

**1997**

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

**RATES AND LAND TAX (AMENDMENT) BILL 1997**

**EXPLANATORY MEMORANDUM**

**Circulated by the authority of the Chief Minister and Treasurer**

**Kate Carnell MLA**

## **Rates and Land Tax (Amendment) Bill 1997**

### **Summary**

The purpose of this amendment is to introduce a new rating system for the ACT which incorporates the following components

- a fixed charge to apply to all rateable properties except rural properties,
- an ad valorem charge based on unimproved valuations,
- a rolling three year average of unimproved property values,
- a rate free threshold to apply to all property values, and
- separate revenue targets to apply to the residential and non residential sectors

These components have been set at the following levels for the 1997-98 rating year

- a fixed charge of \$220,
- a three year average of 1995, 1996, and 1997 unimproved property values,
- a rate free threshold of \$19,000,
- a rating factor of 1.0734% to apply to the residential sector and 1.1110% to apply to the non residential sector to achieve respective revenue targets of 85% 15%, and
- a rating factor of 0.5367% to apply to rural properties

The fixed charge in combination with the threshold reduces the fluctuations in individual rates bills from year to year

The rolling three year average of unimproved property values smooths annual variations in these values over a three year period, which also reduces fluctuations in rates liabilities

The setting of rating factors to achieve separate revenue targets for the residential and non residential sectors will provide more certainty for all ratepayers, and reduce the possibility of significant increases or decreases in individual liabilities caused by shifts in each sector's property values in any particular year

### **Financial implications**

The rating system identified in this Bill does not change the total amount of revenue generated, rather, the rating factor is set in combination with the other components to achieve a revenue target as identified in 1997-98 Budget documentation

## **Details of the Rates and Land Tax (Amendment) Bill 1997**

### **Title**

Clause 1 - provides for the short title of this Act to be the *Rates and Land Tax (Amendment) Act 1997*

### **Commencement**

Clause 2 (1) - provides for sections 1, 2, and 3 of this Act to commence on the day on which the Act is notified in the *Gazette*

Clause 2 (2) - provides for the remaining sections to commence on 1 July 1997

### **Principal Act**

Clause 3 - states that in this Act, "Principal Act" means the *Rates and Land Tax Act 1926*

### **Interpretation**

This clause creates a definition of average unimproved value to enable the introduction of a rolling three year average of property values as the basis for calculating rates and land tax. The average value for properties that have been rateable for less than three years will be based on available valuations.

Clause 4 - provides for the insertion in subsection 4 (1) of the Principal Act of the following definition of "average unimproved value"

"average unimproved value", in relation to a parcel of land for a particular year, means-

- a) where the parcel has not been rated previously - the unimproved value of the parcel,
- b) where the parcel has been rateable for less than 3 years - the average unimproved value of the parcel over those years, or
- c) in any other case - the average unimproved value of the parcel over the 3 years immediately preceding the particular year,

disregarding any fraction of a dollar

### **Insertion. Determinations for 1995 and 1996**

This clause enables the determination of 1995 and 1996 unimproved values for inclusion in the average valuation. These values have not previously been determined, as rates liabilities for 1995-96 and 1996-97 were based on 1994 unimproved values.

**Clause 5** - inserts a new section 9 in the Principal Act which states that the Commissioner shall determine the unimproved value of all rateable parcels of land in the Territory as at 1 January 1995 and 1 January 1996

**Insertion. Unimproved values - 1995 and 1996**

This clause enables 1994 unimproved property values to continue as the basis for 1995-96 and 1996-97 rates liabilities, without application of the average unimproved value

**Clause 6** - narrows the application of section 11A in relation to the unimproved value of a parcel of land as at a special relevant date by inserting in subsection 11A (1) of the Principal Act the exclusion of the definition of 'average unimproved values' and the new section 9 from the operation of the section

**Substitution. Imposition**

This clause introduces a fixed charge, a threshold under which ad valorem rates do not apply, and separate rating factors for the residential and non residential sectors to achieve identified revenue targets

**Clause 7** - repeals section 13 of the Principal Act and substitutes a new section 13 which provides for

- the imposition of an annual rates charge of \$220 on each parcel of rateable land in the City Area with an average unimproved value of \$19,000 or less, including units that are part of a unit title plan;
- the imposition of an annual rates charge on each parcel of rateable land in the City Area with an average unimproved value greater than \$19,000, including units, of \$220, plus the amount by which the average unimproved value exceeds \$19,000 multiplied by a rating percentage,
- the imposition of an annual rates charge on each parcel a rateable land outside the City Area with an average unimproved value greater than \$19,000 of the amount by which the average unimproved value exceeds \$19,000 multiplied by a rating percentage,
- a rating percentage of 1 0734% for residential land in the City Area,
- a rating percentage of 1 1110% for commercial land in the City Area, and
- a rating percentage of 0 5367% for rateable land outside the City Area

**Insertion. Imposition**

This clause identifies the average unimproved property value as the basis for calculation of land tax

**Clause 8** - in the section of the Principal Act dealing with the imposition of land tax, amends references to 'unimproved value' to 'average unimproved value'

**Amendment and insertion. Unit subdivisions**

This enables the imposition of the fixed charge on individual units within a units plan

Clause 9 (a) - identifies subsection 3A as the basis for calculating rates liabilities for members of a units plan

Clause 9 (b) - inserts subsection 24A (3A) which provides for the imposition of rates on a unit that is part of a parcel of land subdivided into units and common property as if a reference to a parcel of land were a reference to such a unit

Clause 9 (c) - removes the reference to section 13 from paragraph 24A(4)(a) to achieve consistency with the above clauses