RATES AND LEVIES

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INCORPORATED

CALCULATION OF PRO RATA RATES/ TAXES AND LEVY AMOUNTS BETWEEN THE SELLER AND PURCHASER

2. Municipal account/charges

On receipt of the transaction, the conveyancer will obtain a rates printout from the municipality to establish what the outstanding (if any) and annual rates payable on the specific property is. The annual municipal year in Port Elizabeth is 1 July to 30 June. The annual rates amount is divided by 12 to calculate the monthly rate. In most municipalities, the Purchaser is expected to pay rates in advance from the date of registration until the end of the month in which the property is registered. Some municipalities can however expect the Purchaser to pay in advance for a longer period. The Conveyancer will add to the Purchaser's pro forma account the pro rata rates which the Purchaser will be liable for from date of registration until the end of the period for which the municipality expects the Purchaser to pay in advance. In Port Elizabeth, our office adds two months pro rata rates to the Purchaser's account. On date of registration, a re-calculation is done, and the Purchaser is refunded if an overcalculation was made. For instance, if the transaction is registered in the middle of the month, the Purchaser receives a half-month refund. The final calculation is reflected on the Purchaser's final account.

In order to obtain a rates clearance certificate, the municipality will also favour the Conveyancer with a total outstanding amount to be paid for all municipal services, which includes the rates amount. The Conveyancer will deduct from this total, the cost of the certificate (which is also payable by the Purchaser), and the Purchaser's share of rates as calculated above. The balance of the total amount is the amount for which the Seller is liable. The Seller can either deposit this amount into the Conveyancer's account or authorise the Conveyancer to arrange bridging payment for financing this amount. On date of registration, a re-calculation is done and if the Purchaser's advance share appears to be less than the pro forma amount, that difference is added to the Seller's share. On the Seller's final account both the deposit paid by the Seller for the municipal account, or the deposit from the bridging finance, the bridging finance settlement amount and the Seller's pro rata share is reflected.

Kindly note a rates certificate is valid for 60 days (including weekends) from date of issue and must be valid at the time of registration.

1. Levy clearance/charges

On receipt of the transaction, the Conveyancer will obtain a Levy figure/requirement from the Body Corporate or Homeowners Association to establish the monthly levy payable. There is normally also a monthly water amount payable. The Conveyancer must have a valid levy certificate at the time of registration. Because the exact date is never known, the Conveyancer will normally ensure that the levy certificate is valid at least one month after the anticipated date of registration to prevent the cost of a re-issue. The Purchaser is liable for the cost of the levy certificate and each re-issue attracts further cost. The Conveyancer will add to the Purchaser's pro forma account the pro rata levies which the Purchaser will be liable for from date of registration until the end of the period for which the levy certificate is valid. In Port Elizabeth, our office adds two months pro rata levies to the Purchaser's account. On date of registration, a re-calculation is done, and the Purchaser is refunded if an over calculation was made. For instance, if the transaction is registered in the middle of the month, the Purchaser receives a half-month refund. The final calculation is reflected on the Purchaser's final account.

In order to obtain a levy certificate, the Body Corporate or Homeowners Association will also favour the Conveyancer with a total outstanding amount to be paid for all levies, including any outstanding special levies. The Conveyancer will deduct from this total, the cost of the certificate (which is also payable by the Purchaser), and the Purchaser's share of levies as calculated above. The balance of the total amount is the amount for which the Seller is liable. The Body Corporates or Homeowners Associations normally accept an undertaking from the Conveyancer to settle the account on date of registration and therefor, the Seller does not have to pay any amount into the Conveyancer's trust account. On date of registration, a re-calculation is done and if the Purchaser's advance share appears to be less than the pro forma amount, that difference is added to the Seller's share. On the Seller's final account, the Seller's pro rata share is reflected.

DEALING WITH THE MUNICIPALITY AFTER REGISTRATION

Once the property has registered into the name of the purchaser, the purchaser becomes liable for the rates, taxes as well as the consumption charges. A letter addressed to the municipality will be sent to the seller as well as the purchaser 2 to 3 days after date of registration as confirmation that registration has taken place and that they should assist the seller to close their municipal account and the buyer to open their account.

The purchaser must as soon as possible after receipt of this letter, within 7 days, open his/her account at the municipality. The municipality will not allow the seller to close his/her account until the purchaser has opened an account.

For the purchaser to open his/her new account, you would need to take your ID document as well as the abovementioned letter from us to the Municipality together with the following cash approximate cash amounts:

- R 350 in respect of the water deposit (not applicable if it is a Sectional Title Unit and the water is included in the levies/ pre-paid water)
- R 450 in respect of the electricity deposit (not applicable if the property has an installed pre-paid electricity meter)
- R1 200 in respect of an account being opened for a commercial property

Possible delays/challenges could occur during the above-mentioned process in that the seller might have overpaid the municipality during the course of the transfer. In such an event the seller will receive a refund from the municipality upon attending to the closure of his/her account. If the purchaser delays opening his/her municipal account the seller will continue to receive statements each month, in such an instance the remedy available to the seller is to go to the nearest municipal office to complete an affidavit and to present the registration letter, the municipality will then close the seller account and transfer same to the purchaser's account.