

1989

THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

RATES AND LAND TAX (AMENDMENT) BILL 1989

EXPLANATORY MEMORANDUM

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Ms Rosemary Follett, MLA

## **RATES AND LAND TAX (AMENDMENT) BILL 1989**

### **OUTLINE OF AMENDMENTS**

The Rates and Land Tax Act 1926 provides for the imposition of municipal rates and land tax in the Australian Capital Territory.

It provides for the payment of rates and land tax either by a single payment on 15 October or by four (4) equal instalments on 15 October, 15 December, 15 February and 15 April each financial year. The Act does not provide for any encouragement of ratepayers to pay early nor for any penalty in relation to rates in arrears.

The Government has decided to introduce a number of changes to the Act to assist the Government's cash flow and assist ACT residents in meeting their rating obligations. Some amendments will come into effect for the 1989/90 rating period while others will apply from 1990/91.

The 1989/90 changes include the provision of a 5% discount to residents paying rates in full on or before the first instalment due date (to encourage the early payment of rates) and from 16 October 1989, the imposition of a 20% per annum penalty on all arrears of rates and land tax (to discourage recalcitrant ratepayers).

Amendments are also being made to the Water Rates Act 1959 and Sewerage Rates Act 1968 to enable the Government to apply the 20% penalty to arrears of such rates, owed to the Territory in respect of periods prior to the transfer of water and sewerage functions to A.C.T. Electricity and Water on 1 July 1988.

Proposed changes in 1990/91 include the payment of land tax in a single instalment in line with the practice in the States and the amendment of the instalment dates for general rates to 15 August, 15 November, 15 February and 15 May in order to extend the interval between payments from two to three months.

### **FINANCIAL IMPLICATIONS**

The discount arrangements are expected to be revenue neutral, with the cost of the discount (\$1.27 million) being offset by interest earned from the early receipt of revenue and savings in administration costs.

The imposition of penalties is expected to provide incentive for tardy ratepayers to pay their outstanding accounts and should lead to a reduction in arrears of approximately \$1.5 million in 1989/90. Improved cash flow arising from moving land tax to a single payment basis and altering the rates instalment due dates will result in increased revenue of approximately \$600,000 from interest earnings.

Details of the proposed Bill are attached.

**DETAILS OF THE RATES AND LAND TAX (AMENDMENT) BILL 1989**

**Short title**

**Clause 1 -** Provides the short title for this amendment.

**Commencement**

**Clause 2 -** Brings into effect on 1 July 1990:

- .new rates instalment dates;
- .a single payment requirement for land tax;
- .a provision for the recovery of land tax incidental to the single payment requirement, and
- .the removal of references to a subsection relating to a land tax instalment date which, consequent to a single land tax payment date, will not apply.

**Principal Act**

**Clause 3 -** Refers to the Principal Act being amended, the Rates and Land Tax Act 1926.

**Interpretation**

**Clause 4 -** Amends Section 4 of the Principal Act, re-defining the meaning of 'instalment day'. Commencing in the 1990/91 rating year, the instalment days will be 15 August, 15 November, 15 February, and 15 May. The intention of having new instalment dates is to increase the interval between instalments. This will be beneficial to low income earners in budgeting for the payment of rates, and will also spread more evenly the cash flow to the Territory.

**Imposition of rates and land tax**

**Clauses 5 & 11 -** Because of the importance of the level of rates and land tax to A.C.T. revenue, the Government considers it is appropriate that those levels be specified in the Act, instead of them being made by Ministerial declaration. Section 5 amends Section 13 of the Principal Act which deals with the City Area rate and the rural rate, and Section 11 amends Section 22A of the Principal Act which deals with the rate of land tax. The amendments specify:

- .the level of rate for City Area properties (with some exceptions) is 1.125 per cent per annum of the unimproved value of a parcel of land;
- .the level of rate for properties outside the City Area generally, is 0.5625 per cent per annum of the unimproved value of a parcel of land; and
- .the rate of land tax is 0.75 per cent per annum of the unimproved value of a parcel of land.

