



Guideline on equity and fairness in rating for Queensland local governments

June 2017

Background

Local governments in Queensland must make and levy general rates on all rateable land within their local government areas. Local governments must calculate general rates on the rateable value of the land determined under the *Land Valuation Act 2010*.

The purpose of this guideline is to set out principles to assist local government implement fair and equitable rating systems while ensuring flexibility for raising sufficient own source revenue.

The guideline is applicable to all types of local government rates including general rates, differential general rates, special rates and separate rates.

The guideline is intended to promote best practice and greater consistency of rating practices across the Queensland local government sector.

Principles of equity and fairness

Local governments have considerable autonomy in adopting a rating system to raise revenue to fund the services and facilities provided to the community.

In adopting their rating systems, local governments must comply with the requirements of the *City of Brisbane Act 2010* and *Local Government Act 2009* and the *City of Brisbane Regulation 2012* and *Local Government Regulation 2012*.

The Department of Infrastructure, Local Government and Planning (the department) recommends that local governments thoroughly consider application of the principles across their rating policies, to ensure a fair and equitable system is implemented for the benefit of all ratepayers.

Principle of equity for like properties

Parcels of similarly valued land which are used for the same or similar purposes, and receive similar services should be levied similar general rates.

Local governments must be mindful not to take into account the 'capacity of the owner of land' to pay rates as considered in the case of *Xstrata Coal Qld P/L & Ors v Council of the Shire of Bowen* [2010] QCA 170 (see full judgement at <http://archive.sclqld.org.au/qjudgment/2010/QCA10-170.pdf>).

Land valuations must be used as the basis of the general rates and differential general rates levied by local governments and as such, more valuable land should be levied higher general rates than less valuable land used for similar purposes.



Principle of user pays

Local governments should consider whether it is appropriate in particular circumstances to levy rates, fees or charges directly on specific users of services and facilities to help alleviate the costs associated with the provision of the service or facility, rather than funding it through general rates across the whole local government area.

Local governments may use special or separate rates and charges, utility charges, cost-recovery fees and the issuing of tax invoices for commercial charges, to require the users of services and facilities to contribute to the costs.

Care should be taken when requiring users to pay for services and facilities provided by local governments, that charges are reasonable for the purposes of cost recovery and are not used as a revenue raising mechanism to subsidise general local government activities.

Principle of meaningful contribution

Particular land uses can contribute to an increased cost of providing services and facilities for local governments. Local governments can use differential rating categories to identify properties with similar characteristics and then levy general differential rates on each category, to ensure those properties make a meaningful contribution to the general rates collected.

Also, in some circumstances, the valuations for certain parcels of land can be so low that a local government may determine that the rates payable on those parcels would not make a material contribution to the cost of providing common community services and the cost of administering those services.

In these cases, local governments may implement a minimum general rate or a minimum general differential rate. However, the setting of a minimum rate by a local government must not be conducted in a manner that purports to effectively remove the connection between the rates levied and the valuation of the land for the majority of rateable lots.

Local governments must be mindful when setting minimum general rates, of setting the minimum rate too high so as to be contradictory to the decision of *Sunwater v Burdekin Shire Council [2002] QSC 433* (see full judgement at <http://www.sclqld.org.au/caselaw/QSC/2002/433>).

Principle of predictability

There should be a reasonable level of predictability in the amount of rates levied on parcels of land. Any significant increases in rates should be reasonable and attributed to transparent changes to either the services or facilities provided to land or to changed circumstances of the land.

The department considers it best practice for local governments proposing significant increases in rates to inform and consult with ratepayers before the rates notices are issued.

Where changes to the circumstances of parcels of land have led to significant increases in the rates levied, local governments may use the averaging of valuations and a rates cap to transition potentially significant increases in the rates levied.

However, care must be taken when introducing a rates cap to ensure that the causal effect of not increasing the general rate, does not result in similarly valued properties, used for the same purpose, paying significantly different amounts of rates, contrary to the *Principle of equity for like properties*.

Principle of fairness

Local governments have a range of powers to implement a rating regime which offers flexibility to effectively deliver fair and equitable outcomes.

Local governments may grant concessions to pensioners or other ratepayers who may endure hardship in paying rates. Likewise, local governments may grant concessions where the land is owned by not-for-profit organisations.

The granting of concessions by a local government must be done in a transparent and accountable manner and must not unfairly result in a significant shift in responsibility for revenue-raising to other ratepayers.