

Rates and Charges policy

PURPOSE:

This Policy provides the rating framework that the Council has adopted for rates and charges.

The Policy is prepared in accordance with section 86B of the *Local Government Act 1993* (Tas) (LGA 1993) and provides an overview of the rating framework that Council has adopted.

The Policy reflects the fundamental premise as set out in section 86A of the LGA 1993 that:

- (a) rates are a tax and not a fee for service; and
- (b) the value of land is an indicator of the capacity to pay.

The Council through the application of this Policy primarily levies rates based on property values with a contribution through fixed and service charges. The Policy also outlines the Council's approach to the provision of remissions and the management of the rate debt.

SCOPE:

The Policy sets out the Council's rates and charges (taxation) objectives in regard to:

- (a) Statutory compliance; and
- (b) Discretionary matters.

This document is a statement of policy and intent, it does not supersede or overrule the specific rating resolutions and policies that are determined by resolution of the Council.

POLICY:

Rating Objectives

To maintain an appropriate distribution of rates and charges consistent with the principles stated in this Policy with the objectives of:

- (a) Consistent and equitable treatment of all residents and ratepayers;
- (b) Achieving an appropriate mix and distribution of taxation from
 - i. rates based on property values, fixed and service charges and revenue from other sources; and
 - ii. different sectors (including land use categories and localities) within the municipality.
- (c) Managing the impact on ratepayers of changes in
 - i. the Council's funding requirements; and
 - ii. property valuations as reflected in municipal revaluations.
- (d) Using rate settings to support the achievement of strategic objectives.

Rating Strategies and Methodologies

The strategies and methodologies that have been developed consistent with the principles and rating objectives are as follows.

The valuation methodology is based on assessed annual value.

The inclusion of a general fixed charge (that is not based on a property's value) as a component of the general rate.

The use of service charges for waste management (collection and processing) based on the capacity of the service provided.

Transitional arrangements through the capping of rate increases for residential ratepayers when municipal revaluations occur. Transitional arrangements are also considered in other circumstances where there is the potential for a significant change in rates from a change in the Council's rating structure.

Debt management policies and disincentives intended to encourage the timely payment of rates.

The minimisation of rate remissions to support equitable outcomes for all ratepayers and for the remissions to be strategically targeted to address unintended consequences of legislation and policy.

Exemptions based solely on the legislative provisions of section 87 of the LGA 1993.

Valuation Methodologies

The Council has determined to use assessed annual value as the basis of rates (section 89A(2) of the LGA 1993) within the municipality. Valuations are arranged by the Office of the Valuer General. Municipal valuations occur on a six yearly cycle, with indexation adjustments made between the full revaluation every two years.

Supplementary valuations occur when additions or significant alterations are made to a property. The values are determined as though the alterations existed at the date of the last municipal revaluation, with effect from the date the works are completed.

Rating Structures and Differential Rates

The Council uses the power provided by section 107 of the LGA 1993 to vary the rate based on property use and also by location for properties within a defined area of the city centre. The property usage categories are residential, commercial, industrial, primary production, public (community) service, quarrying or mining, sport or recreation and vacant land (non-use).

The location variation or differential is applied to raise an additional rate for promotional activities within the city centre.

Contribution Methodology

Assessed annual value (AAV) is a differential valuation system where the AAV varies with the use and capital value of the property. Through this differential valuation system together with differential rates based on property usage the contribution from sectors of the municipality varies with changes in property values. The use of assessed annual value is consistent with the rating principles contained in section 86A of the LGA 1993.

Fixed Charge

The Council has resolved to impose a fixed charge (section 91 of the LGA 1993) on each rateable property or tenancy, consistent with the legislation a minimum rate is not also levied. The application of a fixed charge recognises that all rateable properties should make a fixed contribution to the cost of the Council's operations and services. The application of a fixed charge reduces the rates that are raised based on property values. The Council recognises the regressive taxation effect of fixed charges and so limits the amount of the fixed charge. The total revenue raised from the fixed charge must not exceed an amount equal to 50% of the Council's general rates in each rating year.

