



# RATES POLICY

POLICY NUMBER	DATE POLICY ADOPTED	AMENDMENT DATE & MINUTE NUMBER	POLICY TYPE
02:16:2004	17 February 2004	Amended 17/03/2009 Amended 17/07/2012 Amended 18/06/2013 Amended 17/06/2014 Amended 07/07/2015 Amended 21/06/2016 Amended 04/07/2017 Amended 19/06/2018	Corporate
RESPONSIBLE MANAGER	RELATED POLICIES/ LEGISLATION	STRATEGIC PLAN REFERENCE	DATE OF NEXT REVIEW
Corporate Services and Finance Manager	Part 9 of the Local Government Act 1993	3. Governance and Organisational Development 3.3 Financial Management	Policy reviewed annually Next review 2019

<b>OBJECTIVE</b>	<p>To outline Council's approach to levying and collecting rates from its community.</p> <p>To comply with section 86B of the Local Government Act 1993 (the Act).</p>
<b>INTRODUCTION</b>	<p>Council exists to provide a range of services to the community that are generally not provided by the private sector. Rates are a major source of revenue that council uses to fund the services it provides to the community.</p> <p>Council consults with the community to determine a vision for the municipality and develops a strategic plan and long term asset management plans that reflect the goals and aspirations of the community. Each year council prepares an annual plan that indicates what will be done that year to achieve the strategic plan and asset management objectives and an annual budget that shows how the annual plan will be resourced. This annual budget is then extended to cover the period of the strategic plan (five years).</p> <p>The services provided by council include local roads, bridges, footpaths, kerb and channel, storm water, street lighting, street cleaning, parks and reserves, public halls, sporting facilities, environmental health, waste management, emergency management, facilitation of community health and well-being, community events, tourism, youth services, planning and development.</p> <p>The amount of rates required each year is determined after assessing the financial requirements to deliver and maintain the services required by the community now and in the future. The amount of rates required is also influenced by external factors such as legislative reform, grant programs, inflation and interest rates.</p> <p>This policy is mainly concerned with how council applies its powers and performs its functions in accordance with Part 9 of the Local Government Act 1993, when levying and collecting rates from its community.</p>



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<p><b>PRINCIPLES</b></p>	<p>Key principles made clear by section 86A of the Local Government Act 1993 are;</p> <ul style="list-style-type: none"> <li>(a) Rates constitute taxation for the purpose of local government, rather than a fee for service; and</li> <li>(b) The value of rateable land is an indicator of the capacity of the ratepayer in respect of that land to pay rates.</li> </ul> <p>Council strives to achieve fairness and equity in applying the principles of taxation and in particular the principles of:</p> <ul style="list-style-type: none"> <li>• Capacity to pay – those with a higher capacity to pay should pay more than those with a lesser capacity to pay</li> <li>• Benefit – all who benefit from a service should contribute to the cost of the service</li> </ul> <p>Whilst the above principles guide council in distributing the burden of rates amongst property owners within each rating year, the principle of inter-generational equity guides Council in considering the rate burden to be distributed between ratepayers of the current year and ratepayer in future years. The essence of this concept is that each year the ratepayers of that year should pay for the services that they use and not pass that burden on to other generations of ratepayers.</p>
<p><b>RATING STRATEGIES AND PROCEDURES</b></p>	<p><b>1. Balancing the Capacity to Pay Principle with the Benefit Principle of Taxation</b></p> <p>In the past, Council applied the benefit principal by setting a minimum rate payable in respect of each property in the municipality in acknowledgement that there are some services and benefits provided by Council that are equally available to all of the ratepayers in the municipality (roads, bridges, parks and reserves for example).</p> <p>Under section 90(5) of the Local Government Act, the proportion of properties paying the minimum rate is limited to less than 35% in 2013/14 and subsequent years... To comply with this limit Council would have needed to reduce its minimum rates significantly in 2013/14 resulting in a significant loss of revenue as properties previously paying the minimum rate, instead paid a lesser amount based on cents in the dollar of adjusted Assessed Annual Value of the property. To recover the lost revenue resulting from the reduced minimums Council would have needed to increase general rates by around 10% on average and by much more for some properties.</p> <p>An alternative way to apply the benefit principle is to set a fixed rate for all properties in the municipality. Section 91 of the Act, allows up to 50 per cent of general rates revenue to be raised from fixed rates. Fixed rates differ from service charges as they will apply equally to all ratepayers to recognise that they are likely to benefit equally from the provision of the service. By setting a fixed rate at a level designed to recover approximately 30% of general rates from fixed rates Council is acknowledging that there are a significant amount of services and benefits provided by Council that are equally available for use by all ratepayers and under the benefit principal it is appropriate that all ratepayers contribute to the cost of these services.</p> <p>Whilst the benefit principal is applied to 30% of general rate revenue through the use of fixed rates, the balance of general rates are levied based on a rate of cents in the dollar of Assessed Annual Value of each rateable property (as described below) to</p>



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recognise the capacity to pay principle (that those with greater capacity to pay should pay more than those with a lesser capacity to pay). Council will review the appropriate fixed rate percentage each year.

