

Policy No. 77: Rates and Charges

POLICY MANUAL

Policy No. 77

Rates and Charges

Purpose

The purpose of this Policy is to outline the principles that the Council intends to apply in exercising its powers, or performing its functions, under Part 9 – Rates and Charges, of the *Local Government Act 1993*.

Department

Corporate Services

Author

Craig Davies, Director

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Minute Reference

111/2024

Next Review Date

August 2028 or otherwise in accordance with section 86B(4) of the *Local Government Act 1993*

POLICY

1. Definitions

As detailed in the *Local Government Act 1993* Part 9 Rates and Charges

Rates

Constitute taxation for the purposes of local government rather than a *fee for service* are based on the value of rateable land (property) and/or a fixed charge levied on land on an equal or proportional basis to recover the cost of services provided or made available to that land.

2. Objective

- To inform the Meander Valley Council ratepayers and the general community of the principles that the Council intends to apply when setting the annual rates and charges under the *Local Government Act 1993* (the Act), Part 9 – Rates and Charges.
- To maintain a sustainable rates system that provides revenue stability and supports a balanced budget to avoid placing the burden of current expenditure on future generations.
- To ensure that all Councillors and staff work together and have a consistent understanding of the Council's long term revenue goals.

3. Scope

This Policy applies to all Councillors and staff involved in making decisions concerning the making of rates and charges.

4. Policy

1. Principles

The Council will raise revenue sufficient for the purpose of governance and administration of its municipal area and to provide for appropriate infrastructure and services for the community. Rates are the major source of the Council's revenue providing approximately 50% of annual income.

Examples of the infrastructure and services provided are listed below. They are typically those that would not be provided by the private sector:

- local roads, bridges, footpaths and drainage;
- street lighting and cleaning;
- urban stormwater disposal services;
- waste and recycling collection and disposal;
- provision of waste management facilities
- public halls and community centres;
- maintenance of parks, playgrounds, sportsgrounds and swimming pools;
- youth services;
- community development and events;
- regulatory and compliance activities for public and environmental health, animal control, statutory planning, building and plumbing control; and
- emergency services.

Rates (including service rates) constitute taxation for the purpose of local government rather than a fee for service. All ratepayers receive benefits from paying rates but those benefits are consumed in different quantities and types over the lives of the ratepayer. As rates are a method of taxation, the total amount of rates paid may not directly relate to the services, infrastructure or facilities used by each ratepayer. The General Rate is a *progressive* tax, applied to the Land, Capital or Assessed Annual (rental) Value of property. While a service charge is fixed it may differ between properties and in various parts of the municipal area depending on the type and level of service provided or made available and the circumstances in a particular area.

When making rating decisions, the Council will give consideration to the following principles that apply to the imposition of taxes on communities:

- capacity to pay – the ability of the taxpayer to pay the tax is taken into account. The value of rateable land is an indicator of the capacity of the ratepayer in respect of that land to pay rates.
- benefit – all taxpayers receive some benefit. The Council balances capacity to pay with the benefit principle, acknowledging that there are some services that benefit the community as a whole, so everyone should contribute.

- simplicity – relates to how easily the tax is understood, the certainty of application and its ease of collection. Council rates should, where possible be levied on a consistent basis and minimise variation in application across different Land Use Classes sustainability – the tax system should grow in line with the needs of changing expenditure, taking into account changes in economic growth and demographic changes. The Council will raise sufficient rates to meet current and future spending needs, to provide revenue stability and to support a balanced budget to avoid placing the burden of current expenditure on future generations.
- economic efficiency – relates to the effect of the tax on the behaviour of the taxpayers. Rates are considered to be generally efficient because they have a limited effect on a decision to buy a property. The efficiency of rates as a tax, however, can be distorted by an abnormal rise or fall in property values affecting the valuation base. The Council will consider varying the General Rate to manage these circumstances, if and when they arise.

The Council's practices and decisions in setting rates and charges are underpinned by:

- the statutory obligations as outlined in the Act;
- the objectives outlined in the Council's Strategic Plan;
- the needs and expectations of the community;
- the expected change in prices for goods and services;
- the financial management strategy and long term financial plan; and
- the long term asset management plans.

