

Taxation Principles

1. Do you agree with our proposed tax principles? If not, why?

Response:

Yes

Assessing the current method for setting rates

2. What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?

Response:

Council is of the view that unimproved land value is the simplest and most cost effective

If there is a move away from unimproved land value options need to be able to reflect comparative valuations in adjoining Wards and/or Shires .

3. Should councils be required to use the Valuer General's property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?

Response:

Councils should be free to use the most cost effective valuation service available as valuation services are currently contracted to the Valuer General there would seem to be some efficiencies to be gained.

As stated above however, options need to be able to reflect comparative valuations in adjoining Wards and/or Shires, possibly the Valuer General probably offers standardised compatibility less open to manipulation.

4. What changes (if any) should be made to the Local Government Act to improve the use of base and minimum amounts as part of the overall rating structure?

Response:

Council would strongly object to the removal of base rates as in Greater Hume's case where there are large variations in valuations between centres of population it would lead to a very inequitable rating system. It would have a similar impact across our farmland rating category.

The limitation of base rates not exceeding 50% of the total revenue can lead to an inequitable rating structure in some instances and particularly where differential rating provisions are not used. Councils should have the flexibility to exceed the 50% of the total revenue to a maximum of 10%.

5. What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?

Response:

The existing categories (residential, business, mining and farmland) are sufficient however Councils' should have the ability to develop additional sub categories within accepted parameters provided for under the Local Government Act. This would enable more flexibility to suit local circumstances.

Some of the provisions within the current Act also need amendment as they make no sense. For example in a rural residential area if an allotment is between 2ha and 40ha (the definition of the rural residential sub category) but does not have a house on it then it must be rated residential.

6. Does the current rating system cause any equity and efficiency issues associated with the rating burden **across** communities?

Response:

Yes. Where a Council chooses not to implement differential rating and there are significant fluctuations in valuations between townships it can lead to inequitable rating structures. Allowing the base rate to exceed 50% of total revenue would have the capacity to empower Council with multiple options.

7. What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?

Response:

If IP & R is to be fully implemented by a Council then it should be able to raise rates above ratepegging to a predetermined amount (say 3%) without the need for a special rating variation.

These increases above ratepegging would need to be approved by the community through the IP & R process and the outcomes from the increase reported back to the community annually in the Annual Report.

8. What changes could be made to the rating system to better encourage urban renewal?

Response:

No comment.

9. What changes could be made to the rating system to improve councils' management of overdue rates?

Response:

The provisions of section 713 of the Local Government are adequate with land being able to be sold if rates and charges are unpaid for 5 years or more.

Further Council is of the view that the proposed Emergency Services Property Levy should be billed and accounted separately to overdue rates and that local government should not have the burden of the ESL if not paid. It is certainly not the role of local government to be the banker for the State Government with regard to ESP Levy.

Assessing exemptions, concessions and rebates

10. Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?

Response:

Exemptions under the Local Government Act should be based on use not ownership.

If a State Government Department or a Charitable organisation has a function that has a commercial or economic outcome (e.g. Forestry, community housing, aged care facility) then it should be considered a rateable property.

11. To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of exemptions for certain categories of ratepayers?

Response:

Currently Local Government pays payroll tax on business undertakings such as retirement facilities, water and sewerage etc. This is consistent with the State Government paying rates in its business undertakings as detailed in 10 above.

12. What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?

Response:

The State Government should fund 100% of pensioner concessions as is the case in our jurisdictions. It is not the role of Local government to provide welfare transfers.

Freezing existing rate paths for newly merged councils

13. We have interpreted the rate path freeze policy to mean that in four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this interpretation?

Response:

Merged Councils should be provided with the flexibility to streamline the rating structure from day 1 so as to introduce a gradual transition to a new consolidated rating structure.

The proposed 4 year rate path freeze would be counter-productive to introducing rate and council harmonisation. This would likely result in festering issues over this period and from previous amalgamation experience the sooner these hard issues are addressed, the better.

14. Within the rate path freeze period, should merged councils be permitted to apply for new special variations:

- For Crown Land added to the rating base?
- To recover amounts that are 'above the cap' on development contributions set under the *Environmental Planning and Assessment Act 1979*?
- To fund new infrastructure projects by levying a special rate?

Response:

Council does not support a rate path freeze for merged Councils.

15. Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?

Council does not support a rate path freeze for merged Councils.

16. During the rate path freeze period, should merged councils only be able to increase base amount and minimum amounts each year by the rate peg (adjusted for any permitted special variations)?

Response:

Council does not support a rate path freeze for merged Councils as it does not provide for an orderly transition for the new Council. Further Councils should have the ability to alter base or minimum amounts during the initial 4 years if it assists in the orderly transition.

17. During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:

- Relative changes in the total land value of a rating category against other categories within the pre-merger council area, or
- The rate peg (adjusted for any permitted special variations)?

Response:

Council does not support a rate path freeze for merged Councils.

18. Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?

Response:

Council does not support a rate path freeze for merged Councils.

19. What other discretions should merged councils be given in setting rates during the rate freeze period?

Response:

Council does not support a rate path freeze for merged Councils.

20. We considered several options for implementing the rate freeze policy. Our preferred option is providing the Minister for Local Government with a new instrument-making power. What are your views on this option and any other option to implement the rate path freeze policy?

Response:

No comment as Council does not support the rate path freeze.

Establishing new, equitable rates after the 4-year freeze

21. Should changes be made to the LG Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate **within a centre of population** be changed or removed?

Response:

This is not an issue for rural councils like Greater Hume Shire Council.

22. Should approved special variations for pre-merger councils be included in the revenue base of the merged council following the 4-year rate path freeze?

Response:

Yes

23. What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?

Response:

Council does not support a rate path freeze for merged Councils as it is politically motivated to make amalgamations more palatable to affected communities but is counter-productive of long term harmony within the new LGA.