## **2. Property Valuation Base (Section 89A)**

The Valuer-General revalues property in the municipality on a six year cycle and applies an adjustment factor each two years to smooth out the impact of property market movements in between valuations. The Valuer-General determined fresh valuations for property within the Kentish Municipality during 2014/15 and these new values first applied for the purpose of calculating rates from 1 July 2015. On 28 February 2017, the Valuer-General determined the adjustment factors to apply to the value of property in Kentish for rating purposes from 1 July 2017. Council applies rates based on the assessed annual value (AAV) of the rateable property which represents the estimated yearly rental value of the property. Council has adopted the assessed annual value as the basis for levying rates as it considers this a fair and equitable method for distributing the rate burden across all ratepayers as property rental value is a relatively good indicator of capacity to pay.

Once the total rates to be raised from fixed rates has been determined, this amount is deducted from the total rates required to determine the rates to be raised through the cents in the dollar of the AAV. The approach that would normally be applied is that once the amount of rates required to be raised is set, the rates amount is divided by the total of all assessed annual values for the municipality to determine a rate per dollar of AAV. However, the replacement of the minimum rate with a fixed rate together with the revaluation of some classes of property due to the Valuer-General's 2017/18 adjustment factors resulted in this method producing significant rate increases for some properties and potential reductions for others. To reduce the impact of these sudden and significant changes in relative rates, it was decided to cap rate increases under section 88A of the Act for each property in the municipality at 2% for most properties and adjust the relative differential rate for other classes of property to reduce the potential rate decreases.

## **3. General Rates (Section 90) and Differential Rating (Section 107)**

A general rate must be set under section 90 of the Act by 31 August every year. Section 107 of the Act provides the ability to then vary the general rate on the following factors:

- the use or predominant use of the land
- the non-use of the land
- the locality of the land
- any planning zone
- any other prescribed factor

Council recognises that different sectors of the community derive different levels of benefit from the services provided by council and have varying capacity to pay and to pass the cost of rates on to others, and so council varies the general rate in respect of the following property types;

- rural residential land (i.e. land used for residential purposes and zoned as "rural living" or "rural resource" under the Kentish Interim Planning Scheme 2013)



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- land used for primary production purposes
- land used for commercial purposes
- land used for public purposes
- land used for mining purposes
- land used for industrial purposes

For the sake of consistency, Council will generally seek over time to achieve a relatively constant relationship between the general rate and the differential rate for each of the above property types. The current relationship is reflected in the following table:

Category of Property	2018/19 % of General Rate
Residential	100%
Rural Residential	110%
Primary Production	130%
Recreation	100%
Commercial	160%
Industrial	210%
Mining	210%
Community Services	190%
Vacant	100%

#### 4. Minimum General Rate (Section 90(5))

As discussed above, Council discontinued the levying of minimum rates in 2013/14 and instead applied a fixed rate to ensure that all ratepayers contribute to the provision of basic services at a reasonable level

#### 5. Service Rates and Charges (Sections 93 and 94)

Council charges the following rates and charges for provision of the following services:

##### Fire Levy

The Fire Services Act, 1979 requires Council to collect a fire service contribution payable to the State Government from all rateable properties within the municipality. Council receives a 4 per cent commission for collection of the contribution.



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## **Waste Management Service Charge**

Council applies waste removal and recycling charges, based on bin size, to all properties to which council makes available these services.

A service charge is also applied for transfer station access at differential rates depending upon whether or not the property is supplied with a waste removal service and also at differential rates for land used for commercial or industrial purposes.

Council aims to set waste management charges at a level that will enable full recovery of the cost of providing waste management services to the rateable properties within the community without any subsidy from the general rate.

## **6. Rate Increase Caps (Section 88A)**

When levying general rates each year, Council will generally attempt to smooth the impacts of sudden and significant shifts in the rates burden (usually resulting from property revaluations and adjustments to the assessed annual value of properties) by applying a cap on the increase in the general rate under section 88A of the Act.

The cap will be set taking into account both the revenue requirement of council, but also the financial impact of significant rate increases on ratepayers.

A separate cap may be set for each differential rating category.

## **7. Rate Remissions (Section 129)**

### **General Remissions – community benefit**

Whilst Section 87 of the Act provides general rates exemption to various classes of land including land or part of land owned and occupied exclusively for charitable purposes, Council also has discretion under Section 129 of the Act to grant remissions on all or part of any rates payable by a ratepayer.

Council will generally grant a remission of rates where the following criteria are satisfied:

- The rate-payer is a non-profit organisation;
- The ratepayer demonstrates that the property is used for purposes that provide significant benefit to the wider community rather than mainly benefitting members;
- The organisation genuinely needs a general rate remission; and
- The organisation is financially viable and competent.

Rate remissions will apply to the general rate only.

Application for remission must be submitted to Council in writing.

All rate remissions are reviewed on an annual basis.



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## **Pensioner Remissions**

The Local Government (Rates and Charges Remissions) Act 1991 provides that eligible pensioners as at 1 July each year are entitled to a State Government rate remission of 30 per cent up to a maximum amount set each year. Eligible pensioners are also entitled to an additional remission of 20 per cent of the fire levy.

