has advised that the online clearance figure format will be changed to look the same as the manual clearance figure format at some time in the future. If this occurs, further communication will follow.

CONCLUSION

It is important for conveyancing practitioners to pay careful attention when advising their clients on the clearance figures payable to avoid liability to the COJ for amounts owing to the COJ due to incorrect calculations and amounts paid.



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