



Rate revenue policy

Reference Number:	Section 1 No. 28
Responsible Department:	Finance
Related Policy/Procedure:	1.6 Rates rebates 1.8 Rates Hardship
Date of Adoption:	28 February 2023
Current Review Date:	23 April 2024
Minute Reference:	OCM-2024/079
Version Number:	Amendment No. 1
Applicable Legislation:	Local Government Act 1999
Next Review Date:	February 2025
Review Frequency:	Annual

1. Purposes

- Enunciate the general principles that guide the Council in the imposition of rates and charges in accordance with Chapter 10 of the Local Government Act, 1999 (the Act).
- Articulate the policies that provide a sound basis for administering the various requirements of the Act.
- Form the basis for explaining to the community the Council's position in respect to policy choices made under the Act.

2. Preamble (General principles)

Section 150 of the Local Government Act details the general principles to be applied:

"A council should, when making and adopting policies and determinations concerning rates under this Act, take into account the following principles:

- (a) rates constitute a system of taxation for local government purposes (generally based on the value of land)
- (b) rating policies should make reasonable provision with respect to strategies to provide relief from rates (where appropriate), and any such strategies should avoid narrow or unreasonably restrictive criteria and should not require ratepayers to meet onerous application requirements
- (c) the council should, in making any decision, take into account the financial effects of the decision on **future generations**".

Council considered a range of 'taxation' principles in coming to a conclusion regarding the key elements of its taxation and charging regime:

- The Rate revenue policy should be **efficient, transparent, equitable**, have **low administrative and compliance** costs, be **consistent** and be **understandable** by ratepayers.
- **Vertical equity** - those who can afford to pay more in taxes should do so.
- **Capacity to pay** - a taxation system based on property valuation is a progressive tax system, where people on higher incomes pay a higher proportion of their income in tax.
- Policy elements should **not create economic distortions**.

3. Policies

3.1 Capital value (CV) (section 151(2))

Capital value (CV) is the better choice for valuing land and improvements for taxation purposes. This method is the **fairest** valuation method reasonably available under legislation to distribute the rate burden across all ratepayers because the 'capacity to pay' taxation principle requires that **ratepayers**

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of similar wealth pay more tax than ratepayers of lesser wealth. CV, although imperfect, is a 'relatively' good indicator of wealth (when lifetime incomes, including income from capital gains, are considered). CV, which closely approximates the market value of a property, provides the best indicator of overall property value. CV being derived from market value makes it generally understood by the community.

CV is used as the basis for valuing land and improvements. As CV is an imperfect measure of wealth and 'ability to pay', a combination of a general rate, a minimum rate (or fixed charge) and service charges are used to derive a proportion of total revenue to diminish the full effect of property value on the rating distribution. CV is the fairest valuation method available under legislation (of the capital & annual value choices) to distribute the rate burden across all ratepayers because:

- The '**capacity to pay**' **taxation principle** requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth.
- Capital '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 property value**.
- Capital value is derived from market value which is generally **understood** by the community.

3.2 Valuation provider (section 167(2))

Council adopts the capital valuations made annually by the Valuer-General (State Valuation Office) because of:

- Lowest cost
- Independent valuation and objection considerations.

3.3 Differential rating (section 153(1)(b))

Acknowledging the benefit, capacity to pay, and economic efficiency principles the Council has decided to **differentiate** between types of **land uses** in setting rates to overcome some deficiencies in property values being used solely as the measure of capacity to pay. The rates differentiation is based on a percentage of the **predominant** land use, being **residential** properties. The differentiation is reviewed annually during the annual business plan process and will take into consideration historical and current levels of differentiation, different service levels available to each land use relative to the predominant land use and the utilisation and cost of infrastructure assets.

3.4 Fixed charge or minimum rate (section 151(1)(ii) and section 158)

To the extent that many (but not all) services are provided and available relatively uniformly to all ratepayers and that property values vary because of a range of factors, then it is considered equitable because of the **benefit principle** to ensure that all ratepayers make a **minimum** contribution to the cost of services regardless of the value of their property. In setting the **minimum rate** the Council takes into consideration the additional revenue that is generated. The appropriate level of minimum rate is set taking into account the previous year's amount and the increases in costs experienced. Applying the benefit principle exclusively would not take account of the **capacity to pay** principle.

