

### Agreement in Principle

**Mrs BARBARA PERRY** (Auburn—Minister for Local Government, Minister Assisting the Minister for Planning, and Minister Assisting the Minister for Health (Mental Health)) [10.40 a.m.]: I move:

That this bill be now agreed to in principle.

The Government is pleased to introduce the Local Government Amendment (General Rate Exemptions) Bill 2010. The bill reflects the Government's ongoing commitment to support the invaluable contribution that public benevolent institutions, public charities and religious bodies make to the communities of New South Wales. The purpose of the bill is to clarify the exemptions from general rates that apply for public benevolent institutions, public charities and religious bodies. Broadly speaking, these bodies are exempt from paying general rates on properties that they own and that they use for charitable purposes. However, the Local Government Act is currently silent on how such a property should be treated if part of the property is commercially let to a non-exempt body.

At the moment, the Act does not allow a council to partially rate the non-exempt part of a parcel of land. As a result, the Government is aware of situations where charitable bodies are being charged rates on a whole parcel of land because part of the land is commercially let. I am advised that the council of the City of Sydney has, for example, adopted a policy of applying a substantial use test, whereby if the land is substantially used only for the purpose of the benevolent institution or charity, the whole parcel is deemed to be exempt. If it is not substantially used by the charitable body, the entire property is assessed as being liable for rates.

I am also aware that some councils are utilising section 28A of the Valuation of Land Act to obtain separate valuations in those instances and applying partial ratings. Unfortunately, however, the Local Government Act does not currently allow that to occur. Therefore, the bill provides for the granting of a partial rate exemption where part of a parcel of land is commercially let to a body that is not exempt from rates. It is important to note that any activities undertaken by a charitable body on the land will be deemed to be part of the charitable body's activities and would be exempt. This includes activities undertaken by the body, such as opportunity shops and cafes.

The bill will ensure a consistent approach between councils and ensure that land owned by a religious body, benevolent institution or charity is afforded a rate exemption to the full extent envisaged under the Local Government Act. It will also ensure that those councils that are currently applying a partial rate exemption are complying with the legislation. There will be no net impact on the level of a council's rating income as a result of this bill, although there may be a minor redistribution in the rating burden within a local government area. There should be no negative implications for benevolent institutions, charities or religious bodies as, in most cases, the terms of the lease agreement will allow the religious body, benevolent institution or charity to pass on the rates liability to the lessee. However, where the terms of an existing lease agreement between a charitable body and a commercial tenant do not provide for the lessee to pay the rates, the amendment provides transitional arrangements to ensure no benevolent institution, charity or religious body will be worse off under these changes.

In such cases, the entire parcel of land will remain exempt from rates until the land ceases to be the subject of that lease. The bill provides for the determination of the rateable and non-rateable components of both land and buildings. In those cases where part of a single parcel of land is subject to a commercial lease, for example where a parcel of land has on it a church and a commercially leased car park, a council may request from the Valuer General separate valuations for each part under section 28A of the Valuation of Land Act, and to then apply rates to the car park component. In addition, where a parcel of land consists of one building that is partially subject to a commercial lease, the bill provides for the valuation of that building on a stratum basis, thus allowing rates to be charged on those components of the building that are commercially let.

This issue of partial exemptions was initially brought to the Government's attention by the Catholic Archdiocese of Sydney and the council of the City of Sydney. Both the archdiocese and council have requested that the Local Government Act be amended in line with that proposed in this bill. The Local Government and Shires Associations are also in support of these amendments. I commend the bill to the House.