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Property Tax and Assessment News from Around the World

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Wellington City underwhelming in New Zealand league tables

Wellington City Council performs poorly against its neighbouring territorial authorities in many of the comparative data contained in Ratepayers' Report, theTaxpayers' Union's 2018 local government league tables, available atwww.ratepayersreport.nz. The report includes debt per ratepayer, staffing levels, personnel costs, and even CEO salary for territorial authorities across the country.

"Wellington City Council employs more staff per 1,000 ratepayers than other council in the region," says Taxpayers' Union Local Government Researcher Garrick Wright-McNaughton. "Bureaucrats will suggest that higher levels of staffing translates to better governance - although Wellington ratepayers may not be convinced that the $1,510 per ratepayer for staff costs are worthwhile, given how Wellington City Council compares on the other metrics."

"With the lowest average residential rates in the region, fewer staff per 1,000 ratepayers than both the regional and national average, and the second lowest debt per ratepayer of any council in the region, Upper Hutt City Council appears to be running a slick operation."

"The only council in the region with lower debt and lower financing costs per ratepayer than Upper Hutt City is Carterton District Council. Carterton District Council also has the second highest average residential rates bill in the region ($2,847), although its neighbouring councils may keep residential rates low by levying higher commercial rates, which isn't an option for smaller rural councils."

"Kapiti Coast District Council has relatively low group expenditure ($2,678 per ratepayer) but an average residential rates bill only slightly above the region's average ($2,539 compared to $2,517). That appears to be caused by its high debt and high borrowing costs. Kapiti Coast District Council has more debt on a per ratepayer basis than any provincial council in the country."

"South Wairarapa District Council has the best ratio of staff to ratepayers in the region (employing 5.8 staff per 1,000 ratepayers) and subsequently has the lowest staffing costs per ratepayer of any Wellington region council."

"Ratepayers' Report is available online and free of charge so that Wellington ratepayers can decide for themselves how their council performs."

Other findings related to Wellington: Porirua City Council charges the highest average residential rates in the region, at a cost of $2,946 per year. Upper Hutt City Council imposes the lowest burden on its residential ratepayers, with an average residential rates bill of $2,187.

Wellington City Council charges the second highest average residential rates of any metropolitan council, at a cost to ratepayers of $2,552 per year. Tauranga City Council charges one dollar more ($2,553) - the most of any metropolitan council.

Upper Hutt City Council charges the lowest average residential rates bill in the region ($2187). Hutt City Council charges the second lowest average residential rates bill in the Wellington region ($2,235).

The highest average residential rates bill in the Wellington region is charged by Porirua City Council ($2,946).

Wellington City Council pays a greater proportion of its staff salaries in excess of $100,000 than any other council in the region (16%).

Porirua City Council spent $265,743 in affiliation with its local Chamber of Commerce - the largest spend by any council in the country. Hutt City Council ranked third on the same metric, nationwide, spending $241,256.

Kapiti Coast District Council has more debt per ratepayer than any other provincial council in the country ($10,114).

Councils considered for this comparison are Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council, Kapiti Coast District Council, Carterton District Council, Masterton District Council, and South Wairarapa District Council.

Property tax could improve the economy

Sometime this month Sir Michael Cullen's tax working group is expected to issue an interim report giving an indication of the new taxes we might expect from this Government if it is re-elected. The Labour Party gave an undertaking in last year's election campaign that any new taxes would not come into force until after the 2020 election, so Cullen's working group is writing a supercharged proposal.

It is hard to deny that owners of capital wealth contribute less than their fair share to tax revenue and wage and salary earners bear most of the burden. That has been true of most western countries after a long period of booming property and share markets and stagnant wages.

As incomes have grown they have tended to move into higher tax brackets, a problem the present Government perpetuated when it cancelled National's "tax cuts" that would have taken effect from April this year.