2. Valuation Method Used for Rating

The Council currently has the choice of three valuation bases:

- Land value – value of the property excluding all visible improvements (eg. building structures);
- Capital value – total value of the property including land value;
- Assessed Annual Value (AAV) – gross annual rental value, less GST, council rates and land tax. Legislation stipulates the AAV must not be less than 4% of the capital value.

The *Valuation of Land Act 2001* determines rating authorities are to be provided with a market-based fresh valuation (general revaluation) every six years. Adjustment factors are applied every two years to property valuations when rating authorities are not subject to a revaluation cycle. The adjustment factors help minimise large fluctuations to valuations that can occur between the revaluation cycles.

The Council utilises the AAV basis, which remains the most common method of assessment across Tasmanian Councils. The Council is satisfied with the AAV method and considers it to be the most appropriate most proxy for a ratepayer's capacity to pay. A shift to either land value or capital value would result in pronounced shifts in the apportionment of rates across the municipal area which in turn would lead to pressure for further manipulation of rates through variation or other adjustments to compensate for a valuation base change.

A potential change in rating method to Capital Value or Land Value will be reviewed at each fresh valuation in order to establish the consequential impacts on property owners, the benefits and costs of any change. This will include a review of the implementation of capping for rates increases as a result of a potential change in rating method.

3. Levying of Rates

Rates shall be issued each financial year in accordance with the Act.

3.1. Minimum Amount

Pursuant to section 90(4) of the Act, the Council sets a minimum amount payable in respect of the General Rate. The primary reason for imposing a minimum amount is to ensure that all rateable properties make a base contribution to the cost of administering the Council's activities and maintaining the services and physical infrastructure that supports each property.

3.2. General Rate Variation

Pursuant to section 107 of the Act, the Council will consider the variation of the General Rate between different land use classes of properties within the municipal area to compensate for a significant valuation base change occurring from a fresh valuation or biennial adjustment factors. If a council varies a rate, the General Manager must notify the ratepayer in a rates' notice of the rate as varied, of the variation factor used and of the date it takes effect. A ratepayer may only object to a variation in a rate on the basis that the use of the ratepayer's land is not the use of land on which the variation is based.

3.3. Service Rates and Charges

The Council has waste management service charges to assist to recover the cost of the service from the user through annual charges. The current service charge for Waste Management is based on all properties paying a fixed charge for the cost of providing tips and transfer stations plus an additional variable charge for those properties receiving a kerbside collection. The additional charge for the standard 80 litre mobile garbage bin and one mobile recycle bin, including alternate weekly garbage and green waste collection where provided, is increased where ratepayers opt for larger 140 or 240 litre size mobile garbage bin. Additional service charges are applied where supplementary bins of various sizes are provided.

4. Exemptions and Remissions

4.1. Commonwealth and Crown Land

Pursuant to section 87(1) of the Act, land that is owned and occupied exclusively by the Commonwealth, certain Crown Land as specified and land owned by the Hydro Electric Corporation is exempt from the General Rate. Service Rates and Charges will apply for services used by or made available to the land.

4.2. Charitable Organisations and Aboriginal Land

Pursuant to section 87(1)(d) and (da) of the Act, land that is owned and occupied exclusively for charitable purposes and land that is Aboriginal land, within the meaning of the *Aboriginal Lands Act 1995* is exempt from the General Rate. Service Rates and Charges will apply for services used by or made available to the land, however, properties that satisfy the requirements for exemption from rates under section 87(1)(d) and 87(1)(da) will be provided with an exemption from the Fire Service Contribution in accordance with section 81C(1) of the *Fire Services Act 1979*.

4.3. Pensioner and Health Care Card Holder Remissions

The Council will not provide a remission above the annual grant or subsidy on rates and charges provided by the State Government. To be entitled to apply, the *Local Government (Rates and Charges Remissions) Act 1991* requires that a ratepayer must be an eligible person and must occupy the property as his or her principal dwelling on or prior to 1 July of the rating year (Council will update the Policy to reflect any State Government change this legislative requirement). Under certain circumstances eligible pensioners may be able to claim for the preceding financial year.

