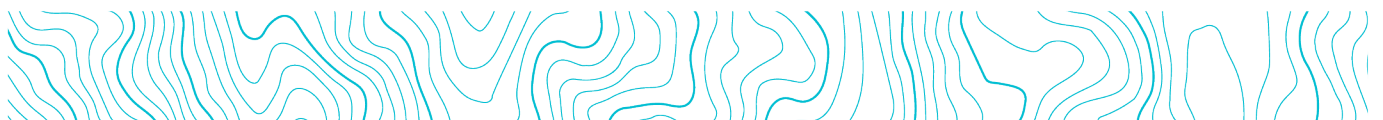


# Rates Postponement Policy

**Draft policy for  
consultation as  
part of  
DLTP2024-2034**

Division	Finance
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Owner	Group Chief Financial Officer
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V 1.0	Group Chief Financial Officer	April 2020	Approved by Council
V 2.0	Financial Transaction Services Manager	July 2024	Draft



# Rates Postponement Policy

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## Policy objective

The objective of this policy is to give residential and small business ratepayers a choice between paying rates now or later subject to the full cost of rates postponement being met by the ratepayer and Council being satisfied that the risk of loss in any case is minimal.

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# Policy conditions and criteria

## 1.1 General approach

If the ratepayer is eligible for the government rate rebate, an application for this rebate should be completed before any rates are postponed for that year.

Council will add all administrative and financial costs to the postponed rates. This will ensure neutrality between ratepayers who use the postponement option and those who pay as rates are levied.

## 1.2 Definitions

**An event** – An event declared by Council resolution where the Council will define the type and/or the location of the properties affected. An event could be a natural or an economic event.

**Small business** – Is any type of enterprise or firm with fewer than 20 employees.

**Financial hardship** – This is when ratepayer income reduces to a level where paying rates would result in significant financial hardship. Whilst each applicant will be considered on a case by case basis, the following criteria will apply:

For business (non-residential) ratepayers, evidence of:

- a 30% reduction in revenue; or
- qualification for a Government emergency financial support package (for example the wage subsidy scheme); or
- qualification for a mortgage “holiday” from the bank.

For residential ratepayers, evidence of:

- loss of employment; or
- a significant reduction in income; or
- qualification for a mortgage “holiday” from the bank.

## 1.3 Eligibility

Only rating units defined as residential and used for personal residential purposes by the applicant ratepayer(s) as their sole or principal residence will be eligible for consideration of rates postponement under the following conditions and criteria:

- Any ratepayer aged 65 years or over is eligible for postponement provided that the rating unit is used by the ratepayer as their sole or principal residence. This includes in the case of a family Trust owned property, use by a named individual or couple; or
- Any ratepayer experiencing financial hardship due to personal circumstances such as age, physical or mental disability, injury, illness and family circumstance is eligible for postponement. Ratepayers applying under these criteria must demonstrate to Council's satisfaction that paying the rates would result in financial hardship.

Only rating units defined as residential or used by a small business will be eligible for consideration of rates postponement under the following conditions and criteria:

- The financial hardship is the direct result of an event which affects the ratepayers ability to pay rates; and
- The rateable value of the property is not greater than \$1.5 million; and
- The ratepayer demonstrates to Council's satisfaction that paying the rates would result in financial hardship; and
- The person entered as the ratepayer (in the case of a closed company every director must sign the application form), or their authorised agent, makes the application; and
- The applicant must demonstrate to Council's satisfaction that the ratepayer has taken all steps necessary to claim any central government benefits or allowances the ratepayer is properly entitled to receive to assist with the payment of rates.

If the property in respect of which postponement is sought is subject to a mortgage, then the applicant ratepayer(s) will be required to obtain the mortgagee's consent before Council will agree to postpone rates.

When a property is owned by a family Trust, Council must be satisfied that all trustees have agreed to be part of the postponement scheme. Council will require a consent form from the trustees confirming that the family Trust has agreed to apply for postponement of rates.

Council must be satisfied, based on reasonable assumptions, that the risk of any shortfall when postponed rates, (including accumulated administration and

finance costs), are ultimately paid is negligible. To best safeguard Council, the total amount of rates postponed (including accumulated administration and finance costs), when added to other amounts secured by a mortgage, may not exceed 70% of the applicant ratepayer(s) equity in the property. Equity in the property is calculated as the difference between Council's rateable value of the property (the capital value at the most recent Triennial valuation) and all other amounts secured by a property mortgage.

For prudential reasons, Council will need to register a statutory land charge against the property to protect its right to recover postponed rates.

At present, the law does not allow Councils to register such a statutory land charge against Māori freehold land. Accordingly, Māori freehold land is not eligible for rates postponement under this policy (unless and until the law is changed so that the Council can register a statutory land charge).