Service Charges

The Council imposes a service charge (section 93(1)(d) of the LGA 1993) for waste management services. Waste management (the collection of waste and recycling materials) is a defined service for which a pay for use charge is appropriate.

Private operators provide specific services to a limited number of organisations where for operational reasons it is not practical or efficient to provide the Council managed service. These organisations are able to opt out of the Council arranged service.

The Council varies or applies different charges based on the capacity of the bins that are now available, this pricing strategy is intended to provide incentives to reduce waste, encourage recycling and reflect the cost of waste disposal.

Rating Independent Living Units (Retirement Villages)

General Rate

Residential Independent Living Units within retirement villages which are owned by a charitable organisation and operated exclusive for charitable purposes are exempt from the general rate (section 87(1)(d) of the LGA 1993).

Fire Rate

Council has resolved that residential Independent Living Units within retirement villages which are owned by charitable organisations will not receive a remission for this fire rate.

The appropriateness of discretionary remissions is subject to ongoing monitoring by Council.

Residential properties or units owned commercially or by private individuals are not eligible for the remission of the general or fire rate.

Residential Rate Cap (Transitional Arrangements)

The Council supports the fundamental principle, subject to any differential rating structures and remissions, that properties with the same value (in the same usage category) should pay the same rate.

The Council recognises that the municipal revaluation may produce circumstances where the rates on individual properties increase or decrease significantly. In order to assist residential ratepayers to transition to the new rating levels Council has determined to cap the amount that the general rate (the value based component) can increase at 20 percent per annum following a municipal revaluation.

Debt Management

The Council recognises that some members of the community may not pay the applicable rates and charges either because

- (a) they choose not to, or
- (b) they are unable to due to financial difficulties.

The Council provides financial disincentives through interest and penalty charges and undertakes commercial debt collection practices to ensure that the payment of rates and charges is given appropriate priority.

The Council seeks to assist those members of the community in genuine financial difficulty through payment arrangements. It also understands that the failure to take appropriate and timely action can have a greater adverse consequence for the ratepayer than the debt collection action.

Unpaid Council rates and charges are a debt that is secured (similarly to a mortgage) against the property (section 119 of the LGA 1993). Thus, any debt must be repaid when the property is sold. The Council has the power to sell a property when debts are outstanding for more than three years (section 137 of the LGA 1993).

Postponement of Payments

Section 125 of the LGA 1993 provides the power for the Council to defer or postpone the payment of rates on the grounds of hardship. The Council has determined that it will not offer this long term debt management facility as there are other commercial facilities that should be used in these circumstances. The Council provides short term payment arrangements.

Rate Remissions

Council has the capacity under section 129 of the LGA 1993 to provide discretionary rating remissions in specific circumstances. The Council is required to exempt under section 87 of the LGA 1993 some properties from rates.

The Council has resolved to provide rating remissions under section 129 of the LGA 1993 in the following situations.

- Crown leases/licences for jetties and slipways (Policy 23-PI-008)
- Charitable organisations (Policy 23-Pxl-002)
- Small balances (Policy 23-PI-006)

Other Rates

CBD Promotional Rate

Council, based on the request of the effected businesses, applies a differential rate to properties used for commercial purposes to fund promotional activities within the central business area (details of the area are specified in the annual rates resolution).

The delivery of the promotional outcomes is provided by Cityprom Ltd under a service agreement with the Council.

State Government Departments and Business Enterprises

State Government properties, with some exceptions related to parks and infrastructure, are subject to rates and charges on the same basis as other properties (section 87(1)(b) of the LGA 1993).

Construction Rates

Construction rates can be levied (sections 97 and 98 of the LGA 1993) related to drainage infrastructure works. The Council uses developer contribution arrangements in preference to construction rates due to limitations contained in section 98 regarding the amount that can be charged.

Separate Rates

Separate rates can be levied (section 100 of the LGA 1993) where the Council believes the services provided are of particular benefit to the "affected land; or the owners or occupiers of that land".

