

6. REMISSION OF RATES ON THE COUNCIL'S SOCIAL HOUSING

RR 9870

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Corporate Plan Output: Rates Administration	

The purpose of this report is to seek the Council's approval for the proposal to remit the rates on the Council's social housing.

BACKGROUND

- At least since the 1989 amalgamation the Council has levied rates on its social housing to provide competitive neutrality with other residential landlords and for administrative efficiency purposes.
- As the provision of residential housing is an exempt supply under the Goods & Services Tax Act 1985, no input tax claim can be made for expenditure incurred in providing this service. That is, GST charged becomes a cost to residential landlords.
- GST charged on rates must be paid to the Inland Revenue Department.
- There is no legal requirement to add GST to internal charges.
- The Financial Services Unit has *unsuccessfully* sought to claim back the GST charged on rates levied on the basis that the Council cannot make a supply to itself. The Inland Revenue Department's advice is that the only way the Council can avoid the GST cost on rates for social housing is stop levying the rates on these properties.
- The GST cost on rates for social housing for 1998/99 was \$78,000 and this will increase for 1999/00.
- The Council has a policy of charging rentals at 80% of market rates for its elderly persons' housing so the amount of rates charged does not affect the rentals charged.
- The Council has power under Clause (a) of Part I of the Second Schedule of the Rating Powers Act to remit the rates on elderly person and public rental housing.

DETAILS OF PROPOSED CHANGE

In order to minimise the cost of GST while maintaining a level playing field with respect to the Council's provision of social housing, it is proposed that the Council resolve to remit the rates on the Council's social housing.

The Council's social housing output be 'levied' with an internal services charge so its operations can be compared to other residential landlords who pay the property tax represented by rates levied on their rental properties. This 'internal services charge' would be set at the rates levied for 1998/99 adjusted for the average increase in residential rates in Christchurch. This adjustment would occur each year.

The 'internal services charge' for social housing would be treated as 'corporate revenue.'

- Recommendation:**
1. That the Council resolve to remit the rates on the Council's social housing.
 2. That an internal charge equivalent to the rates be levied on the housing.