4.4. Remissions - section 129(4)

Pursuant to section 129(4) of the *Local Government Act 1993*, Council, by absolute majority, may grant a remission of any rates payable by a ratepayer or a class of ratepayers.

Council provides a delegation to the General Manager under section 22 of the Act, for the Remission of Rates (and interest) by request of a ratepayer under section 129 of the Act, limited to \$2,000.

5. Supplementary Rates

Pursuant to section 92 of the Act, if during the year a supplementary valuation is made of any land, the Council may adjust the amount payable in respect of any rate or charge for that land for that financial year and will issue a supplementary rates notice resulting from the adjustment. Adjustments will not be made for supplementary valuations received close to year end where it is not practicable to do so except for the purposes of a refund due or rectifying an error.

6. Payment of Rates

Pursuant to section 124 of the Act, the Council permits all ratepayers to pay all rates by four approximately equal instalments instead of by one payment. The Council has opted not to provide a discount for encouraging early payment of rates in full. Instalment due dates are the last business day in August, October, January and March.

An extensive range of payment methods is provided, for example through internet, telephone, mail, direct debit and in person at Australia Post, Service Tasmania or Council's office at Westbury.

7. Overdue Rates

Pursuant to section 128 of the Act, if rates, or any one rates instalment, are not paid on or before they fall due, the Council may impose a penalty not exceeding 10% of the amount owing, and/or charge a daily interest rate determined by the Council in accordance with the formula specified in the Act. The Council has opted not to apply a fixed penalty but to only apply a daily interest charge, which is reviewed each year, at the rate specified in the Act.

The Council supports Meander Valley Council Policy No. 92 - Financial Hardship Assistance, to provide assistance and relief to community members who are suffering financial hardship.

If a ratepayer does not pay the rates on their property, the Council may commence legal action against the ratepayer to recover the outstanding amount. If the Council takes such legal action the ratepayer will also be liable for the Council's legal costs associated with any court action.

Pursuant to section 137 of the Act, if rates are not paid for a period exceeding three years, the Council may sell a property or part of a property to recover the unpaid rates. The Council can sell it by public auction or by direct sale. Decisions to sell a property for recovery of rates will be made on a case by case basis.

If the owner of a property cannot be found, the Council may apply to the Minister to have that property transferred to the Council.

8. Objection Rights

Pursuant to section 123 of the Act, a person may object to a rates notice on the grounds that:

- a. the land specified in the rates notice is exempt from the payment of those rates; or
- b. the amount of those rates is not correctly calculated having regard to the relevant factors; or
- c. the basis on which those rates are calculated does not apply; or
- d. he or she is not liable for the payment of the rates specified in the rates notice; or
- e. he or she is not liable to pay those rates for the period specified in the rates notice.

An objection is to be made in writing within 28 days after receipt of the rates notice and lodged with the General Manager. The General Manager may amend the rates notice as the General Manager considers appropriate or may refuse to amend the notice.

A person may appeal to the Magistrates Court (Administrative Appeals Division) for a review if the General Manager fails to amend the rates notice within 30 days after lodging the objection or refuses to amend the notice.

9. Policy Review and Legal Status

Pursuant to section 86B(4) of the Act, the Council must review its rates and charges policy by the end of each successive four year period after 31 August 2012 or when the Council makes a significant change in how it applies rates and charges, whichever is earlier.

Pursuant to section 86B(6) of the Act a rate or charge is not invalid by reason only that it does not conform to the Council's rates and charges policy.

5. Legislation and Related Standards

Local Government Act 1993 (Part 9 – Rates and Charges)

Meander Valley Council Policy No. 60: Asset Management

Meander Valley Council Policy No. 92: Financial Hardship Assistance

Valuation of Land Act 2001

Aboriginal Lands Act 1995

Fire Services Act 1979

Local Government (Rates and Charges Remissions) Act 1991

6. Responsibility

Responsibility for the operation of this Policy rests with the General Manager.