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Rates rebate (Retirement Village Residents) Amendment Bill

Local Government New Zealand's submission to the Local Government and Environment Committee

20 January 2017

We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand; all 78 councils are members. We represent the national interests of councils and lead best practice in the local government sector. LGNZ provides advocacy, policy and business support, and advice and training to our members to assist them to build successful communities - our purpose is to deliver our sector's vision: "Local democracy powering community and national success."

Comments

Thank you for this opportunity to submit on the Rates Rebate (Retirement Village Residents) Amendment Bill (the "Bill"). This Bill is timely and seeks to address an anomaly in the way the Rates Rebate Act operates, although the anomaly is not limited to retirement villages.

LGNZ provisionally supports the Bill. The Bill addresses an issue whereby many residents of retirement villages who have occupation rights are unable to claim a rates rebate due to the manner in which ownership of their property is arranged. Despite having to pay council rates, because they are not billed directly for these rates they do not qualify to apply for a rates rebate. The proposed amendment addresses this issue by recognising that residents do pay rates and are therefore entitled to apply for a rebate

The Rates Rebate Scheme is an essential scheme for improving the affordability of property taxes for property owners with limited incomes. Property taxes have strengths in application and coverage, but have a weakness in being poorly correlated to a person's ability to pay. That is, unlike income tax, the level of property tax is related to the asset value of a person's property (either land or improvements) rather than their income. This can cause stress for that class of New Zealanders known as "asset rich and income poor".

Owners of units in many retirement villages fit into this category and this population is growing. Specifically, 33 new retirement villages were created in New Zealand between 2012 and 2015, and the retirement village population is projected to increase by nearly 1.2 million between 2013 and 2043 (and increase of 27 per cent)¹. However, because of the criteria of the Rates Rebate Scheme and the nature of the village ownership model, most residents do not get the benefits offered by the scheme.

Streamlining the Rates Rebate Scheme was one of the recommendations adopted as a result of LGNZ's review of local government funding completed in July 2015. The review noted:

"The scheme may not have kept pace with changes in retirement living and there may be particular issues of eligibility for individuals who live in retirement villages."

The Bill also provides an opportunity to address other anomalies. For example:

- households which pay for water on a volumetric basis cannot include such payments in their applications for a rebate, whereas households which pay for water through their rates can do so;
- households where there is a 'licence to occupy' a rating unit and where that licence includes a requirement to pay the cost of the rates directly cannot apply for a rebate; and
- household on multiply-owned Māori land, depending on how ownership is arranged, cannot apply for a rebate.

¹ <http://www.seniortrust.co.nz/retirement-village-sector.html>

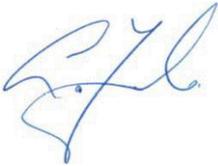
SUBMISSION

In providing provisional support for this Bill, LGNZ urges the Committee to ensure that any changes made to either the Rates Rebate Act or the Local Government (Rating) Act are designed in such a way that implementation is straightforward and does not impose unreasonable administrative costs to councils. It would defeat the purpose of the Bill if the changes caused the costs of local authorities to increase due to complex administrative procedures.

As a solution we refer the Committee to the submission prepared by the Society of Local Government Managers. Their submission recommends a practical approach to the issue which should meet the administrative simplicity objective.

In addition, LGNZ wishes to acknowledge the work that the Department of Internal Affairs has already undertaken as part of its project to streamline the administration of the scheme.

Yours sincerely



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