

<b>RATES POLICY</b>	
Type	Governance
Category	Corporate & Community
Responsible Officer	Director Corporate & Community
First Issued / Adopted	January 2009
Review Period	Annually
Last Reviewed	23 August 2019
Minutes Reference	SP45/19
Next Review Date	July 2020
Applicable Legislation	Local Government Act 1999, Local Government (Financial Management) Regulations 2011, Local Government (General) Regulations 2013
Related Documents	Financial Hardship Policy Financial Hardship (CWMS) Policy
Public Consultation Required	Annually with draft Business Plan
File Reference	9.63.1.1
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 the policy choices that the Council has made on how it imposes and administers the collection of rates.

All land within a Council area, except for land specifically exempt (e.g. 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.

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

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

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

## 2. PRINCIPLES OF TAXATION

This Policy represents the Council's commitment to balancing the five main 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 received 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.

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

Council has decided to continue to use 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:

- the 'capacity to pay' principle of taxation requires 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 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**

#### **4.1 A Rate in the Dollar**

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 percentage 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.

Property values reflect, among other things, the relative availability of and access to Council services. Council will adopt a differential rating strategy where the quantum of the rate in the dollar is calculated with reference to both the locality of the land and its use.

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

##### **4.1 A Rate in the Dollar (Cont'd)**

Due to the need to balance the community's capacity to pay, for 2020/21 Council is proposing to continue apply differential general rates based on the locality in which the rateable property is situated and the use to which the property is put:

- Locality – town planning zones (TPZ) including airfield, bulk handling, coastal conservation, commercial, commercial policy area (PA) 1, commercial PA 2, commercial PA 3, community, deferred urban, industry, industry PA 4, industry PA 5, industry PA 6, local centre, mixed use (MU), MU PA 7, MU PA 8, neighbourhood, primary production, regional centre (RC), RC PA 9, residential, residential PA 10, rural landscape protection (RLP), RLP PA 11, RLP PA 12, rural living (RL), RL PA 13, RL PA 14, RL PA 15, RL PA 16, RL PA 17, RL PA 18, town centre and township.
- Land use – prescribed land use codes (LUC) including residential, commercial-shop, commercial-office, commercial-other, industry-light, industry-other, primary production, vacant and other.

Council has decided to apply the following differential rating strategies according to the locality of the land and its use, having regard to the principal use of the land:

- Council's differential rating structure is based on the assumption that residential properties across localities represent the majority number of properties (75%) and that other categories should be calculated as a percentage of this "base rate".
- Subject to the next dot point below, 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 180%-220% of the base rate has been adopted for these land use categories across the majority of the district.
- A higher rate in the dollar is applied for industry – other land uses located within the Council's dedicated major special industrial, commercial and storage zone. Given the unique nature and intensity of the properties within this locality which are used for industry – other purposes, the special nature of the dedicated zone and a degree of subjectivity as to their capital values. A differential rate of 900-1,000% of the base rate has been adopted 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 70%-90% of the base rate has been adopted 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 180%-220% of the base rate has been adopted for this land use category across all localities.

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

### **4.1 A Rate in the Dollar (Cont'd)**

- 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 100% of the base rate has been adopted for this land use category in all localities.

### **4.2 Fixed Charge**

Council has the discretion to apply either:

- a fixed charge (applying equally to all rateable properties); or
- a minimum rate (to lower-value properties)

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

To the extent that many (though not all) Council services are provided and available relatively uniformly to all ratepayers, and that property values vary because of a range of factors (not just the relative extent of Council services) the Council considers it is equitable, from the perspective of the benefit principle, to recover the costs of such services by way of a uniform fixed charge, set at an appropriate level. However, applying the benefit principle exclusively would not take account of the capacity to pay principle.

Council has discretion to collect up to 50% of its general rate revenue from a fixed charge.

Accordingly, to appropriately balance both the benefit principle and the capacity to pay principle, 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.

### **4.3 Service Charges**

The Act allows Councils to apply a charge to ratepayers to recover the cost of dedicated services provided to specific properties. The use of such a charge is appropriate whenever beneficiaries can be identified and it is practical to do so. It helps service recipients appreciate costs involved and provide feedback on value to service providers. It also means that properties that don't receive the service aren't paying higher taxes to help fund its provision 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 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.

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

### **4.3 Service Charges (Cont'd)**

#### **4.3.1 Community Wastewater Management Scheme (CWMS) (Cont'd)**

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 operating, 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.

### **4.4 Regional Landscapes Levy**

Council is required under the *Landscape South Australia Act 2019* to make a specified contribution to the Northern and Yorke Landscape Board. It does so by applying a rate in the dollar against the capital value of every 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 Landscapes Northern and Yorke.

## **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.

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

#### 5.1 Concessions (Cont'd)

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.

#### 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.

#### 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 must be applied to land used for:

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

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

- community service organisations; and
- schools and universities.

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

**5.4 Rebate of Rates (Cont'd)**

**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 or profit body;
- 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;
- the desirability of granting a rebate for more than one year;
- 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 in quarterly 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.

### **6.1 Late Payment**

Council will impose a penalty of a 2 per cent fine on any late payment for rates. This fine may be remitted (waived) in whole, or in part, at the Council's discretion. See under the heading "Remission of Rates" at 5.2 above.

A payment that continues to be late is then charged an interest rate (which is adjusted by legislation each year) 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 this penalty is 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 interest cost Council may meet because it has not received the rates on time.

Council issues a fines 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 attracts additional fees that are recoverable from the ratepayer.

When Council receives a partial payment of overdue rates, the Council must apply the money 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. 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.

**7. FURTHER INFORMATION**

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: [www.pirie.sa.gov.au](http://www.pirie.sa.gov.au)

- Port Pirie Council Administration Centre, 115 Ellen Street, Port Pirie
- Crystal Brook Rural Office, Bowman Street, Crystal Brook.

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.