Residential Rates Postponement for Senior Citizens

Eligibility and how to apply

Far North District Council
Te Kaunihera o Tai Tokerau ki te Raki

HE ARA TĀMATA
CREATING GREAT PLACES
Supporting our people

Far North District's Residential Rates Postponement scheme — a scheme specially designed to give choices to older ratepayers

You've reached the age of 65, you no longer enjoy regular income and you are looking for ways to better manage your regular outgoings. The Far North District Council's "Rates postponement Scheme" may be one answer to assist you.

This scheme has been developed to give homeowners and ratepayers aged 65 and older a choice about how to manage their on-going rate accounts.

This scheme gives you the choice to carry on paying your rates as you do now, paying some of them, or leaving them for your estate to take care of.

This choice may particularly appeal to those on limited incomes.

THE BACKGROUND

Councils have the ability to allow ratepayers to defer or postpone their rates for an agreed period of time. For many years the Far North District Council has offered this facility to elderly ratepayers in the district.

Under the scheme, ratepayers have the option to postpone payment of all, or a portion of their rates, for an indefinite period of time.

In short, the scheme means that you are deferring the need to pay the rates by borrowing the equivalent amount from Council each year.

COSTS

Like any other equity release type of scheme there are costs to the property owner because Council has to borrow the monies to make up the rates that have been postponed.

This cost is referred to as a "postponement fee". The legislation says that this fee can be no more than the cost of financing the funding and the cost of administering the arrangement.

Council's policy is that all cost associated with the postponements of rates are to be fully funded by the ratepayers who benefit from the scheme.

HOW DO I QUALIFY?

1. The property concerned must be your residence, it cannot be used for an investment property.

2. To qualify for lifetime postponement you or your partner must be at least 65 years old at the time that you make the application.

As explained in this booklet there are several steps that you need to complete in order to qualify, these are explained below.

WHAT IF I STILL HAVE A MORTGAGE?

If you have a mortgage, you can still apply for the scheme but you will need to have written agreement from the financial institution which funds your mortgage. Council will send you a letter and the appropriate form if we identify that this is required.

THE APPLICATION PROCESS

As a first step, you need to fill out the enclosed application form enclosed and forward it to Council with a copy of your ID confirming your birth date, and confirmation of house insurance. We will then carry out an initial assessment to ensure that your application and property meets some basic requirements.

On application we check that there is little risk of a funding shortfall when the postponed rates and accrued charges ultimately become payable.

Once the application has been checked, and providing we do not require any further information, a letter will be sent to explain the next stage of the process in regards to the requirement for you to obtain legal counsel.

Once we receive back the signed acceptance and legal documentation then Council will be in a position to make a decision on your application.

DECISION FACILITATION

One of the conditions of joining the scheme is that you must seek legal counsel. Its purpose is to help you make an informed and appropriate decision in your own best interests and it is also designed to protect Council from any suggestion of undue influence.

WHEN WILL MY RATES BE PAYABLE?

You can pay your postponed rates - the full amount or a portion of them - any time you like, without penalty otherwise, the Council will require them to be paid:

- After you have died or, in the case of couples, after 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 the Far North District, 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 is adamant there will be no subsidy from other ratepayers.

You won't be required to pay any costs up-front as they can be added to the total postponement amount, including the solicitors fees.

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

- One off $300 appn fee to cover the costs of processing
- Any legal costs associated with the Decision Facilitation Process
- Annual administration fee of $50.
- Annual interest (at Council's borrowing rate).

WHAT IF MY HOME IS OWNED BY A FAMILY TRUST, OR I LIVE IN A RETIREMENT VILLAGE — CAN I STILL APPLY?

In both cases, yes but there are special requirements:

Houses in trusts

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 arrangement, you are eligible to apply. In such a case 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.

Retirement Villages

The issue with retirement villages is that the retirement village owner is technically the legal ratepayer. However, as an occupier, you will indirectly pay rates through a licence fee passed on from the village owner. Council will only be able to grant a postponement of rates if:

- The amount of the rates for the unit/dwelling that you live in is clearly identified for rating purposes, ie is separately rated.
- The full benefit of the postponement is passed on to you as a resident.

If these two conditions are able to be fulfilled, you will be able to apply for rates postponement with the agreement of the retirement village owner. In those circumstances, Council will send a conditional Letter of Offer to both you and the village owner. This will need to be signed by both parties and returned to the Council.

Holiday homes

Holiday homes do not qualify for rates postponement.

OTHER FREQUENTLY ASKED QUESTIONS

Q. Both my partner and I are under 65 years of age, can I still postpone my rates?

A. No, this does not meet Council policy.

Q. What happens about the rates I pay to the Northland Regional Council? Can they also be postponed?

A. Yes, the Northland Regional Council has also adopted the residential rates postponement scheme

Q. What are the benefits for me?

A. 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. For a lot of people, not having to pay rates can considerably ease the financial pressure.

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

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

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

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

Q. What about insurance?

A. 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 currently have insurance, you will be required to insure your property before any postponements will be granted. Insurance is to protect you 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.

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

A. 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. Council policy requires that if you are not eligible for the maximum rate rebate amount, under the Central Government Rates Rebate Scheme, that you will be required to pay this amount each year.

Q. Does the Council get an ownership right in my house?

A. No, you retain full ownership, Council simply has first claim on your estate (or proceeds from the sale of your property), for the amount that has accumulated.

Q. Do I need to consult a lawyer about this?

A. You will be required to consult with legal counsel and the costs of this process can be added to your total postponement if you proceed with the scheme.

Q. Can the scheme be reviewed or suspended?

A. The Council's scheme is in place indefinitely, although it can be reviewed at any time subject to the requirements of the legislation. 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 rateable value of the property.

Q. Can I also receive a rate rebate?

A. Yes, any rebate is deducted from the rates and the balance is postponed.