Those were not real tax cuts, they were increases in the income thresholds at which lower tax rates apply and raising the thresholds was well overdue. Income over $70,000 a year, which is modest these days, attracts the top tax rate. Cullen's group will probably need to suggest threshold increases as one way of shifting more of the burden of tax from incomes to capital.

But the most interesting element of its exercise will be the additional taxes on capital it proposes. The National Party would dearly like to fight the next election on capital gains tax. It's revenue spokeswoman, Judith Collins, is already mounting arguments against one. On our business pages yesterday she warned that a capital gains tax on rental property would cause rents to rise and cause more hardship for those who cannot afford their own home.

That would have been true a few years ago when house prices were still rising rapidly, not so now. Investors in rental property can no longer count on the capital gains they used to enjoy and must be already looking to rents for a return on the investment.

Prices seem unlikely to take off again as the Government sets about selling lower-cost homes and imposing more obligations on landlords. Right now, property investors have little to lose to a capital gains tax.

Collins points out, however, that the tax is unlikely to be confined to property. Will farmers be taxed on the rise on value of their farms and stock, she asks. Will owners of a small business be taxed when they sell it for retirement. Will estates be subject to the tax when they are inherited.

Principles of fairness and tax neutrality says all forms of capital gain should be taxed, but is that necessary? Property is much less risky than most business investments, which is why there is such a demand for it, especially in a small economy such as New Zealand where other business opportunities are limited by the size of the market.

We have plenty of investment in property and could do with more of it in productive new ventures. Selective taxation of property could send more investment into productive alternatives.

Tasman ratepayers have fourth highest bills in country

Residential ratepayers in Richmond and elsewhere in Tasman district pay the fourth highest average rates in New Zealand, according to the Taxpayers' Union.

At a cost to ratepayers of $3053 per year, Tasman District Council charges the fourth highest average residential rates in the country, according to Ratepayers' Report – the Taxpayers' Union's 2018 local government league tables. That's $829 higher than Marlborough District Council or $170 more than Nelson City Council.

Taxpayers' Union executive director Jordan Williams said all three councils could be expected to have a higher rates bill than the national average of $2304 because they were unitary authorities so they also performed the functions of a regional council.

Tasman district mayor Richard Kempthorne says he believes TDC works "very prudently".

"However, Tasman district ratepayers should question why their rates bills are on average much higher than Nelson city and Marlborough district – all three councils have a mandate to provide similar services," Williams said.

Tasman mayor Richard Kempthorne agreed the rates were high in his district. "We are the first to acknowledge that."

Nelson City Council's average residential rates bill of $2883 is the seventh highest of any council in the country, says the Taxpayers' Union.

However, it was not an apples-to-apples comparison to line up the three top of the south councils, he said.

TDC rates were based on the capital value of rateable properties while Nelson City Council rates were based on land values with differentials including one for commercial properties, which he believed helped to offset residential rates.

"I think, differentials muddy the water," Kempthorne said.

In Marlborough, the district council had a busy port with ferries and a "very active commercial portfolio" that included the council subdividing its own land for development.

"That helps to offset rates," Kempthorne said.

Tasman district was spread out and included 16 settlements.

"Water, wastewater and stormwater all becomes more expensive with smaller settlements," the mayor said.

By comparison, Marlborough had fewer settlements while Nelson had a more condensed population base.

Roading infrastructure was another big cost in Tasman district while roads in Marlborough were "much more flat" and Nelson had fewer, which were mostly sealed and "in town".

However, the big driver for increased debt and rates in Tasman district had been growth, which required new and improved infrastructure and "infrastructure comes at a cost".

It was a challenge to ensure rates were affordable and the Tasman council had been following a financial strategy it set in 2015 to keep rates increases under 3 per cent a year, plus an allowance for growth, and stay within a self-imposed net debt cap of $200 million.

"I think, we work very prudently," Kempthorne said.

Williams said Nelson City Council's average residential rates bill of $2883 was the seventh highest of any council in New Zealand.

"Marlborough District Council's average residential rates bill [of $2224] appears to offer better value for money," he said. "Marlborough District Council has less debt per ratepayer [$4631] than Tasman district [$6440] and Nelson city [$5555] councils, lower financing costs per ratepayer than any unitary authority [$57] and employs 10 staff members for every 1000 ratepayers – the lowest ratio of any unitary authority. The council appears to be operating prudently."

Williams said a "point of concern" for Nelson city ratepayers was their council's "high staffing costs per ratepayer" of $1520.

"No unitary authority, including Auckland Council, spends more on staff on a per-ratepayer basis," he said.

According to the Taxpayers' Union, the Tasman and Marlborough councils spend $855 and $999 respectively per ratepayer on group personnel costs.

However, Nelson City Council communications manager Paul Shattock said the figure per ratepayer for the council personnel costs was $809, comparable with TDC and Marlborough. The "group figure" for personnel costs per ratepayer of $1520 included Nelmac staff and other subsidiaries, for example the Suter and Nelson Regional Development Agency.

"It is difficult to draw comparisons between the Marlborough and Tasman district [councils] in this area, given they operate different ownership vs contracting models," Shattock said. "For example, [Nelson City Council] owns a large contracting company (Nelmac), which produces efficiencies in other areas."

Ratepayers' Report is available online via ratepayersreport.nz for free.

Revaluation of Whangārei's properties under way

Whangārei's 40,000-plus properties are about to be revalued.

Revaluation of Whangārei properties has begun with official figures expected to be released in November.

Whangārei District Council is required to value all the properties in the district every three years.

The valuations are carried out by independent valuation company, Opteon, and are audited by the Valuer-General.

Opteon was appointed as the new valuation service provider last year. It provides services to several councils in Australia and New Zealand.

Whangārei District Council revenue manager Alison Puchaux said although Opteon has staff and offices in Whangārei, the council will be the people to contact with questions about valuations, not the valuers directly as was the case in the past.

"Opteon uses recent property sales data, resource/building consent and survey data along with carrying out sample inspections to establish an updated view of values across our district."

Puchaux said the valuers are now out in the district visiting properties and will usually leave behind a calling card if no one is home when they visit.

Property owners will receive their new valuation notices at the beginning of November.

These valuations will be based on the property market conditions as at August 1, 2018.

The values will be used to calculate rates from July 1, 2019.

Any change in a property's value does not mean that the rates for that property will increase or decrease by the amount of this change.

Property revaluations don't affect the amount of rates collected by the council, but help the council work out everyone's share of the rates.

The district is revalued every three years and after the 2015 revaluation, the capital value of Whangārei's properties rose by almost 10 per cent in three years, with the district's 40,328 properties worth $19 billion.

Capital gains tax in doubt, says accounting expert

The Government's tax working group is likely to park the controversial capital gains tax, an accounting expert predicts.

An interim report into New Zealand's tax system, overseen by former Finance Minister Sir Michael Cullen, is expected for release this month.

Final recommendations are then due in February and the most controversial thing that the group is expected to cover is a capital gains tax.

This would particularly dampen the profits to be had from property investment and is unpopular with landlords.

"A close reading of the tea leaves suggests the highly politicised and important issue of the capital gains tax (CGT) is probably to be parked for further consultation and input," he said in a Herald opinion piece.

"This is not to say a firm recommendation will not materialise upon publication of the final report – I think it will and is likely to be broad-based, with an exclusion for the family home – but it will require significant political consideration before being put to the public," Drum said.

Westpac chief economist Dominick Stephens said earlier this year that introducing a 10 per cent capital gains tax would reduce New Zealand house prices by 10.9 per cent and lead to a higher rate of home ownership.

Property prices in New Zealand are "profoundly affected" by the tax system, Stephens said. "It follows that changing the tax system would change property prices."

Executive officer of the NZ Property Investors Federation said in July that rental properties were fairly taxed under the existing rules.