An eligible pensioner is a person who holds a;

- Pensioner Concession Card, or
- Veterans Affairs Gold Card, or
- Health Care Card (excludes Seniors Health Card).

New pensioners or any pensioner who believes they should be eligible for a rate remission are required to complete an application form with Council for verification. Ratepayers qualifying for a partial remission of rates through pensioner status will have their balances adjusted on receipt of approval of the remission amount from the Department of Treasury and Finance.

## **Conservation Covenants**

Council provides a partial general rate remission under section 129 of the Act to landowner ratepayers who have placed perpetual covenants on their land title to forego various property and development rights and provide conservation benefits for the whole community.

The remission is applied at the rate of \$5 per hectare with a minimum of \$50 and a maximum of \$500 remission per property.

To qualify for the remission, ratepayers must provide evidence of their Conservation Covenant in accordance with the *Nature Conservation Act 2002*.

## **8. Payment of Rates**

Rates and charges are payable either

- (a) in one single payment due on or before 31 August each year; or
- (b) by four equal instalments payable on or before 31 August, 31 October, 28 February and 30 April within the rating year.

In accordance with section 124 (5) of the Act, if a ratepayer fails to pay any instalment within 21 days of the date on which rates are due, Council may require the ratepayer to pay the full amount owing for the financial year.

Council will accept payment:

- by mail to PO Box 63 Sheffield, 7306
- in person at the Council chambers at 69 High Street Sheffield
- direct debit
- by phone
- by Council's Website [www.kentish.tas.gov.au](http://www.kentish.tas.gov.au)
- B-pay telephone and internet banking
- through the Service Tasmania network
- at any Australia Post office



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## 9. Discount for Early Payment

As provided by section 130 of the Act, Council will offer an early payment discount when all rates and charges, including arrears are paid in full on or before the first instalment due date.

The rationale for the discount is that the benefit to the Council (being earlier access to the funds and reduced processing costs of future instalments) is greater than or equal to the cost of the discount. The level of the discount which is reviewed annually is set to reflect the estimated weighted average interest expected to be earned by council on the funds received early. Council will set the discount conservatively, taking into account economic conditions and the risk of interest rate changes.

## 10. Penalty and Interest

As provided by section 128 of the Act, if any rate or instalment is not paid on or before the due date, Council will charge daily interest in accordance with the following formula as per section 128(2) of the act:

$$P = \frac{LTB + 6\%}{365}$$

where –

P is the prescribed percentage;

LTB is the official ten-year long term bond rate as determined by the Reserve Bank as at the close of business on the last day of business preceding 1 March.

## 11. Recovery of Outstanding Rates

Any ratepayer who is experiencing difficulty with meeting the standard payment arrangements is invited to contact Council to discuss alternative payment arrangements.

Should any rate instalment not be paid within 21 days of the due date, Council may require payment of the total annual rates and charges.

Rates which remain in arrears for a period exceeding 21 days will be subject to debt recovery action, and debt collection agency charges and court fees are recoverable from the ratepayer. Council will issue a final notice before taking such recovery action.

If rates and charges are in arrears for three years or more, council has the power under section 137 of the Act to sell the property to recover the outstanding debt. If payment is not received within 90 days of Council serving notice of its intention to sell, the property may be sold by public auction.

Decisions to sell property to recover outstanding rates and charges will be made by Council at an ordinary Council meeting after considering all of the relevant facts and circumstances.



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<b>OBJECTION RIGHTS (SECTION 123)</b>	<p>Section 123 of the Act provides that a person may object to a rates notice on the grounds that –</p> <ul style="list-style-type: none"><li>a) the land specified in the rates notice is exempt from the payment of those rates; or</li><li>b) the amount of those rates is not correctly calculated having regard to the relevant factors; or</li><li>c) the basis on which those rates are calculated does not apply; or</li><li>d) he or she is not liable for the payment of the rates specified in the rates notice; or</li><li>e) he or she is not liable to pay those rates for the period specified in the rates notice.</li></ul> <p>An objection must be in writing to the General Manager, and be made within 28 days after receipt of the rates notice. The General Manager may amend the rates notice if considered appropriate or refuse to amend the rates notice.</p> <p>A person may appeal to the Magistrates Court (Administrative Appeals Division) for a review if the General Manager:</p> <ul style="list-style-type: none"><li>a) fails to amend the rates notice within 30 days after lodging the objection; or</li><li>b) refuses to amend the rates notice.</li></ul>
<b>REVIEW</b>	<p>The act provides that this policy must be reviewed by the end of each successive four year period after 31 August 2012 or when Council makes a significant change in how it applies rates and charges, whichever is the earlier.</p> <p>Council intends to review this Policy annually.</p>
<b>AVAILABILITY OF THE POLICY</b>	<p>This policy is available from the Council offices during ordinary opening hours, or can be downloaded from Council's website <a href="http://www.kentish.tas.gov.au">www.kentish.tas.gov.au</a>.</p>