

2001

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

RATES AND LAND TAX AMENDMENT BILL 2001

EXPLANATORY MEMORANDUM

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Rates and Land Tax Amendment Bill 2001

Outline

The *Rates and Land Tax Act 1926* (the Act) imposes general rates and land tax on property owners in the ACT.

The purpose of this amendment is to adjust the rating factors for general rates, for the 2001-02 rating year.

The current rating system incorporates the following components:

- a fixed charge for all rateable properties except rural properties;
- a value based charge which is calculated on a 3 year average unimproved value, that is the average of the three most recent yearly unimproved land values;
- a rate free threshold to apply to all property values; and
- separate revenue targets apply to the residential and non-residential sectors.

The following levels will apply for the 2001-02 rating year:

- a fixed charge of \$300;
- a rate free threshold of \$19 000;
- a rating factor of 0.7820% to apply to residential properties;
- a rating factor of 1.3356% to apply to non residential properties; and
- a rating factor of 0.3910% to apply to rural properties.

The fixed charge, the 'user pays' component of general rates, partly reflects the cost of providing services to ACT properties. It reduces the value based charge and minimises the potential for large fluctuations in rates liabilities from year to year which may result from valuation changes. The fixed charge has been increased from \$280 for 2000-01 to \$300 for 2001-2002.

The threshold of \$19 000 and the revenue targets ratio of 85:15 for residential and non-residential sectors remain unchanged for 2001-2002.

Revenue/Cost Implications

The components of the rating system are set to achieve a revenue target of approximately \$109.1 million in 2001-2002.

Details of the Bill are attached.



Details of the Rates and Land Tax Amendment Bill 2001

PART I - PRELIMINARY

Formal Clauses

Clauses 1, 2 and 3 are formal requirements. They refer to the name of the Act, the commencement date of the Act and defines which Act is amended. The Act commences on 1 July 2001.

Substitution Imposition

Clause 4 increases the annual charge referred to in section 13(2) of the Act from \$280 to \$300;

Clause 5 increases the annual charge referred to in section 13(3) of the Act from \$280 to \$300;

Clause 6 decreases the rating percentage which applies to residential properties in the City Area referred to in section 13(3) paragraph (a) of the Act from 0.9136% to 0.7820%

Clause 7 decreases the rating percentage which applies to properties other than residential in the City Area referred to in section 13(3) paragraph (b) of the Act from 1.3397% to 1.3356%; and

Clause 8 decreases the rating percentage which applies to properties outside the City Area referred to in section 13(4) of the Act from 0.4568% to 0.3910%.

The above changes to the integrated rating system will ensure that:

- the user pays principle is maintained;
- the valuation changes in the 2001 valuation are accommodated;
- the rates revenue from existing properties remains within the forecast movement in the Consumer Price Index; and
- the 85:15 liability ratio is maintained for residential to non-residential properties.

Imposition and assessment of rates - certain parcels of land in the City Area

Clause 9 amends section 22GM(2) of the Act by inserting the new rating factors and fixed charge for 2001-02 in the formula.

