

Rates Postponement Policy

Objective

The objective of the postponement policy is to enable Council to provide older ratepayers with more options and flexibility. It lets older ratepayers decide how best to manage their finances and also gives older ratepayers the opportunity to stay in their houses for longer.

Conditions and criteria

- The ratepayer must be over the age of 65 (or over the age of 60 if on a benefit)
- The property must be insured
- The postponed rates must not exceed 80 per cent of the available equity in the property. The available equity is the difference between the Council's valuation of the property (the capital value at the most recent revaluation) and the value of any encumbrances against the property, including mortgages or loans
- The property must be the prime residence of the ratepayer and owner occupied.

Procedure

Applications must be made on the prescribed form (at the end of this booklet).

Applications must include detailed information explaining how they meet the conditions and criteria under this policy. This must include a statutory declaration for the first year of the ratepayer's property insurance and the value of encumbrances against the property, including mortgages and loans.

Note that, for the rates to continue to be postponed, the Council will require evidence each year thereafter, by way of statutory declaration, of the ratepayer's property insurance and the value of encumbrances against the property, including mortgages and loans.

Decisions on applications under this policy will be made by the Group Manager, Corporate Services.

Other matters

The applicant may choose to postpone the payment of a lesser amount of rates than the full amount that they would be entitled to postpone under this policy. There is no income testing.

Repayment of the postponed rates will be required at the earlier of:

- Sale of the property, or
- Death of the ratepayer (or surviving ratepayer where there is a couple).

Council recommends that ratepayers considering postponing their rates seek independent advice from a financial adviser on the financial impacts and appropriateness of postponing their rates.

The Background

Councils throughout New Zealand can be as flexible as they like in setting a Rates Postponement Policy.

This is due to the Local Government (Rating) Act 2002 and the Local Government Act 2002 allowing rates postponements for residential ratepayers. Previously those rates could only be postponed if the ratepayer proved hardship.

Nelson City Council has elected to offer a scheme that will be available to all residential ratepayers that are aged 65 and over (or over 60 if on a benefit) to postpone their rates for life.

The aim is to give qualifying ratepayers a choice of paying their rates now or later.

Under the scheme, people have the option to postpone payment of all, or a portion of their rates, for a fixed or indefinite period. This is subject to the full cost of postponement being met by the ratepayer (i.e. interest charges and administrative costs), and Council being satisfied that the risk of loss in any case is minimal.

How do I qualify?

You must meet the conditions and criteria in the Policy

- The ratepayer must be over the age of 65 (or over the age of 60 if on a benefit)
- The property must be insured
- The postponed rates must not exceed 80 per cent of the available equity in the property. The available equity is the difference between the Council's valuation of the property (the capital value at the most recent revaluation) and the value of any encumbrances against the property, including mortgages or loans
- The property must be the prime residence of the ratepayer and owner occupied.

How do I apply?

1. Confirming your eligibility

As a first step you are required to fill out the eligibility form (at the end of this booklet).

There is an initial application fee of \$300. Applications must include detailed information explaining how they meet the conditions and criteria under this policy. This must include a statutory declaration for the first year of your property insurance and the value of encumbrances against your property, including mortgages and loans.

Note that, for the rates to continue to be postponed, Council will require evidence each year thereafter, by way of statutory declaration, of your property insurance and the value of encumbrances against your property, including mortgages and loans.

2. Making the decision

Council recommends that ratepayers considering postponing their rates seek independent advice from a financial adviser on the financial impacts and appropriateness of postponing their rates.

3. Applying for the scheme

You can do this by signing the conditional Letter of Offer and returning it to Council with all required documentation.

What if I still have a mortgage?

If you have a mortgage, you can still apply for the scheme. However, you will need to have written agreement from the financial institution which funds your mortgage.

When will my postponed rates actually be payable?

You can choose to pay your postponed rates in full (or in part) any time you like, without penalty. Otherwise, Council will require them to be paid:

- After you have died, or in the case of couples, the second partner has died. Council is aware that it can take time to settle an estate and will allow up to 12 months for payment.
- When you cease to be the owner of the property. (However, if you sell your property and buy another one within Nelson City, Council will consider transferring the outstanding balance, or as much as is needed, to facilitate the purchase, provided it is satisfied that there is adequate security in the new property for eventual repayment.

Who pays the costs of the scheme?

The costs of operating the scheme will be paid only by those whose rates are being postponed. Council has determined that there will be no subsidy from other ratepayers.

As well as annual rates, the costs of the scheme are:

- Six-monthly interest on the postponed rates (at Council's marginal rate).
- An annual reserve fund levy of 0.25% to meet the costs of any unrecoverable postponements.
- A \$100.00 yearly administration charge.

There is an initial application charge of \$300.00.

What if my home is owned by a family trust – can I still apply?

Yes, but there are special requirements.

The issue with trusts is that the trust is technically the legal ratepayer. If you live in a house owned by a trust, or you have a life tenancy/remainder agreement, you are eligible to apply. However, Council must be satisfied that all people with an ownership interest in the property have agreed to be part of the Scheme. As well as trustee(s) this may also include beneficiaries, depending on the terms of the trust deed.

Council will require a letter from the trust's lawyers to confirm that all parties whose consent is required have in fact consented, and that they have the legal authority to do so. Council's conditional Letter of Offer will also need to be signed by both the applicant(s) and all parties whose consent is required.

Why is Nelson City Council offering rates postponement?

The law allows councils to offer rates postponements to residential ratepayers. Council has made the decision to offer residential property owners a choice as to when they can pay their rates.

What are the benefits for me?

If you don't have to pay rates each year, you'll have that extra money to do things that you really want to do. A holiday, house maintenance ... it's your choice. For a lot of people, not having to pay rates can considerably ease the financial pressure.

How will I know what the accumulating costs are likely to be over time?

Council has developed a financial model for the scheme. Whenever you request it, we will give you a "snapshot" of our total accumulated costs compared to the value of your property at that time.

Will I get myself so far into debt that it can't be repaid?

No. If the total postponed charges reach 80% of the available equity in your property, future postponement will cease. From then on you will be required to begin paying your rates up front again.

The available equity is the difference between Council's valuation of the property (the capital value at the most recent revaluation) and the value of any encumbrances against the property, including mortgages or loans.

However, this will not affect postponements that have already been made.

The postponed rates will continue to accrue, along with the associated costs, and will still be repayable when you sell the property, or when you die.

What about insurance?

If you have insurance for your property when you apply, you will be required to keep it insured and to produce evidence of this each year.

If you don't have insurance, you will be required to take on insurance.

Insurance is to protect you and Council if your home is substantially damaged or destroyed. It means that the postponed rates debt will not affect the rebuilding or replacement of your home.

Do I have to postpone all of my rates or can I postpone part of them (just the amount I need)?

The Scheme is extremely flexible so, yes, you can apply to postpone all or part of your rates. Once you are in the Scheme, you can vary the amount you postpone depending on your financial situation. This is something you will need to discuss with Council officers.

Does Council get an ownership right in my house?

No, you retain full ownership. Council simply has first claim on your property for the postponement amount that has accumulated, when it is sold or becomes part of your estate.

Do I need to consult a lawyer about this?

If you think you should. However, there is no need for your lawyer to be involved.

Do I need to consult a financial adviser about this?

Council recommends that ratepayers considering postponing their rates seek independent advice from a financial adviser on the financial impacts and appropriateness of postponing their rates.

Can the Scheme be reviewed or suspended?

Council's Scheme is in place indefinitely, although it can be reviewed at any time subject to the requirements of the Local Government (Rating) Act 2002. If there were to be changes they would not affect the entitlement of people already in the Scheme to continue postponement of future rates.

Council reserves the right not to postpone any further rates once the total of postponed rates and accrued charges exceeds 80% of the available equity in the property. The available equity is the difference between Council's valuation of the property and the value of any encumbrances against the property, including mortgages or loans.

How do I get started?

Complete the form at end of the booklet and post, deliver or email to Nelson City Council. You'll be contacted to make an appointment with one of our rates staff to determine your eligibility and complete your application.

How do I find out more?

Contact us at:

Civic House, 110 Trafalgar Street,

Nelson PO Box 645, Nelson, 7040

enquiry@ncc.govt.nz

Eligibility/Application Form

I / We would like to confirm my / our eligibility for rates postponement

Personal details

Applicant name _____

Date of birth (day/month/year) _____

Second applicant name (if applicable) _____

Date of birth of second applicant (day/month/year) _____

Postal address _____

Email _____

Phone number _____

Property details

Owner(s) of property (if different from above) _____

Property address _____

Valuation No _____

Is the property used for personal residential purposes? Yes No

The property is insured with

(Note: Insurance is a mandatory requirement of the scheme)

Type of postponement sought (if known) Full Partial

I / We understand(s) that Council recommends that independent advice is sought on the financial impacts and appropriateness of postponing my rates. Yes No

Please sign

Signed (first applicant) _____ date _____

Signed (Second applicant, if applicable) _____ date _____

If there are more than two owners, please complete an additional form.

Drop off to: Civic House, 110 Trafalgar Street, Nelson

Post to: PO Box 645, Nelson, 7040

Email: enquiry@ncc.govt.nz