

Rating Review 2011

Discussion and feedback session
December 2011



Objectives of workshop

- Provide a background to the Shire's current rating practices;
- Assist the community to develop an understanding of rating and its connection to the Council's overall financial sustainability;
- Provide alternative rating options for consideration by the community and the Council; and
- Provide opportunities to make comment and provide feedback to further inform future rating proposals by the Council.

What is a Rates Review?

Why do Councils apply rates?

Revenue Raising Options

Rating is a system of taxation

- It is important to remember that rates are a system of taxation – **they are not fee for service**



General Principles of Rating

Equity

- **Equity** – this includes both the concepts of horizontal and vertical equity. Horizontal equity requires that taxpayers with the same income should pay the same tax. Vertical equity suggests that those who are better off should pay more than those worse off. Equity is a highly subjective issue and there are a number of issues which may impact on the application of the equity principle. These include:
 - The *benefit or user pays* principle – this is a recognition that some groups have more access to, or benefit more from, specific council services;
 - The *capacity to pay* principle – some ratepayers have more ability to pay rates that do others with similarly valued properties; and
 - The *incentive or encouragement* principle – some ratepayers may be doing more towards achieving the council's goals than others (for example environmental protection).



Efficiency and effectiveness

- **Efficiency and effectiveness** – efficiency refers to the ability to produce a desired effect, product, etc. with a minimum of effort, expense, or waste. From a taxation perspective, a tax is considered efficient if it does not distort production and consumption decisions.



Simplicity

- **Simplicity** – this refers to both the ability of the ratepayer to understand how the various rates have been calculated and also to the ease in which the rate is administered. In general, local government taxes can be considered to meet the criteria of certainty, transparency and simplicity. Local government taxes are:
 - Unavoidable
 - Levied on a consistent and regular basis
 - Open to public scrutiny
 - Collected at specific intervals.

Current Rating Practice

Recommendations from Discussion Paper

- Rates continue to be charged on conditionally rateable properties, i.e. pastoral and mining leases.
- The Council will need to increase rates beyond CPI to partially compensate for an anticipated reduction in grant revenue.
- Rates are increased by more than CPI to adjust for the understatement of the CPI to the cost increases experienced by the Shire.

Recommendations from Discussion Paper (continued)

- Given the inability of the Australian Valuation Office to determine the Annual Value for residential properties in remote areas, a fixed rate continues to apply to residential properties within the Central Desert Shire district.
- The current structure of minimum rates continues to be applied with appropriate indexing.
- The Shire continues to use the Unimproved Capital Value as its basis of the assessed value of allotments within the shire area.
- The Council considers between the CPI and 10% indexing for rates in 2011/12

