How are General Rates determined?

FACTSHEET

Background

Local government revenue is derived from a wide range of sources to undertake activities and to provide services and facilities to the community.

General rates (including differential general rates) are one of the sources of revenue available to local governments. Local governments must levy a general rate or differential general rates on all rateable land in their areas.

General rates (including differential general rates)

While local governments must levy a general rate or differential general rates on all rateable land, they have considerable flexibility in calculating the ‘rate’ of general rates or differential general rates.

As part of the annual budget resolution, a local government must set the general ‘rate’. A local government may also choose to adopt differential general ‘rates’ for different categories of land where it determines it is appropriate for different types of land to contribute different amounts of rates.

The ‘rate’ adopted by the local government is multiplied by the annual statutory valuation for the land to determine the amount of rates that will be levied on each parcel of rateable land.

> *Example*
>
> *A local government adopts a general rate of 0.08 cents in the dollar as part of its budget. For a parcel of land valued at $10,000, the general rates levied by the local government on the land is calculated as follows—*
>
> *0.08 (the rate) x $10,000 (the valuation) = $800 (annual general rates)*

The general rate is determined by dividing the amount of revenue the local government requires from general rates by the total rateable value for land in the area.

Differential general rates are determined by dividing the amount of revenue the local government requires from different categories of land by the total rateable value of land for each category.

Simple example of how to calculate a general rate

An Aboriginal Shire Council has identified there are twelve parcels of rateable land in its area – ten residential parcels and two commercial parcels.

The State Valuation Service has issued each of the ten residential parcels with a valuation of $10,000 and issued each of the two commercial parcels with a valuation of $20,000. The total valuation for all rateable land in the local government's area is $140,000.

As part of its budget, Council has determined it needs to raise approximately $10,000 to assist with the cost of providing services and facilities in the community.

Step 1

To calculate the rate, the amount of money required is divided by the total valuation for all rateable land in the local government's area—

- $10,000 divided by $140,000 = 0.0715

Step 2

To calculate the general rate to be paid by each parcel, it is necessary to then multiply the valuation of each parcel by the rate calculated in Step 1—

- Each residential parcel has a valuation of $10,000 which is multiplied by 0.0715 = $715
- Each commercial parcel has a valuation of $20,000 which is multiplied by 0.0715 = $1,430

Statutory valuations of land

The statutory valuation of a lot is determined by the State Valuation Service using a number of factors including the present use and zoning under the relevant planning scheme and the physical attributes and constraints on use of the land.

Council must use the statutory valuation as a basis to calculate general rates.

However, it is important to understand that **the local government sets general rates** after determining the total revenue required to be raised by rates.

The statutory land valuations are only used to provide rating relativities between differently valued parcels of land and **do not determine the amount of rates** to be paid by the owner of land.

Rating tools

Local governments have a range of rating tools available for local governments to review the actual rates payable by specific owners of land including minimum general rates, discounts for prompt payment, rating concessions and remissions. For more information on these tools, see the *Local Government Regulation 2012*.