



Differential Rating

Fact Sheet

The following Fact Sheet provides Victorian farmers with detailed information about Local Government Differential Rating.

What is Differential Rating?	<ul style="list-style-type: none">• The Local Government Act, which governs the activities of local councils, provides councils with the ability to apply different levels of rating based on land type or class. This is called Differential Rating.
How will this affect the rates I currently pay?	<ul style="list-style-type: none">• The differential rate may increase or decrease the total rates incurred by a ratepayer in comparison to the 'general rate' in the dollar paid by ratepayers in the municipality.
By how much will my rates change?	<ul style="list-style-type: none">• The highest differential rate in a council district cannot be more than four times the lowest differential rate in the same district.• When declaring a differential, a council must specify the objectives of the differential rate and provide reasons for use of the differential, including:<ul style="list-style-type: none">○ Identify the types or classes of land subject to the rate differential (including geography, planning scheme zoning and building situated on it etc.)○ Outline land characteristics required for receiving the differential rating○ Ensure that the above information is freely available to the public
What are the benefits of differential rating?	<ul style="list-style-type: none">• Differential rating authorises councils to alleviate the entrenched bias of the property valuation rating system.• Differential rating provides councils with the ability to deliver greater equity between ratepayers.• Differential rating permits councils to influence through rating, the development, or non-development, of certain land use practices within their municipality.• Differential rating allows councils to strike a balance between capacity to pay, user benefit and service provision.
What are the disadvantages of differential rating?	<ul style="list-style-type: none">• An increase in differentials does not always translate into a real rate reduction. In fact, in times of rapidly rising property prices, increases in differentials are used to conceal real rate rises.• