

## RATES POLICY

Type	Governance
Category	Corporate & Community
Responsible Officer	Director Corporate & Community
First Issued / Adopted	January 2009
Review Period	Annually
Last Reviewed	5 July 2023, 22 June 2022, 25 August 2021, 16 November 2020, 23 August 2019
Minutes Reference	SM21/23, OM230/22, SM22/21, SM86/20, SP45/19
Next Review Date	July 2024
Applicable Legislation	Local Government Act 1999, Local Government (Financial Management) Regulations 2011, Local Government (General) Regulations 2013
Related Documents	Debt Collection Policy Financial Hardship Policy Financial Hardship (CWMS) Policy
Public Consultation Required	Yes - Annually with draft Business Plan
File Reference	9.63.1.4
Purpose	To provide legislative requirements and policy guidelines for the setting of rates every year.

### 1. COUNCIL'S DUTIES AND POWERS

Council's powers to raise rates are found in Chapter 10 of the Local Government Act 1999 ("the Act"). The Act provides the framework within which the Council must operate, but also leaves room for the Council to make a range of policy choices. This document includes compulsory features of the rating system, as well as policy choices that the Council has made regarding how it imposes and administers the collection of rates.

All land within a Council area, except for land specifically exempt (e.g. certain Crown Land, Council occupied land and a few other limited categories) is rateable.

Rates are not a fee for services. They constitute a system of taxation for Local Government purposes. Local Government functions are defined broadly in the Act. All systems of taxation try to balance various principles of taxation.

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## 1. COUNCIL'S DUTIES AND POWERS (Cont'd)

In addition to general rates, Council also raises revenue through:

- Annual service charges on residential ratepayers for waste collection and disposal;
- Annual service charges on properties serviced by the community wastewater management scheme at Crystal Brook and Napperby;
- User charges (e.g. non-residential waste disposal, cemetery fees, leases and rentals); and
- Statutory charges (e.g. development fees, dog registrations, parking expiations).

## 2. PRINCIPLES OF TAXATION

This Policy represents the Council's commitment to balancing the following principles of taxation:

- a) **Benefits received.** (i.e. services provided, or resources consumed). Reliance on this principle suggests that (all other things being equal) a person who receives more benefits should pay a higher share of tax.
- b) **Capacity to pay.** This principle suggests that a person who has less capacity to pay should pay less; and that persons of similar means should pay similar amounts.
- c) **Administrative simplicity.** This principle refers to the costs involved in applying and collecting the tax and how difficult it is to avoid.
- d) **Economic efficiency.** This refers to whether or not the tax distorts economic behaviour.
- e) **Policy consistency.** The principle that taxes should be internally consistent, and based on transparent, predictable rules that are understandable and acceptable to taxpayers.

## 3. VALUATION OF LAND

Council is permitted to adopt one of three valuation methodologies to value the properties in its area. They are:

- *Capital Value* – the value of the land and all of the improvements on the land.
- *Site Value* – the value of the land and any improvements which permanently affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements.
- *Annual Value* – a valuation of the rental potential of the property.

Council uses capital value as the basis for valuing land. Council considers that this method provides the fairest way to distribute the rate burden across all ratepayers on the following basis:

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**3. VALUATION OF LAND (Cont'd)**

- the 'capacity to pay' principle of taxation suggests that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;
- property value is a relatively good indicator of wealth (when lifetime incomes, including incomes from capital gains, are taken into account). Capital value, which closely approximates the market value of a property, provides the best indicator of overall property value.

Council has a choice whether to employ its own valuers, or accept the valuations made by the Valuer-General; i.e. the State Valuation Office. Council considers that the Valuer-General's valuations represent a contemporary and reliable source of information regarding property valuations for rating purposes and, for this reason, adopts the valuations made by the State Valuation Office as provided to the Council each year.

Objections to valuations may be made to the State Valuation Office. The Council has no role in this process. The lodgement of an objection does not change the due date for the payment of rates.

Certain properties may be eligible for a "notional value" under the *Valuation of Land Act 1971*. For example, this may apply if the property is the ratepayer's principal place of residence, and its value is enhanced by unrealised subdivision potential or a different potential land use. A notional value is generally less than the capital value and therefore would result in reduced rates. An application for a notional value must be made to the State Valuation Office.

A notional value will stay with the property until any of the conditions are no longer relevant to the property. (e.g. the owner sells the property to an investor who then rents the property out; therefore the property is then not being used as a primary place of residence so it's no longer applicable for a notional value)

**4. COMPONENTS OF RATES**

The Council imposes general rates consisting of two components:

- A fixed charge; and
- A rate in the dollar based on the value of land (which differs based on the locality in which the rateable property is situated and the use to which the property is put).

These two components are explained below.

The Council also imposes annual service charges with respect to certain specific services it provides. Annual service charges are also explained below.

The Council must also recover a regional landscape levy to cover the cost of the Council's mandatory contribution to the Northern and Yorke Landscape Board.

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**4. COMPONENTS OF RATES (Cont'd)****4.1 Fixed charge component of general rates**

Council has the discretion either:

- to apply a fixed charge (applying equally to all rateable properties) as a component of general rates; or
- to apply a minimum rate (to lower-value properties) and/or alter the amount that would otherwise be payable by way of rates in respect of land that falls within a range of values determined by the Council;

(or neither) but cannot use both of these mechanisms.

Most Council services which are funded from general rates revenue are provided and available to all ratepayers. The Council accordingly considers it is equitable to impose a uniform fixed charge as component of its general rate.

Council has discretion to collect up to 50% of its general rate revenue from a fixed charge. The Council's policy is to limit the amount collected by a fixed charge to approximately 32% of general rate revenue. The amount of the fixed charge is clearly indicated on the rates notice.

**4.2 Rate in the dollar (based on the value of land) component of general rates**

The largest component of rates is the component that is calculated by reference to the value of the land. Every year, the Council officially "declares" what proportion of the value of land will be payable in rates. The Act allows councils to impose rates that differ (i.e. higher or lower) based on the locality of land, or the uses to which the land is put (residential, commercial, primary production, industrial, vacant, etc.) or both.

The Council applies a differential rating strategy where the quantum of the rate in the dollar is calculated by reference to both the locality of the land and its use.

The different 'localities' relied upon by the Council for rating purposes are the zones and subzones of the Council under the Planning and Design Code. In particular, at the time of the last update of this Policy, these are the following zones:

- Community Facilities
- Conservation
- Coastal Waters and Offshore Islands
- Deferred Urban
- Employment
- Employment (Bulk Handling)
- Infrastructure (Airfield)
- Local Activity Centre
- Rural
- Rural Living
- Suburban Activity Centre
- Strategic Employment
- Suburban Neighbourhood

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**4. COMPONENTS OF RATES (Cont'd)****4.2 Rate in the dollar (based on the value of land) component of general rates (cont'd)**

The different 'localities' relied upon by the Council for rating purposes are the zones and subzones of the Council under the Planning and Design Code. In particular, at the time of the last update of this Policy, these are the following zones:

- Township
- Township Main Street
- Tourism Development
- Urban Activity Centre

And the following subzones:

- Visitor Experience (*subzone of Conservation zone*)
- Significant Industry (*subzone of Strategic Employment zone*)

The different 'uses' of land relied upon by the Council for rating purposes (and it is the predominant use of land which is relevant) are the land use categories prescribed under the *Local Government (General) Regulations 2013*. In particular, these are:

- Residential
- Commercial—Shop
- Commercial—Office
- Commercial—Other
- Industry—Light
- Industry—Other
- Primary Production
- Vacant land
- Other.

A particular rate in the dollar will apply to each combination of locality and land use. By differentiating according to land use and locality, the Council can impose rates which not only take into account the value of land, but also take into account matters including the capacity of that land to generate revenue and the impact of the use of the land on the Council's infrastructure. The Council considers that it is equitable that these matters should affect the rates which apply to any parcel of land. Generally speaking, the Council considers that land which can generate significant revenue (because of its use and/or because of the zone of subzone within which is located) should attract greater rates than land which does not have the same capacity to generate revenue, and land which has a greater impact on Council infrastructure (such as, for example, land with a use which involves more frequent heavy vehicle movements thus requiring more road maintenance) should attract greater rates than land which does not have a similar impact.

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**4. COMPONENTS OF RATES (Cont'd)****4.2 Rate in the dollar (based on the value of land) component of general rates (Cont'd)**

The particular differential rates which apply to each combination of locality and land use in a particular year will be determined and declared from year to year. The Council will also publish the expected level of revenue to be raised by differential rates in its annual business plan each year.

Though specific rates will be adopted and declared from year to year, Council will as a matter of policy generally apply the following differential rating strategies according to the locality of the land and its use, having regard to the predominant use of the land:

- Council's differential rating structure is based on the assumption that residential properties across localities represent the majority number of rateable properties (72%) and that other categories should be calculated as a percentage of this "base rate".
- Council acknowledges that industrial and commercial businesses located in most localities in the area can generate a greater relative consumption of Council's infrastructure and services, therefore being a greater draw on Council's resources. A differential rate of 200%-230% of the base rate applies for these land use categories across the majority of the district.
- A higher rate in the dollar is applied for land which has the Industry – Other land use and which is located within the Significant Industry subzone of the Strategic Employment zone. Given the unique nature and intensity of the activities carried out on the properties within this locality which are used for Industry—Other purposes, the effect of those activities on the infrastructure of the Council area, the special nature of the dedicated subzone, the degree of subjectivity as to the capital values of the properties in this subzone, and a policy position of the Council, a differential rate of 970%-990% of the base rate applies for this land use category in this locality.
- Council acknowledges the economic and social importance of primary production in localities across the district and wishes to support its long term viability. A differential rate of 50%-60% of the base rate applies for this land use category in all localities.
- Council acknowledges that vacant land in any locality can incur a significant holding cost for constructed infrastructure (above what valuations would produce) and seeks to encourage its development or sale. A differential rate of 170%-200% of the base rate applies for this land use category across all localities.
- Other land generally includes properties in any locality used by community groups and sporting associations, many of which are eligible and receive rebates from Council. A differential rate of 95%-110% of the base rate applies for this land use category in all localities.

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## 4. COMPONENTS OF RATES (Cont'd)

### 4.3 Service Charges

The Act allows Councils to impose a charge to recover the cost of certain services provided or made available to specific properties (including non-rateable land). It helps service recipients appreciate costs involved and provide feedback on value to service providers. Imposing an annual service charge to cover the cost of a specific service where permitted by the Act (rather than funding the service through general rates revenue) means that properties that cannot receive the service aren't paying higher taxes to help fund its provision or availability to others.

#### 4.3.1 Community Wastewater Management Scheme (CWMS)

All Councils that provide CWMS services levy affected properties with a charge to recover the actual operating and maintenance costs for the scheme, in addition to making provision for future upgrades and development. Charges for CWMS services must be calculated in accordance with the requirements of the Act and the requirements of the Essential Services Commission of South Australia.

Charges are made to both rateable and non-rateable properties in Crystal Brook and Napperby townships, according to the number of services connected to a property. A reduced amount is charged for vacant properties within the service area.

Any amounts recovered but unspent in any year are retained by Council in a dedicated reserve fund, from which future costs of the services will be recovered.

The annual service charge amount is reviewed annually in conjunction with a review of the long-term operation, maintenance and replacement of each system.

