

Having trouble with your rates and charges?

What are rates and charges?

Rates are property-based taxes levied by local councils on property owners. They are a major source of revenue for councils and help them pay for the services they provide to the whole community, services such as building and maintaining roads and drainage systems, operating libraries and regulating planning and building activity.

Charges are levied to recover the cost of specific services like garbage collection, water supply and sewerage. Councils must use the revenue they raise from charges only for the stated purpose. For example, garbage collection charges, called domestic waste management charges, may only be used to pay for this service.

What land is liable for rates and charges?

Virtually all landowners are liable for rates. However, public land, like crown land (unless it is leased for private purposes), public reserves, public hospitals and public libraries, is exempt. Land used for schools and universities and land owned and used by religious bodies and public charities is also exempt.

Landowners are also liable for charges. However, a service charge can only be levied if the service is available. Councils must impose domestic waste management charges on properties to which this service is available, whether or not the service is used.

How are rates and charges calculated?

Land value and land use are the two main factors taken into consideration when setting rates.

Land value

Councils calculate rates in proportion to the value of rateable land. Land value only is used. The value of any improvements is not taken into account.

The Valuer General periodically values all rateable land and advises land owners and councils of the result. If you think the valuation of your land is too high, you can lodge an objection with the Valuer General who will have the property re-valued.

Councils may use one or a combination of two methods to determine property rates. One is the 'ad valorem' method which determines rates based on the value of the land. For instance, a council might charge a rate of 0.5 cents for every dollar of property value. At this rate, a property valued by the Valuer General as worth \$100,000 would attract a rate bill of \$500, eg. $0.5 \times \$100,000$.

The other method councils may use is to impose a minimum or base rate on all ratepayers.

Each council determines its own mix of the ad valorem method and the base amount method. However, a council cannot collect more than half its rates using the base amount method.

Categories of land

When councils determine rates using the ad valorem method, they set different rates for different sorts of land. The dominant use of the land determines the category. There are four categories of land as determined by its dominant use: farmland; residential; mining; and business. You will find the category of your land on your rates notice.

Generally, the rate charged is highest for business properties and lowest for farmland properties. Rates for residential properties are usually somewhere in between. Councils must periodically review how your land is categorised. Alternatively, you can ask your council to review the category of your land at any time. If you do not agree with the category determined by the council, you can appeal to the Land and Environment Court.

Charges can be calculated by either imposing a fixed charge on ratepayers, imposing charges according to the level of actual use of the service in question or a mixture of both.

What is rate capping?

Even though councils can determine the level of their rates, their total rate income cannot increase in any year beyond a fixed percentage determined by the Minister for Local Government. Individual councils can seek the Minister's approval for increases greater than that approved by the Minister.

Many people believe that when land in a council area increases in value, the council stands to earn a windfall in rate income from rates determined using the ad valorem method, arguing that if land value goes up, rates must also rise. Yet because of rate capping, rates revenue cannot increase by more than the percentage increase approved by the Minister. If land values rise, councils may have to reduce the amount levied per dollar so that total income does not grow by more than the percentage increase approved by the Minister.

How are rates and charges made and levied?

Each year, councils must place on public exhibition details of the rates and charges they plan to levy and invite the public to comment on these proposals. This information is put on exhibition in a document called a draft management plan.

If you are unhappy with the level of rates and charges your council is proposing to levy or the way that the mix of rates has been determined, you should make a submission to your council. Your council must consider all submissions before it makes rates and charges for the coming year.

Once rates and charges have been made, they are levied by your council issuing you with a rates notice. These notices give ratepayers the option of paying their rates and charges in full or by quarterly instalments.

What concessions and other forms of relief are available?

If you are eligible for a pension under the *Social Security Act 1991*, you may be eligible for a concession on your rates and charges. This concession is for half of the rates and charges. However, the maximum reduction for rates and domestic waste management charges is \$250 per annum, and for water supply and sewerage charges it is \$87.50 per annum.