There are currently no separate rates.

Fire Service Rates

The Council as required by legislation raises rates on behalf of the State Fire Commission (section 93A of the LGA 1993). The amount of the rate revenue is determined by the State Fire Commission. The Council receives an administrative fee for the provision of the service.

Payments

The Council has spread the payment dates across the year with the instalments due.

- Instalment 1 - 31 August
- Instalment 2 - 30 November
- Instalment 3 - 31 January
- Instalment 4 - 30 April

Penalty charges apply when instalments are not paid by the due date, interest applies on unpaid balances.

Rates can be paid in full, by four instalments or by more frequent payments so long as the instalments are paid by the due date, penalty and interest will not be incurred.

Payment Methods

The Council provides a range of payment facilities that include the use of modern technologies and in person.

Discounts

The Council does not provide payment discounts (section 130 of the LGA 1993) due to the additional cost imposed on those who are unable to take advantage of such a facility (the estimated cost of discount significantly exceeds the additional interest earnings that would result from the take up of the discount.)

Application of Payments

Payments are applied to outstanding debts in accordance with the sequence prescribed in the legislation (section 131 of the LGA 1993).

Objection

Objections to rates notices can only be made based on the grounds specified in section 123 of the LGA 1993. The grounds broadly relate to factual or calculation errors.

Objections to valuation can be made under section 28 of the *Valuation of Land Act 2001* (VLA 2001) only on the grounds specified and within 60 days of the date of notice issue. Application can be made for the correction of errors of fact at any time.

Disclaimer

This Policy is a general statement of Council intent it is not a statement of legislative compliance. The Policy provisions do not provide a legal basis for a challenge or objection to any rating matters. The Policy is updated from time to time, consistent with the legislation (section 86B(4) of the LGA 1993).

PRINCIPLES:

The Council's rating policies are formed within a framework that includes:

- (a) The *Local Government Act 1993* (Tas);
- (b) Established taxation principles;
- (c) Organisational Values;
- (d) The Council's Long Term Financial Plan; and
- (e) The Council's Rating Resolution.

RELATED POLICIES & PROCEDURES:

23-PI-003 Private Use of Council Land Policy

23-PI-006 Property Debt (Small Charge) Remission Policy

23-PI-008 Rating Exemptions and Remissions for Crown Lease Jetties and Slipways

23-Plx-002 Rating Exemptions and Remissions for Charitable Organisations Policy

RELATED LEGISLATION:

Local Government Act 1993 (Tas) (Part 9 - Rates and Charges)

Valuation of Land Act 2001

REFERENCES:

Access Economics/Henry Review (www.taxreview.treasury.gov.au)

Taxation Policy Criteria (Oakes Committee April 1990)

- Equity or Fairness
- Simplicity and Efficiency
- Accountability or Visibility
- Acceptability
- Benefits Derived
- Capacity to Pay

Local Government Rates and Charges - Guidance paper for policy development April 2012

DEFINITIONS:

Economic Efficiency

- Does the rating methodology distort property ownership and development decisions in a way that results in significant efficiency costs?

Simplicity

- Is the system practical and cost-effective to administer?
- Is the system simple to understand and comply with?

Equity

- Does the tax burden fall appropriately across different classes of ratepayers?

Capacity to Pay (is the tax progressive or regressive?)

- Those with a greater capacity to pay contribute more.

Benefit Principle

- Should those who benefit more, contribute more?

Sustainability

- Does the system generate sustainable and reliable revenues?
- Is it durable and flexible in changing conditions?

Cross-border Competitiveness

- Does the rating system undermine the Council as a business location?

REVIEW:

This Policy will be reviewed as required by legislation. Section 86B(4) of the LGA 1993 requires that:

- A Council must review its rates and charges policy -
(a) by the end of each successive four-year period after 31 August 2012...

There are other provisions in the legislation that trigger a policy review.

The current review of the valuation base, if changes are made, will require a review of the Policy.