

Shire of Cocos (Keeling) Islands

STATEMENT OF OBJECTS AND REASONS FOR DIFFERENTIAL RATE CATEGORIES 2023/2024

In accordance with section 6.36 of the *Local Government Act 1995 (WA) (CKI)* and the Council’s “Notice of Intention to Levy Differential Rates and Minimum Payments”, the following information details the objects and reasons for each of the proposed differential rating categories.

SUMMARY

The following are the proposed Differential General Rates and Minimum Payments for the Shire of Cocos (Keeling) Islands for the 2023/2024 financial year, to be effective from 1 July 2023.

Rate Category	2023/2024 Rate in Dollar (\$)	2023/2024 Minimum Payment
General Developed	0.1202	\$780
Vacant Land	0.2399	\$880
Business	0.1268	\$780

The above rate model is estimated to yield \$505,255 in rate revenue based on the information current at 30 April 2023.

WHAT ARE RATES?

Rates are a tax levied on all rateable properties within the boundaries of the Shire of Cocos (Keeling) Islands in accordance with the *Local Government Act 1995 (WA) (CKI)*. The overall objective of the proposed rates in the 2023/2024 Budget is to provide for the net funding requirements of the Shire’s services, activities, financing costs and the current and future capital requirements of the Shire, after taking into account all other forms of revenue. The formulation of a rating system is about achieving a means by which Council can raise sufficient revenue to pay for the services it provides. Throughout Australia, the basis of using property valuations has been found to be the most appropriate means of achieving rating equity; however, the achievement of a wholly equitable rating system for all properties, in all areas, is a difficult task if it is based on the property valuations alone. For this reason, there are refinement options made available, such as differential rating, that the Shire of Cocos (Keeling) Islands has elected to use. For the Cocos (Keeling) Islands, land is valued by Landgate Valuation Services (Valuer General’s Office – a Western Australian State Government agency) and those valuations are forwarded to each Local Government. Two types of values are calculated - Gross Rental Value (GRV) which generally applies to urban, non-rural land; and Unimproved Value which generally applies to rural land. The Shire of Cocos (Keeling) Islands only has properties valued on a GRV basis.

RATING PROVISIONS – LOCAL GOVERNMENT ACT 1995 (WA) (CKI)

The *Local Government Act 1995 (WA) (CKI)* sets out the basis on which differential general rates may be based as follows:

Section 6.32. Rates and service charges

(1) *When adopting the annual budget, a local government –*

a) in order to make up the budget deficiency, is to impose a general rate on rateable land within its district, which rate may be imposed either –*

(i) uniformly; or

(ii) differentially

DIFFERENTIAL RATES

Section 6.33. Differential general rates

(1) *A local government may impose differential general rates according to any, or a combination, of the following characteristics –*

(a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the Planning and Development Act 2005; or

(b) a purpose for which the land is held or used as determined by the local government; or

(c) whether or not the land is vacant land; or

(d) any other characteristic or combination of characteristics prescribed.

(2) *Regulations may –*

(a) specify the characteristics under subsection (1) which a local government is to use; or

(b) limit the characteristics under subsection (1) which a local government is permitted to use.

(3) *In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.*

(4) *If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1)(a) applies.*

(5) *A differential general rate that a local government purported to impose under this Act before the Local Government Amendment Act 2009 section 39(1)(a) came into operation 1 is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.*

MINIMUM PAYMENTS

Section 6.35. Minimum Payment

(1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.

(2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.

(3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than —

(a) 50% of the total number of separately rated properties in the district; or

(b) 50% of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.

(4) A minimum payment is not to be imposed on more than the prescribed percentage of —

(a) the number of separately rated properties in the district; or

(b) the number of properties in each category referred to in subsection (6), unless the general minimum does not exceed the prescribed amount.

(5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.

(6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —

(a) to land rated on gross rental value; and

(b) to land rated on unimproved value; and

(c) to each differential rating category where a differential general rate is imposed.

GROSS RENTAL VALUE (GRV)

Council has adopted differential rates in its Gross Rental Valuation area utilising the valuations supplied by the Valuer General (VG) for the following categories:

- GRV General Developed
- GRV Vacant Land
- GRV Business

The rates in the dollar are based on the general valuation as supplied by the Valuer General (VG) in respect of gross rental values (GRV's) effective from 1 July 2019. The Valuer General is required to maintain valuations of all rateable land in Western Australia for rating and taxing purposes. These values are assessed every three years by Landgate Valuers to complete what is known as a General Valuation. Every property is valued at a date set by the Valuer General and this is referred to as the Date of Valuation. Rating valuations are therefore assessed at a snapshot in time reflecting the property market for the local area at the same time. This ensures consistency and fairness in the allocation of rates.

The current GRV has a date of valuation of 1 August 2018. The GRV is determined by collecting rental evidence to determine the fair rental value for each property. The rental value for a house or other GRV property will be influenced by factors such as age, construction, size, car shelters, pools and location. As the GRV is currently assessed every three years, despite possible changes to the rental market, the GRV remains fixed until the next general valuation.

PROPOSED DIFFERENTIAL GENERAL RATES AND GENERAL MINIMUM PAYMENTS

Following are the objects and reasons for each of the differential rating categories and minimum payments for the 2023/2024 financial year.

GENERAL DEVELOPED

Characteristics

This category covers residential, special use and other properties where no commercial activity is occurring and is not being advertised as holiday accommodation.

Objects

The object of the rate for this category is to be the base rate by which all other GRV rated properties are assessed.

Reasons

The reason is that the other GRV rating categories have a higher demand on Shire resources and vacant land is encouraged to be developed.

The proposed rate in the dollar for this category is 0.1202, with a minimum payment of \$780.

GRV VACANT LAND

Characteristics

This category includes all properties that have no improvements other than merged improvements as defined in the Valuation of Land Act 1978.

Objects

The object of the rate for this category is to encourage landowners to develop residential vacant land and to reflect the different method used for the valuation of vacant residential land as compared to the GRV General Developed rate category.

Reasons

The reason is that the Shire wants to promote and encourage landowners to develop vacant land to its full potential, thereby stimulating growth.

The proposed rate in the dollar for this category is 0.2399, with a minimum payment of \$880.

GRV BUSINESS

Characteristics

This applies to properties zoned commercial and industrial or on all other properties where commercial activity is the main use or all or a portion of the property is being used as holiday accommodation.

Objects

The object of the rate for this category is to raise additional revenue to fund the costs associated with the higher level of service provided to properties in this category.

Reasons

The reason is that the Shire incurs higher costs to service these areas including infrastructure, landscaping and other amenities. In addition, extra costs are also associated with tourism and economic development activities that have a benefit to these ratepayers.

The proposed rate in the dollar for this category is 0.1268, with a minimum payment of \$780.

MINIMUM PAYMENT

The Shire proposes to impose following minimum payments for each differential rating category:

Rate Category	2023/2024 Minimum Payment
General Developed	\$780
Vacant Land	\$880
Business	\$780

The object of the minimum payment is to ensure that all ratepayers make an equitable contribution to rate revenue, to provide for the net funding requirements of the Shire's services, activities, financing costs, and current and future capital requirements.