#### 4.3.2 Waste Management Service Charge

Many Councils directly charge residential ratepayers for their kerbside waste collection services. The total amount recovered must not exceed the cost of providing the service. The charge is reviewed annually, against the cost to provide the service.

*NB: Commercial properties have voluntarily participated in the collection service and are invoiced through Council's debtor system, with no impact on rates.*

Properties may receive a discounted charge where their property access point is more than 500 metres from their bin collection point. These discounts are applied automatically against these properties.

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## **4. COMPONENTS OF RATES (Cont'd)**

### **4.4 Regional Landscape Levy**

Council is required under the *Landscape South Australia Act 2019* to make a specified contribution to the Northern and Yorke Landscape Board. The Council is then also required to reimburse itself for this contribution, by applying a rate in the dollar against the capital value of every rateable property.

This separate rate is effectively a State tax that Councils are required to collect, and return to a State Government agency, the local Board. Even though it appears on the Council's rates notice, enquiries about this component should be directed to the Northern and Yorke Regional Landscape Board.

## **5. HELP WITH RATES**

### **5.1 Concessions**

The State Government has introduced the payment of a 'cost of living' allowance which will be paid directly to pensioners and concession card holders, and replaces the previous pensioner concession amount which was deducted from rates. The payment is administered by State agencies who determine the eligibility of applicants.

Ratepayers awaiting the outcome of an application for one of these concessions should not delay in paying their rates, as penalties apply for late payment.

### **5.2 Remission of Rates**

Council has a discretion to partially or wholly remit (i.e. waive) rates on the basis of financial hardship. For further information see the Council's Financial Hardship Policy.

### **5.3 Postponement of Rates**

Holders of a State Seniors Card are eligible (under certain conditions) to postpone on a long-term basis, a large component of the rates on their principal place of residence. The postponed amount is subject to a monthly interest charge, with the accrued debt falling due for payment only when the property is sold or transferred to someone else.

Persons other than the holders of a Seniors Card may also apply for postponement of rates. Council will consider each case on its merits, but any successful applicant should expect that any postponed rates would be subject to accruing interest charges in the same manner as the Seniors Rate Postponement Scheme.

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## **5. HELP WITH RATES (Cont'd)**

### **5.4 Rebate of Rates**

#### **5.4.1 Compulsory Rebates**

Councils are required to rebate (discount) the rates payable on some land.

A 100% rebate will be applied to land used for:

- health services;
- religious purposes;
- public cemeteries;
- The Royal Zoological Society.

A rebate of at least 75% (or more, at the Council's discretion) will be applied to land used by:

- community service organisations; and
- Schools and universities.

#### **5.4.2 Discretionary Rebates**

In addition, the Council is allowed a wide discretion to rebate any percentage of rates for a number of other purposes, such as:

- securing proper development of an area;
- assisting or supporting a business;
- preservation of historically significant places;
- facilities or services for children or young persons; or
- accommodation for the aged or persons with disability; or
- other purposes.

Each rebate that is granted either reduces the Council's revenue and its capacity to provide services, or else it effectively increases the amount that must be collected from other ratepayers.

In assessing applications for discretionary rebates, Council will take into account:

- why there is a perceived need for financial assistance through a rebate;
- the level of rebate being sought;
- the extent of financial assistance, if any, being provided to the applicant and/or in respect of the land by Commonwealth or State agencies;
- whether, and if so to what extent, the applicant is or will be providing a service within the Council area;
- whether the applicant is a public sector body, a private not-for-profit body or a private for profit body;

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**5. HELP WITH RATES (Cont'd)****5.4 Rebate of Rates (cont'd)****5.4.2 Discretionary Rebates (cont'd)**

In assessing applications for discretionary rebates, Council will take into account: (cont'd)

- the nature and extent of Council services provided in respect of the land, in comparison to services provided elsewhere in the Council's area;
- the community need, if any, that is being met by activities carried out on the land;
- the extent to which activities at the land for provide assistance or relief to disadvantaged persons;
- whether a rebate was granted in a prior year or years and, if so, any difference in circumstances since the prior rebate or rebates were granted;
- the desirability of granting a rebate for more than one year;
- whether a rebate can be designed to meet the purpose behind the rebate (including for example through imposition of specific conditions to ensure the ratepayer acts consistently with the purpose for which the rebate is provided);
- consideration of the full financial consequences of the rebate for the Council;
- the time the application is received;
- whether the applicant may be eligible for a Council community grant;
- any other matters and policies of the Council, which the Council considers relevant.

