

## **THE LOCAL GOVERNMENTS (RATING) (AMENDMENT) BILL, 2013**

### **MEMORANDUM**

#### **1. Object of the Bill**

The object of this Bill is to amend the Local Governments (Rating) Act, 2005 to reconcile the definitions of a local government and urban area with the Local Governments Act; to provide for lower rates to be paid in respect of residential buildings in urban areas; to facilitate the flow of information between local governments and registrars to ensure payment of rates under the Act; to require local governments to provide information regarding the use of the money collected under the Act; and to provide for related matters.

#### **2. Defects in the existing law**

The Local Governments (Rating) Act, 2005 (Act No.8 of 2005) empowers local governments to levy rates on property within their areas of jurisdiction. However, the Act defines a local government differently from the definition under the Local Governments Act. In particular, the definition under Act No. 8 of 2005 does not include division councils and sub-county councils yet these are local governments under the Local Governments Act.

In addition, section 3(4) limits the rateable properties outside an urban area to commercial buildings only, clearly exempting industrial properties within the same jurisdiction. This is in addition to the exemption granted by section 3(5a) to owner-occupied residential properties. The main aim of any property rating system is to raise revenues so that the local authority may provide services. Equity demands that the cost of local services be equitably shared between all classes of rate payers, and that the burden is fair as between rate payers within those classes, the Act provides different and inequitable treatment to the rate payers and potential rate payers.

Presently, the law permits valuation on the basis of a single property as well as on the basis of mass valuation. Mass valuation relies, not on direct market information about any particular property, but on extrapolation by formula from a sample of properties and is commonly used in countries which value on the basis of capital value. Uganda is not one of these countries

Section 37 (2) of the Local Governments (Rating) Act provides that the money collected under the Act is for the purposes of providing services within the local government, yet the Act does not require the local governments to account to the rate payers in respect of the money collected. This makes it difficult for rate payers associations to oversee the provision and delivery of the services.

#### **3. Remedies proposed to deal with the defects**

The Bill seeks to harmonise the definitions in the Act with those in the Local Governments Act.

The exemption to owner-residential properties in urban areas is proposed to be replaced with a significantly lower rate for those properties.

The Bill also provides for mass valuation techniques which are suitable for housing of the same character, where valuation samples can be applied across the whole category to be the preferred method of valuation for condominiums and housing estates only.

*Minister of Lands, Housing and Urban Development*

**THE LOCAL GOVERNMENTS (RATING) (AMENDMENT) BILL, 2013****ARRANGEMENT OF CLAUSES***Clause*

1. Amendment of Act No. 8 of 2005
2. Amendment of section 3 of the principal Act
3. Amendment of section 12 of the principal Act
4. Amendment of section 37 of the principal Act

A Bill for an Act

ENTITLED

**THE LOCAL GOVERNMENTS (RATING) (AMENDMENT) ACT, 2013**

**An Act to amend the Local Governments (Rating) Act, 2005 to reconcile the definitions of a local government and urban area with the Local Governments Act; to provide for lower rates to be paid in respect of residential buildings in urban areas; to facilitate the flow of information between local governments and registrars to ensure payment of rates under the Act; to require local governments to provide information regarding the use of the money collected under the Act; and to provide for related matters.**

BE IT ENACTED by Parliament as follows:

**1. Amendment of Act No. 8 of 2005**

The Local Governments (Rating) Act, 2005 in this Act referred to as the principal Act is amended in section 2(1)—

- (a) by substituting for the definition of “local government”, the following—  
“local government” means the local councils established under section 3(2) to (5) of the Local Governments Act;”;
- (b) by substituting for the definition of “property”, the following—  
“property” means immovable property and includes a building, industrial or non industrial or a structure of any kind but does not include a vacant site unless the vacant site is in an urban area;”;
- (c) by substituting for the definition of “urban area”, the following—  
“urban area” means a city, municipality or town and includes a town board or any other area prescribed by the Minister by statutory instrument;”;
- (d) by substituting for the definition of “valuation court”, the following—  
“valuation court” means a valuation court appointed by a local government under this Act;”

**2. Amendment of section 3 of the principal Act**

Section 3 of the principal Act is amended –

- (a) by substituting for subsection (4), the following—  
“(4) Notwithstanding subsection (3), the rate may be levied in any area outside an urban area in respect of a commercial building or industrial building.”;
- (b) by substituting for subsection (5a) the following—  
“(5a) The rate payable in respect of a residential building in an urban area shall not exceed six percent of the rateable value of the property.”

### **3. Amendment of section 12 of the principal Act**

Section 12 of the principal Act is amended by inserting immediately after subsection (1), the following—

“(1a) Without prejudice to subsection (1), mass valuation shall be the preferred method of ascertaining the rateable value in respect of condominiums or housing estates.”

### **4. Amendment of section 37 of the principal Act**

Section 37 of the principal Act is amended by inserting immediately after subsection (2), the following—

“(2a) A local government shall within thirty days after the end of each financial year publish in at least two newspapers circulating widely in the local government, a notice stating—

- (a) the amount collected by the local government under this Act;
- (b) the amount prescribed by the Minister to be spent on administrative matters in that financial year;
- (c) the amount expended on each of the purposes specified under subsection (2);
- (d) in the case of road construction and maintenance, street lighting, or drains, the area and specific location where these works were done.”