#### **Payment of rates**

Clause 6 - Amends Section 15 of the Principal Act. Section 15 deals with the payment of rates, and the amendment provides for a discount to ratepayers who pay in full the whole year's rates assessment on or before the first instalment date. The discount is also available on a whole year portion of an assessment, but is not available for part-year assessments. When the discount is calculated and it involves a fraction of cent, the section provides for rounding of the amount to the nearest cent.

The purpose of the discount scheme is to provide an incentive to ratepayers to pay the whole year assessment by the first instalment date, and in this way, assist the Territory's cash flow early in the financial year.

Provision is also made for the rate of discount to be determined by the Minister by instrument, which is disallowable under the Subordinate Laws Act.

#### **Letting and sale of land for non-payment of rates**

CLAUSES 7 & 8 - Amend Sections 18 and 19 of the Principal Act respectively. These Sections allow for the letting or sale of land by the Minister to recover rates arrears. The amendment provides for the recovery of penalty on rates arrears to be recovered also.

#### **Recovery of rates**

Clause 9 - Amends Section 22 of the Act which deals with the recovery of unpaid rates. The amendments make persons liable to pay rates also liable for penalty on rates not paid, in addition the amount of unpaid rates. The purpose of penalties is to provide an incentive to tardy ratepayers to pay by the due date. From the day after the due date for the payment of rates, the penalty is to be applied monthly at 1/12 of the penalty rate, to the aggregate of the unpaid amount of rates and accumulated unpaid penalty. Where fractions of a cent are involved, these will be rounded to the nearest cent.

Provision is made also for the rate of penalty to be determined by the Minister by instrument which is disallowable under the Subordinate Laws Act.

#### **Remission of penalty**

Clause 10 - Amends the Principal Act to provide the Minister with the power to remit an amount of penalty where the Minister is satisfied that in the circumstances the imposition of penalty is unfair and unreasonable.

#### **Payment of land tax**

Clause 12 - Amends the Principal Act as at 1 July 1990 to remove provisions relating to the payment of land tax by instalments. Commencing in the rating year 1990/91, persons liable for land tax will be required to pay land tax in a single payment, as occurs in the States. This measure will also assist the Territory's early cash flow and earn additional interest revenue for the Territory.

#### **Recovery of land tax**

Clause 13 - Amends the Principal Act and establishes a separate 'recovery' provision, Section 22FA, for land tax because of the single payment requirement. This provision is effective 1 July 1990 - Clause 2 refers. Until this date, the rates recovery provision will apply to land tax, as it currently does, by the substitution of 'land tax' for 'rates'.

#### **Remedies for non-payment of land tax**

Clause 14 - Amends Section 22G of the Act, making penalty remission provisions relating to rates also, applicable to land tax. In accordance with Clause 2, Section 13 provides for a separate land tax 'recovery' provision to become effective on 1 July 1990. Consequently, the application of the rates 'recovery' provision is no longer required and this is achieved by sub-clause (2) of this Clause.

#### **Special provisions applicable to unit sub-divisions**

Clause 15 - Amends Section 24A of the Principal Act by removing, at 1 July 1990 in accordance with Clause 2, obsolete references to Section 22E(4) which concerns land tax involving instalment dates.

#### **Payment of rates pending application to vary determination**

Clause 16 - Amends Section 33 of the Principal Act. Where a land owner objects to the unimproved value of a property and makes application to vary that unimproved value, Section 33 requires that rates on the property be paid pending the outcome of the application. This amendment imposes a penalty on the rates if they are unpaid.

#### **Evidence**

**Clause 17** - Amends Section 35 of the Act and includes in matters to be certified for evidentiary purposes, amounts of penalty in respect of rates or land tax. Certification of these matters is required for use in defended court matters involving the recovery of rates and land tax.

#### **Application**

**Clause 18** - Brings into effect the rates discount scheme for this (1989/90) and subsequent rating years, and also brings into effect the imposition of a penalty on rates and land tax arrears from 16 October 1989, the day after the first instalment date.