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| **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. | |  |  |