## **1.4 Insurance**

The property must be insured for its full replacement value and evidence of this must be provided to Council annually.

If insurance cannot be arranged because the property is uninsurable, only the land value can be used when calculating maximum postponement allowable under this policy.

## **1.5 Rates able to be postponed**

Hutt City Council rates are eligible for postponement except for:

- Lump sum options which are rates paid in advance.
- Central government rates rebates received by the applicant ratepayer(s).

## **1.6 Conditions**

Any postponed rates (under this policy) will be postponed until:

- a) The rating unit is sold or transferred (other than just a change of trustees).
- b) Until a date specified by Council, as agreed in writing and in advance between Council and the applicant ratepayer(s).

In the case of rates postponement due to an event:

- c) Until one year after the Council resolves the effects of the event are no longer felt in the community. At that date, the ratepayer must make arrangements to repay outstanding rates. The Council will allow up to a maximum of 18 months to repay the outstanding rates.

In the case of rates postponement due to a ratepayer being over the age of 65:

- d) Until the ratepayer(s) or nominated individual or couple cease to be the occupier(s) of the rating unit; or
- e) The death of the ratepayer(s) or the survivor of them, or nominated individual or couple where a family Trust is the owner. In this case, Council will allow up to 18 months for payment so that there is sufficient time available to settle the estate or, in the case of a family Trust owned property, make arrangements for repayment; or
- f) If the ratepayer(s) or nominated individual or couple continue to own the rating unit, but are placed in long term residential care, Council will consider them to still be occupying the residence for a limited period of time for the purpose of determining when postponement ceases and rates are to be paid in full. In this case, Council will allow up to 18 months for payment so that there is ample time for the property to be sold, and
- g) Until a date specified by Council, as agreed in writing and in advance between Council and either the applicant ratepayer(s) or the named individual or couple in the case of a family Trust.

For all rates postponements:

The administration cost will include a once-off establishment fee of \$250 plus GST on postponed rates and Council will charge an annual management fee of \$100 plus GST on postponed rates for the period between the rates payment due

date and the date they are paid. These fees are designed to cover Council's administrative costs to establish the rates postponement account, register the statutory land charge (one-off) and confirm adequate annual insurance cover is in place and provide rates postponement account statements to eligible ratepayer(s) every two (2) months.

The financial cost will be the interest that Council will incur, being Council's average cost of borrowings as at 30 June of the preceding financial year, calculated daily, for funding rates postponed, plus a margin of 1% to cover staff costs related to calculating and applying such interest charges to respective postponed rates accounts.

Interest will be applied to rates postponement accounts every six (6) months and will be included in the total rates postponement balance, as shown on ratepayers' statement of account every instalment one (1) and four (4) respectively.

Whilst not a condition, Council strongly recommends that applicant ratepayer(s) should first obtain independent legal and/or financial advice from a suitably qualified person(s), prior to applying for a rates postponement. At the request of the applicant ratepayer(s), all costs associated with this independent advice can be paid directly by Council and the total costs will be added to the applicant ratepayer(s) postponed rates account.

The postponed rates, (including accumulated administration and finance costs), or any part thereof, may be paid to Council at any time. The applicant ratepayer(s) may elect to postpone the payment of a lesser sum than that which they would be entitled to postpone pursuant to this policy.

Properties that are granted a rates postponement will be subject to a statutory land charge being registered on the rating unit title. This serves to ensure that property settlements do not occur without all postponed rates and charges being fully paid.

## **1.7 Review or suspension of policy**

The policy is in place indefinitely and can be reviewed subject to the requirements of the Local Government Act 2002 at any time. Any resulting

modifications will not change the entitlement of people already in the postponement scheme, to continued postponement of all future rates.

Council reserves the right not to postpone any further rates once the postponed rates (including accumulated administration and finance costs), combined with secured borrowings against the residential property, exceed 70% of Council's rateable value of the property as recorded in Council's rating information database. This will require the ratepayer(s) for that property to pay all future rates. All postponed rates before such time will only fall due for payment when any condition(s), as outlined in clause 2.5 (a) to (e) are satisfied.

The policy consciously acknowledges that future changes in policy could include withdrawal of this rates postponement scheme.

## **1.8 Procedures**

Applications must be on the required application form which will be available from the Council's main office or online at [www.huttcity.org.nz](http://www.huttcity.org.nz).

The policy will apply from the beginning of the rating year in which the application is made although Council may consider backdating the rates postponement to apply to the past rating year in which the application is made, depending on the individual circumstances.

The policy shall apply to ratepayers who meet the relevant criteria as approved by the Chief Financial Officer.

The administration of this policy may be sub-delegated to a Council Officer(s) as appropriate.