VIC COUNCILS

RATING PRINCIPLES EXPLAINED

Property Taxation System

- Property taxes (rates) are a wealth tax charged by local municipalities
- Local councils can also apply a municipal charge (not more than 20 per cent of total rate revenue); a waste management charge; and other special rates and charges as appropriate within the legislation
- Exemptions apply to Crown land, charitable land, land for religious purposes, and land used exclusively for mining
- Rate revenue comprises 55.4 per cent of Victorian councils' total revenue
- Council rates do not represent a direct user pays system because local government provides services and infrastructure for public benefit.

Principle: A higher valued property within a municipality generally contributes more in rates.

Rating Equity Within Municipalities

- Rates are distributed between ratepayers based on the relative value of properties
- Properties are revalued every two years to maintain a fair distribution between owners
- There is a direct relationship between property holdings and disadvantage – less wealthy people tend to own lower valued housing stock
- Property owners with higher valued assets generally have a greater capacity to pay
- Property taxes do not consider individual debt levels or income – there are other taxes applying to income and expenditure to consider when assessing tax equity.
- Differential rates can be used to determine a fair contribution from each type of property. E.g. residential, commercial, industrial, farm.

Principle: There is no connection between rates and the level of council services received.

Municipal Charges For Properties

- A municipal charge may be used to collect a portion of revenue not linked to property value but paid equally by all ratepayers
- Farm owners with multiple property assessments only attract a single municipal charge
- User fees imposed (such as municipal and waste management charges) help to redistribute rates equally and reduce the amount required for councl's annual budget.

Principle: A municipal charge reduces the rates attached to the value of a property.

Fact Sheet   **Creating better communities**