



DEBT INCENTIVE SCHEME POLICY

2024 / 2025

POLICY NAME	Debt Incentive Scheme Policy
POLICY STATUS	Active
VERSION	One
DATE OF APPROVAL	
DATE OF FIRST IMPLEMENTATION	01 July 2024
DATE OF LAST AMENDMENT	N/A
DATE OF NEXT REVIEW	
PURPOSE	Provide for the uniform introduction of an incentive programme to rehabilitate delinquent debtors
AIMS AND OBJECTIVES	Rehabilitation of delinquent debtors and improve the financial resources available to the Municipality
POLICY CUSTODIAN	Chief Financial Officer
RELATED POLICIES AND LEGISLATION	Municipal Finance management Act read in conjunction with the Municipal Systems Act
APPROVING AUTHORITY	Walter Sisulu Local Municipality Council
STAKEHOLDERS CONSULTED	

INDEX

Contents

1. INTRODUCTION	3
2. PURPOSE OF POLICY	3
3. DEFINITIONS	3
4. OBJECTIVES	5
5. DEBT INCENTIVE SCHEME	
5.1 Eligibility criteria	6
5.2 Exclusions	6
5.3 Incentives	7
5.4 Terms and conditions	7
6. OUTREACH PROGRAMME	8
7. DELEGATED AUTHORITY	9
8. IMPLEMENTATION AND REVIEW OF THIS POLICY	9

1. Introduction

1.1. The Council of Walter Sisulu Local Municipality resolves in terms of Chapter 9 of the Local Government: Municipal Systems Act (No 32 of 2000 as amended), read in conjunction with the provisions of section 64 of the Local Government Municipal Finance Management Act (No 56 of 2003) to adopt a policy on the implementation of a consumer debt incentive scheme.

2. Purpose of Policy

2.1. To provide for the uniform introduction of a consumer debt incentive scheme; to regulate eligibility criteria for participation within the scheme, and to define terms and conditions within which identified debts of participants to the scheme will be written-off in exchange for prompt and timeous payments of future accounts rendered by the Municipality; improve the ability of the Municipality to render services to the community in a sustainable manner, through focusing on mechanisms aimed at improving the financial viability of the organisation, grounded in educational awareness, improving tax compliance levels and cultivating a culture of payment amongst the citizenry.

3. Definitions

“Agricultural property” means agricultural land as defined in the Subdivision of Agricultural Land Act, No.70 of 1970, and includes all land situated in the demarcated municipal area except such land included in the boundaries of former disestablished municipalities now falling within the municipality and which was not zoned for agricultural purposes in terms of the zoning scheme regulations of such municipalities and smallholdings.

“Business and Commercial” means the activity of buying, selling of trade in goods or services and includes any office or accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, farming (agriculture), or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.

“CFO” means the Chief Financial Officer of the Municipality, being a person designated in terms of Section 80(2)(a) of the Municipal Finance Management Act, No 56 of 2003.

“Gross monthly household income” means the gross monthly income received by an owner and every other person residing on the property from any source, including but not limited to salaries, wages, dividends, pensions, grants, rentals, board and lodging, interest received, donations and any other form of financial support or investment income.

“Income Tax Act” means the Income Tax Act, 1962 (Act no. 58 of 1962).

“Industrial” means a branch of trade or manufacturing, production, assembling or processing of finishing products from raw material or fabricated parts, on so large scale that capital and labour are significantly involved.

“Local municipality” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality.

“Mining” means any operation or activity for the purpose of extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto.

“Municipal council” or “council” means a municipal council referred to in section 18 of the Municipal Structures Act.

“Municipal Finance Management Act” means the local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003).

“Municipal manager” means a person appointed in terms of section 82 of the Municipal Structures Act.

“Municipal Structures Act” means the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998).

“Municipal Systems Act” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

“Organ of state” means an organ of state as defined in section 239 of the Constitution.

“Place of Worship” means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is: - (a) registered in the name of a religious community; (b) registered in the name of a trust established for the sole benefit of a religious community; or (c) subject to land tenure right.

“Publicly controlled” means property owned by or otherwise under the control of an organ of state. Including –

[a] a public entity listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999);

[b] a municipality; or

[c] a municipal entity as defined in the Municipal System Act;

“Public benefits organisations” means an organization conducting public benefit activities as defined in the Act and registered in terms of the Income Tax Act and qualifies for tax reductions because of those activities.