Accordingly, to appropriately balance both the benefit principle and the capacity to pay principle, the Council's policy is to set the amount collected by a minimum rate such that the minimum rate is applied to approximately **10%** of the total number of assessments. The minimum rate will be applied to all properties where the value multiplied by the differential rate is an amount less than the minimum, subject to any exceptions specified by the Local Government Act. A **fixed charge** basis will **not** be applied.

3.5 Service charges (section 155)

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Service charges are set annually for the treatment of water and the collection, treatment or disposal (including by recycling) of waste (refuse). Service charges are set at the estimated cost of establishing, operating, maintaining, improving and replacing (including by forecast future capital expenditure and depreciation) the service in its area. Service charges are levied even though a third party provides the refuse collection service.

3.6 Separate rates (section 154)

Council levies or will levy a separate rate to raise funds for a **specific purpose** to promote and enhance business viability, profitability, trade commerce and industry, within the **[INSERT TOWN NAME and Planning Zone, if applicable]**. The separate rate is imposed on rateable land in this zone, within the land use categories **[LIST THE CATEGORIES]**.

3.7 Rate 'capping' policy (maximum increase) (section 153(3))

Council, in fixing its rates, considers issues of **consistency** and **comparability** across council areas in the imposition of rates on various sectors of the business and wider community, and, in declaring a general rate, determines whether it will fix a maximum increase in the general rate to be charged on any rateable land within its area that constitutes the principal place of residence of a principal ratepayer in accordance with Section 153(3) of the Local Government Act 1999. Conditions would be applied in order for a ratepayer to qualify for the benefit of a maximum increase. But, it is the Council's view that a rate 'cap' only applied to owner/occupied residential property does **not** meet the principles of **administrative simplicity, economic efficiency and policy consistency**. A rate rebate policy that can be applied to all land use categories, without needing to track owner 'occupation' is a more effective and practical approach and consistent with the administrative simplicity principle.

3.8 Discretionary Rebate - rapid property valuation increases (section 166)

Annually, Council may decide whether to limit the size of any **general** rate increase for a period of one (1) financial year, in accordance with section 166(1)(l)(ii) if any ratepayer experienced a property valuation increase that would result in a **rates payable** in excess of **[insert ###]** more than the previous financial year, being an increase not attributable to additional development valued at greater than **[insert \$ value]** (e.g. building additions). A ratepayer can apply for the rebate. Other conditions imposed are:

- The rebate applies to 'all' land use categories.
- Rebate approval is based on an application process (the completed application to be received within **60 days** of the date of the first rates notice).
- Rates are still due and payable by the due date, adjustment would apply to next instalment if applicable
- The rebate is unavailable for any improved property since the last valuation in excess of the development value, any property purchased since the last valuation, any property where the land use has changed, and any property where the minimum rate applies.
- A minimum rebate amount may be set.

3.9 Other mandatory and discretionary rebates (section 166)

Refer separate Rate Rebate Policy 1.06

3.10 Sale of land for non-payment of rates (section 184)

In recognition of the seriousness of this action, the Council requires to be fully-informed regarding all phases of a sale process, including:

- High level report (via the Audit/Risk Committee) each 'quarter' of the financial year listing all rates that have been unpaid by ratepayers for greater than 30 months and any action taken to recover the amounts.

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- Ratepayers with unpaid rates greater than 30 months be sent a letter advising of the legislation that enables a Council to sell a property for non-payment of Council rates and requesting the ratepayer to make appropriate arrangements to pay the debt.
- In accordance with the Local Government Act, the rates for a property have been in arrears (unpaid) for 3 years or more:
 - Notice is made to the principal ratepayer of intent to commence sale proceedings. Arrears must then be paid within one month.
 - Sale by public auction (unless Crown land)
 - If unable to reasonably sell - Minister may approve transfer.

3.11 Rates payment hardship (section 182)

Refer separate policy 1.08

4. Availability of Policy

This Policy is available for public inspection at Council's offices. It is also available for inspection on Council's website 'www.light.sa.gov.au'. Persons may obtain a copy of this Policy if purchased over the counter at a Council office for the fee specified in the Fees & Charges Register, or may download the policy from Council's website.

History of Policy amendment

1. *Original Policy adopted by Council on 28 February 2023, Resolution Number OCM-2023/042*
2. *Amendment No 1 adopted by Council on 23 April 2024, Resolution Number OCM-2024/079*