



# CLARE & GILBERT VALLEYS COUNCIL

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## POSTPONEMENT OF RATES SCHEME - FOR STATE SENIORS CARD HOLDERS

### INFORMATION SHEET LGA 32018

Over the past several years significant and in some areas uneven movement in property values has caused a substantial redistribution of Council rates amongst ratepayers within some Council areas. In response, Councils have implemented flexible payment arrangements and where appropriate rate capping measures. However, some seniors, many of whom are pensioners, have found it difficult to pay their Council rates. Even though they own property and are “asset rich”, their low income means they are “cash poor”.

Recent changes to the Local Government Act provides the option for State Seniors Card holders to apply to postpone on a long-term basis part of their Council rates. The deferred amount is subject to a monthly interest charge, with the accrued debt being payable on the disposal or sale of the property. However, the debt may be paid at any earlier time at the ratepayer’s discretion.

#### Who is eligible to apply for postponement of rates?

A ratepayer who holds or is in the process of applying for a State Seniors Card may apply for postponement of a portion of the Council rates payable on property they own or are buying if it is their principal place of residence (that, is the place lived in most of the time) and if no other person other than their spouse has an interest as owner of the property.

#### How much equity do I need to have in the property?

If you have a current mortgage over the property which was registered prior to 25 January 2007 you are required to have at least 50% equity in your property. If you currently have any mortgages or encumbrances on the property registered before that date you will need to obtain a statement from your financial institution which indicates the maximum credit limit secured by the mortgage, to include with this application form.

If you have a mortgage that was registered after 25 January 2007 there is no restrictions on the level of equity held.

#### Will my existing State Seniors Card or Pensioner concession still apply?

The postponement of rates option does not affect any existing entitlement to a State Seniors Card or Pensioner concession, and/or Council remission on your Council rates.<sup>1</sup>

#### How much of the total rates can be postponed?

At least \$500 of the total Council rates bill must be paid, but an application can be made for any amount in excess of \$500 to be postponed. The minimum amount of \$500 will be reduced by your State Seniors Card concession and/or Council remissions if applicable, unless agreed otherwise. You may pay the amount due in four quarterly instalments in the same way that the total amount of annual rates are payable. An example follows.

Total Rates amount	\$1500.00
Minimum amount payable	\$500.00
Your concession	\$190.00
<u>You pay</u>	<u>\$310.00</u> (or \$77.50 per quarter)
Amount of rates postponed	\$1000.00

<sup>1</sup> Entitlement to receive a remission of rates is provided under the Rates and Land Tax Remission Act 1986. For more information about eligibility and the benefit amount, please enquire at your local Council.

### **What is the interest rate?**

Interest is calculated and compounded monthly on the postponed rate debt. The interest rate is prescribed in the Local Government Act 1999 (SA) and is set annually on 1 July, and may vary from year to year.<sup>2</sup> As an example, during the 2006-2007 rating period the charge would be based on an interest rate of 7.75% per annum.

#### A simple example of how the charge is applied

Mr Senior's total Council rates amount for the 2006-2007 Rating Period is \$1500.00. Mr Senior deducts his pensioner concession of \$190.00 from the amount of \$500 he must pay. That means he will pay \$310.00, and postpone the remaining balance of \$1000.00.

Mr Senior then pays the \$310.00 over four quarterly instalments.

The total charge on the \$1000.00 rates postponed for the 2006-2007 Rating Period will be 7.75% per annum or 0.64583% monthly (that is, 7.75% divided by 12). Interest will be compounded on a monthly basis. At the end of June 2007 the amount of interest accrued on the postponed rates amount of \$1000.00 will be \$80.31, and the total amount of the postponed rate debt as at that date will be \$1080.31.

If Mr Senior decides to postpone rates in the subsequent year, the charge would be applied to \$1080.31 (the initial \$1000 rate postponed plus \$80.31 interest accrued) in the 2006-2007 rating period plus the amount or rates postponed in the 2007-2008 rating period.

You can talk to the Rating Officer at Council for an explanation of how your quarterly payments and monthly charge would be calculated on the amount of rates you wish to postpone, and the exact amount of charges that would apply.

### **How do I keep track of what I owe to the Council in postponed rates?**

You will receive a statement with each rates notice which sets out:

- the amount of postponed rates;
- the interest accrued; and
- advice of your ongoing entitlement to postpone future rates, or to pay off the debt at any time prior to the disposal or sale of the property.

The statement may be in the form of a separate notice or may be included on your quarterly rate notice.

You may also talk to the Rating Officer at Council at any time if you have any queries or want more information.

### **Can payment of Council rates be postponed year after year?**

Payment of your council rates may be postponed for one year only, or for any number of future years. Postponement of your council rates will continue automatically in each subsequent year after your initial application is approved, until either the property is sold or disposed of, you no longer meet the eligibility criteria for postponement, or you advise Council that you do not want to continue with the arrangement to postpone rates.

Council may issue an annual declaration form with the annual rates notice to check you are still eligible and that you wish to continue to postpone future rates.

You may choose to pay off all or any portion of the postponed rates debt at any time if your financial circumstances change.

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<sup>2</sup> The interest rate applicable is the cash advance debenture rate (CADR), which is the cost for Councils of borrowing money as advised by the Local Government Finance Authority on 1 July each financial year.

**How does my eligibility change, and what do I need to do then?**

Your eligibility changes if you move out of your home, or are no longer entitled to have a State Seniors Card.

When your eligibility changes, you must inform the Council in writing within 6 months. In these circumstances you are no longer entitled to postpone future rates. However, the postponed amount and accrued interest is not payable until the date of disposal of the property.

The agent or broker who is organising the sale, disposal and settlement of your property will ask you to sign a form, which advises of the requirement to, and authorises payment of all outstanding Council rate charges at the time of settlement.

**Is there anything else I need to know?**

The rates debt and interest accrued will decrease the value of your equity in the property at the time of disposal or sale.

Seniors are encouraged to seek independent financial advice prior to making the decision to postpone rates. You may also like to discuss the option with a family member, beneficiaries or another person you trust.

Remember, you can choose to pay off the postponed rates debt and accrued interest at any time if your financial circumstances change.

**How do I apply for postponement of rates?**

You will be required to complete an application form to enable Council to assess your application and to verify your eligibility.

Please contact [insert name/title, telephone] at the Council office to arrange a convenient time and place to discuss your application and lodge your application form. This will provide an opportunity for you to obtain more information about the Postponement of Rates scheme and the conditions that will apply, and for any questions or concerns you might have to be discussed.

**Further information about the Postponement of Rates for Seniors Scheme is available on line at <http://www.localgovt.sa.gov.au/seniors>**