Councils can waive or reduce rates payable by people who are receiving pensions, benefits and allowances. Ask your council if you think you might be eligible.

Some land is used as rural land or has only one dwelling on it even though it is zoned to permit residential subdivision, industrial or commercial uses or medium density development. If the value of this kind of land reflects its more lucrative potential use, the rates will be higher than if they were based on the actual use. In this case, the owner may apply to postpone payment of their rates. If payment of rates is postponed, the rates accrue interest from the date payment was due until the rates are paid. Payment is postponed until the land is no longer used as rural land or is no longer occupied as a site for one dwelling.

Ratepayers who suffer substantial hardship because of increases in the valuation of their land can also apply to waive, reduce or postpone their rates. If the council refuses, the ratepayer can ask the council to review its decision.

What if I am having trouble paying my rates and charges?

If rates and charges are not paid on time, interest is charged on the overdue amount. Councils can enter into agreements with any ratepayer to pay rates by instalments. They can also waive or reduce any interest on overdue rates.

If you are having difficulty paying your rates, contact the council as soon as possible and discuss your situation frankly with the council staff. Make it clear what you can afford to pay or ask the council to put a proposal to you.

Unpaid rates are a charge on the rateable land. This means that the law gives councils a form of mortgage over your property to secure unpaid rates, so councils are fairly certain to recover their rates eventually. This means councils are usually prepared to agree to reasonable offers to pay overdue rates by instalments and may be prepared to write off accrued interest if it will alleviate undue hardship.

Councils can only sell land and recover rates if they have been outstanding for five years or more.

Can the Ombudsman help me?

The Ombudsman believes councils must be allowed to determine for themselves the level of their rates and charges. Councils are independent democratically elected bodies. The level of rates and charges is an important resource issue for councils. Ratepayers have an opportunity every year to put their views to the council on the level of rates and charges when the draft management plan is exhibited. Above all, if councils adopt policies on rates and charges that you disagree with, ratepayers can lobby councillors to change these policies or support candidates for election with more acceptable policies. For these reasons, the Ombudsman very rarely takes up complaints about the level of rates and charges.

If you believe that your council has not calculated your rates correctly or has not followed one of the steps it must when making rates, the Ombudsman may be able to help. We will focus on ensuring the council has proper procedures rather than arguing that due to an oversight or error, the rates levied are invalid.

If your council will not take a fair and reasonable approach to repayment of overdue rates, the Ombudsman may be prepared to speak to the council about whether a reasonable compromise can be reached.

Other assistance

Complaints about the general administrative conduct of councils, councillors and council staff can also be made to the Department of Premier and Cabinet's Division of Local Government (DLG):

Chief Executive, Local Government
Division of Local Government
Department of Premier and Cabinet
Locked Bag 3015
NOWRA NSW 2541

Phone: 02 4428 4100
Email: dlg@dlg.nsw.gov.au

Complaints about alleged corrupt conduct of councillors or council staff can be made to the Independent Commission Against Corruption (ICAC):

Commissioner
Independent Commission Against Corruption
Level 21, 133 Castlereagh Street
Sydney, New South Wales, 2000

GPO Box 500
Sydney, New South Wales, 2001

Phone : 02 8281 5999
Email: icac@icac.nsw.gov.au

Contact us for more information

Our business hours are: Monday to Friday, 9am–5pm (*Inquiries section closes at 4pm*)

If you wish to visit us, we prefer you make an appointment. Please call us first to ensure your complaint is within our jurisdiction and our staff are available to see you.

Level 24, 580 George Street
Sydney NSW 2000

Email nswombo@ombo.nsw.gov.au
Web www.ombo.nsw.gov.au

General inquiries 02 9286 1000
Facsimile 02 9283 2911

Toll free (outside Sydney metro) 1800 451 524
Tel. typewriter (TTY) 02 9264 8050

Telephone Interpreter Service (TIS): 131 450
We can arrange an interpreter through TIS or you can contact TIS yourself before speaking to us.