REVENUE MANAGEMENT ASSOCIATION (RMA) SUBMISSION

LOCAL GOVERNMENT RATING SYSTEM REVIEW

Introduction

The Revenue Management Association (RMA) is a professional association with over 180 members, made up of rate administrators from almost all 79 Councils across Victoria, plus other related industry service providers. The RMA has a strong association with our interstate sister organisations, NSW Revenue Professionals, Local Authorities Revenue Management Association Queensland (LARMAQ) and Revenue Professionals South Australia (RPSA).

The RMA provides support and advice to its Members through the dissemination and communication of information, primarily in respect of the application of Part 8 of the local Government Act 1989. The Association has actively participated in forums and working parties with various State Government Departments (LGV, VGV, SRO, DTF, DHHS, VEC) and Local Government Bodies (MAV, LGPro), on matters relevant to our area of responsibility and expertise.

Our submission on the "Local Government Rating System Review" focuses on the main issues and frustrations that we, as administrators of the legislation, experience and offer some suggestions to achieve a fairer and more equitable rating system.

1. Property Valuations

Declaring rates and charges based on property values is still the most appropriate method for raising revenue for Councils. Whilst property valuations do not necessarily represent 'capacity to pay' there is currently no viable alternative method available.

The general public view rates as a form of taxation and continually expect the amount they pay to match the services they access. Rather than a tax, rates should be viewed as a form of "*contribution to the community, providing infrastructure and services for all who use them during their life-cycle".*

2. Rate Exemptions

Charitable

Councils are receiving more and more applications from organisations claiming rate exemption because they are 'charitable'. It is often unclear as to whether or not these applications qualify as ***'exclusively charitable'***, resulting in confusion and inconsistency between Councils. The growth in 'not for profits' and Public Benevolent Institutions providing services to the health and disability sectors has compounded the problem for Council rate administrators.

There is no clear definition or set of criteria that can be drawn on to assess eligibility for exemption on the grounds of 'exclusively charitable'. It is felt that the original intention of this provision was to provide some concession to charities who support the ***'relief of poverty'***. In reality, S154(2)(c) currently provides rate exemptions to many organisations that operate substantial businesses that charge fees, at market rates.

There are also many instances where charities lease property from private individuals and claim the rate exemption under this provision. Arguably, the property owner is 'using' the property for a commercial purpose, which conflicts with the use by the charity.

Suggestions

- The intention of S154(2)(c) needs to be re-considered and amended accordingly to eliminate current confusion and inconsistency. At the very least, a clear and concise definition and set of criteria needs to be determined (by regulation if needed) for ***'charitable'***.
- Linking rate exemption for a charity to 'ownership' rather than 'use' should be considered, given that the underlying principle of the Act is that the owner is liable for rates and charges. It should be noted that the Government or any Public Statutory Body using a property exclusively for a public or municipal purpose must essentially own the property in order to be classified as non-rateable (S154(2)(b)).
- Religious organisations, if they are to be exempt, should only receive rate exemptions for 'places of worship' or education, not residential properties, including those occupied by Ministers of Religion. All residents utilise Council services in some way and therefore it is not unreasonable to make all properties used for residential purposes rateable.
- Ineligibility for rate exemption based on the property being 'used for the retail sale of goods' (S154(4)(c)) should be extended to include 'services' in order to rate such charities that provide services, for a fee, in the health and disability sectors.
- In South Australia, councils are provided with some flexibility regarding exemptions for certain types of charitable use properties (refer to Chapter 10, Division 5 of South Australia's Local Government Act 1999). The SA Act sets 100% rebates for Health Services and Religious purposes. Land used for Educational purposes (excepting Government Schools on Government owned land) or Community Services are rebated 75%. The SA Act provides Councils with some discretion and flexibility to provide rebates above those specified, where they are less than 100%. The ability for Victorian Councils to collect at least some rates from otherwise exempt properties would be fairer and more equitable.

3. Caravan Parks

Under S156(3A) of the current Act, Caravan Parks are required to be regarded as a single rateable property. Some developers are currently constructing villages with 'removable dwellings' and therefore avoiding individual property rates because they meet the criteria for a 'caravan park'. Such retirement villages are openly advertised to potential residents as 'rate free'. This is exploitation of the current legislation and needs to be addressed in the interest of fairness and equity.

4. Mining Purposes

Currently, land used exclusively for mining purposes is regarded as not rateable (S154(2)(e)). The reasons behind the inclusion of this provision in the current legislation are unclear.

Many rural and regional Councils have active mining operations within their municipalities, either as underground or open cut. These operations do impact on Council infrastructure and it seems unfair that such large organisations are not rateable. In the interest of fairness and equity, land used exclusively for mining purposes should be considered rateable.

5. RSL Clubs

Currently RSL Clubs are specifically not rateable, (S154(2)(f)). Whilst RSL Clubs play an important role in supporting ex-servicemen and servicewomen, over recent decades, many RSL Clubs have expanded into major commercial venues providing food, entertainment and often gaming and gambling in direct competition with other similar privately owned rateable establishments. The membership of these Clubs are now predominantly made up of the general public, not just returned servicemen and servicewomen. The gaming and commercial operations should be rateable in the interest of fairness and equity. If necessary, rate exemption could be retained for any property, or part thereof, that is exclusively used for and occupied by returned servicemen and servicewoman.

6. Cultural & Recreational Land

The Cultural & Recreational Lands Act 1963 specifies how Councils should levy rates (or amounts in lieu of rates) on outdoor recreation and cultural lands. The methodology for calculating amounts is unspecified, other than stating that it should be 'reasonable having regard to the services provided by the municipal Council in relation to such lands and having regard to the benefit to the community derived from such recreational lands.'

Councils experience difficulties in applying this legislation and struggle to achieve consistent and fair outcomes. The legislation specifically applies to land used for ***'out-door sporting recreational or cultural purposes or similar out-door activities'***, therefore alienating any indoor sporting or cultural facilities.

The C&RL Act is considered outdated and difficult to apply. The Local Government Act differential rating provisions provide Councils with enough flexibility to levy rates and charges on all sporting, recreational and cultural land.

7. Recovery of costs

Currently Councils are only legally entitled to recover costs associated with legal action, as awarded by the Court. Most Councils now incur various other legitimate costs (e.g.; field calls, skip traces, mortgagee letters, etc), throughout the collection process that are not currently recoverable. The Act should include provision for Councils to recover any reasonable expenses associated with tracing a person liable to pay overdue rates and charges.

8. Payment of Rates & Charges

Under the current legislation Councils "***must"*** offer payment of rates and charges by four instalments and ***"may"*** offer a lump sum option, (S167). Many Councils also offer a monthly or fortnightly payment option, specifying this as part of their declaration of rates and charges during the budget process.

Option for lump sum payment should be retained and also review the need to include further payment options that Council 'may' offer (e.g.; monthly, fortnightly, etc).

Summary

Whilst no system of taxation is or can be perfect, the fairness and equity of the current Victorian Local Government rating system can and should be improved.

Declaring rates and charges based on property values is still the most appropriate method for raising revenue for Councils. Even though property valuations do not necessarily represent 'capacity to pay', there is currently no viable alternative method available.

The Capital Improved Valuation (CIV) base for rating purposes allows Councils to distribute the rate burden fairly and equitably by applying differential rates. If the issues raised in this submission are incorporated into the Act it will provide for a fairer and more equitable outcome for ratepayers.

Ian Goullet
President
Revenue Management Association
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