“Residential property” means a suit of rooms which forms a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, guest house, commune, boarding and undertaking, hostel and place of instruction as defined in the zoning scheme regulations of the Municipality. This specifically excludes vacant land irrespective of its zoning or intended use.

“State-owned property” means properties owned by the State (National or Provincial). These state-owned properties are classified as followed:

[a] state properties that provide local services;

[b] state properties that provide regional / municipal district-wide services;

[c] state properties that provide provincial / national services.

“Vacant land” means land where no immovable improvements have been erected, with the exclusion of agricultural land. It however does include agricultural land that is not productively used for agricultural purposes.

4. Objectives

4.1. The objectives of the policy are inter alia:

4.1.1. To provide a framework for the rehabilitation of delinquent debtors.

4.1.2 To provide a framework for the early settlement of recurring monthly obligations.

4.1.3. To provide a framework for the liquidation of long outstanding debts deemed impaired.

4.1.4. To improve the financial resources available to the Municipality to deliver on its constitutional mandate.

4.1.5. To promote socio-economic cohesion.

4.1.6. Provide a framework for the improvement of tax compliance, through the development and implementation of an outreach programme aimed at educating communities on the importance of paying for rates and services, and providing requisite

resources to empower communities on how resourcing of Municipalities works, with special emphasis on:

4.1.6.1. Debt incentive scheme.

4.1.6.2. How credit control and debt collection procedures work, and what can be expected.

4.1.6.3. Why debts are handed over to debt collectors, and what the community can expect to encounter in their dealings with collectors.

4.1.6.4. The importance of paying a municipal bill on time.

4.1.6.5. Importance of a municipal bill.

4.1.6.6. Understanding a municipal bill,

5. Debt incentive scheme

5.1. Eligibility criteria

5.1.1. The scheme is applicable to all account holders classified as agricultural, business, and commercial, industrial, places of worship, public benefit organizations, residential, special residential and mining.

5.1.2. Account holder must be in arrears more than 120 days as date of scheme implementation.

5.1.3. Duly completed application for participation in the scheme must be received and approved by the Municipality.

5.1.4. Debt Repayment plan must be fully complied with for the duration of the agreement.

5.2. Exclusions

5.2.1 All debts associated with applications received under the provisions of section 118(b) of the Local Government: Municipal Systems Act (No 32 of 2000).

5.2.2 All debts associated with Organs of State, Public Entities and State-Owned Properties.

5.2.3 All staff employed by the Walter Sisulu Local Municipality.

5.2.4 All full time and part time Councilors.

5.3 Incentives on cash settlements and Arrangements

5.3.1. The following early settlement discounts, and arrear debt settlement discounts shall be offered in exchange for prompt and timeous payments of future accounts rendered by the Municipality:

- a) Agricultural, business, and commercial, industrial, places of worship, public benefit organizations, residential, special residential and mining:

Early Settlement and Arrear Debt Settlement Offers

Payment Terms	Debt Period Outstanding	Debt Period Outstanding	Debt Period Outstanding		Interest Waiver	Eligibility	Initial Amount payable on concluding agreement	Additional Information
	Current Account	30 -90 days	120 days to 2 Years	3 Years and older				
Early Settlement	5%	N/A	N/A	N/A	N/A	Qualifying account holders as per policy	N/A	Current account to be settled within 7 days of invoice date
Cash Settlement	Settle in full	Settle in Full	40% Capital Discount	50% Capital Discount	100%	Qualifying account holders as per policy	First instalment plus debts current to 90 days outstanding	Arrangement will be interest free for the duration of the agreement
3 Months Payment plan			30% Capital Discount	40% Capital Discount				
6-12 Months Payment Plan			25% Capital Discount	40% Capital Discount				
18-24 Months Payment Plan			20% Capital Discount	40% Capital Discount				
36- 60 months Payment Plan		Capitalised- No Discount	20% Capital Discount	40% Capital Discount		Account holders gross monthly earnings less than R 8 500 per month	First Instalment plus current debt	

5.4. Terms and conditions of scheme

5.4.1. The debt incentive scheme shall commence on a date determined by Council and shall remain valid for the duration of the validity period as may be determined.

