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| **RATING PRINCIPLES EXPLAINED** |
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| **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.
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| 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.
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| 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.
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| Principle: A municipal charge reduces the rates attached to the value of a property. |

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