After considering these matters, the Council may refuse to grant any rebate, or may grant a rebate of rates subject to specific conditions.

**6. PAYMENT OF RATES**

Rates are declared annually, and may be paid either in full by the due date in September, or by 4 instalments that generally fall due in September, December, March and June. The exact date that rates fall due and various options for paying rates are clearly indicated on the rates notice. Rates Notices are sent at least 30 days prior to the due date.

Council can assist those ratepayers experiencing financial difficulties and so may not be able to meet the rates payment due dates. There are a number of options available including alternative instalment payment plans and waiving of rates under specific circumstances. (Refer to the Financial Hardship Policy).

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**6. PAYMENT OF RATES (Cont'd)****6.1 Late Payment**

Under the Act, a penalty of a 2 per cent fine is automatically imposed on any late payment for rates. This fine may be remitted (waived) in whole, or in part, at the discretion of Council. (See "Remission of Rates" in this policy).

A payment that continues to be overdue then attracts interest at a rate prescribed in the Act for each month it continues to be in arrears, including the amount of any previous unpaid fine and including interest from any previous month. The purpose of these fines and interest include to act as a genuine deterrent to ratepayers who might otherwise fail to pay their rates on time, to allow Council to recover the administrative cost of following up unpaid rates and to cover any financial interest cost Council may need to meet because it has not received the rates on time.

Council issues a Final Notice for payment of rates, when rates are overdue i.e. unpaid by the due date. Should rates remain unpaid, debt collection will be commenced. This may result in additional fees that are recoverable from the ratepayer.

When Council receives a full or partial payment of overdue rates, the payment must be applied as follows:

- first – to satisfy any costs awarded in connection with court proceedings (if applicable);
- second – to satisfy any interest costs;
- third – in payment of any fines imposed;
- fourth – in payment of rates, in chronological order (starting with the oldest account first).

**6.2 Sale of Land for Non-Payment of Rates**

Council may sell any property where the rates have been in arrears for three years or more.

Council is required to notify the principal ratepayer of the land of its intention to sell the land, provide the recipient with details of the outstanding amounts, and advise the owner of its intention to sell the land if payment of the outstanding amount is not received within one month.

**7. RELATIONSHIP BETWEEN THIS POLICY AND ANNUAL BUSINESS PLAN**

A copy of this notice is also sent to the registered mortgagee and, if the land is held from the Crown, a State government minister. If the principal ratepayer is not the owner, a copy is also sent to the owner.

Pursuant to section 123 of the Act, the Council adopts an Annual Business Plan each year. The Council must undertake public consultation on a draft version of the Annual Business Plan before it adopts its Annual Business Plan.

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## **7. RELATIONSHIP BETWEEN THIS POLICY AND ANNUAL BUSINESS PLAN (Cont'd)**

Whenever a version (including a proposed revised draft version) of this Policy is attached to and/or referred to in a draft Annual Business Plan which is made available for public consultation, the Council will give due consideration to any comments which may be received during public consultation upon the draft Annual Business Plan which relate to this Policy.

## **6. FURTHER INFORMATION**

This policy will be available to be downloaded, free of charge, from Council's internet site: [www.pirie.sa.gov.au](http://www.pirie.sa.gov.au)

Copies will be provided to interested parties upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

Ratepayers should contact the Rates Officer for further information and to discuss their specific circumstances.

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