5.4.2. Arrear debts subject to the incentive scheme shall be determined to be debts outstanding as per the Municipality’s age-analysis as at the commencement date of the scheme and shall remain fixed for the duration of the scheme’s validity period.

5.4.3. All applications received pursuant of this arrear debt incentive scheme, must be received within the validity period as may be prescribed by Council.

5.4.4. Repayment plans entered shall be authorized for a maximum period of 24 months.

5.4.5. Extended payment plans up to 60 months only be considered on the expressed condition that qualifying participant’s gross monthly income does not exceed R 8 500.00 per month; Repayment periods will be determined in accordance with an affordability assessment conducted in line with the National Credit Act, and approved by the Accounting Officer or sub-delegate, who’s decision shall be final.

5.4.6. Interest accruals on all debt subject to an authorized repayment plan will be suspended for the duration of the agreement period.

5.4.7. All debts current to 90 days, together with the first arranged instalment are to be settled at the commence of the agreement. Where extended payment plans have been approved, the current account together with the first negotiated and approved instalment shall be payable at the commencement of the agreement.

5.4.8. It is specifically recorded that all consumers are expected to maintain their current accounts in good standing, through paying their monthly bill presented on time and in full, together with the arranged monthly instalment.

5.4.9. Discounts will be processed after receipt of an application, and on receipt of cash payment as agreed.

5.4.10. Discounts applicable to repayment through instalments will be processed on receipt of the final instalment.

5.4.11. Early settlement discounts are subject to Council receiving in their nominated primary bank account the full settlement amount within seven (7) calendar days of invoice date. Early settlement discounts will be processed after receipt of full settlement of the current account.

5.4.12. Notwithstanding any payment that may have been received in response to the arrear debt offer/ scheme, any account holder that fails to furnish the Municipality with a duly completed application form for participation in this scheme, shall not be eligible for any discounts pursuant thereof.

5.4.13. Repayment plans duly entered into and approved, shall remain valid for the duration of the contract period; in instances wherein, repayments are not received in compliance with repayment plan's terms and conditions, the Municipality reserves the right to forthwith terminate the agreement, and proceed with legal action for the recovery of debts.

5.4.14. All debts associated with consumers eligible for participation in the Municipality's Indigent Support Programme (social assistance package) will be assessed strictly in accordance with the Indigent Support policy; any residual debts that may exist after the assessment for eligibility and write off pursuant of the irrecoverable debt policy, will be subject to the debt incentive policy.

6. Outreach Programme

6.1.1. Council is mandated to initiate such communication mechanisms as deemed necessary for the promotion of this policy; for purposes of this policy print media, SMS communications outreach programmes should be considered as part of an holistic communications programme aimed at educating communities on the importance of paying for rates and services, the advantages of participating in the limited time offer incentive

scheme; the terms and conditions applicable to the scheme; how the improvement within levels of tax compliance impacts on the ability of the Municipality to render quality services that are sustainable to the community.

6.1.2. Special consideration must be given to the development of an educational awareness programme, as part of the budget outreach programme, wherein Councilors with technical assistance of the administration will endeavor to educate the community with regards to the following:

6.1.2.1. Debt incentive scheme.

6.1.2.2. How credit control and debt collection procedures work, and what can be expected.

6.1.2.3. Why debts are handed over to debt collectors, and what the community can expect to encounter in their dealings with collectors.

6.1.2.4. The importance of paying a municipal bill on time.

6.1.2.5. Importance of a municipal bill.

6.1.2.6. Understanding a municipal bill.

7. Delegated authority

7.1. The Chief Financial Officer will after thorough review of all applications received pursuant of this policy, be delegated to write off any amounts deemed to be compliant with this policy.

7.2. All write off applications approved and processed are to be reported monthly to the Standing Committee on Finance and Council for notation.

7.3. All debts authorized for write down may only be authorized subject to confirmation that sufficient resources are held within the impairment provision to meet the anticipated cost associated with the write down.

8. Implementation and review of this policy

8.1. This policy shall be implemented once approved by Council. All future submissions for the writing off debt must be considered in accordance with the policy on impairment of debts and the writing off irrecoverable debts.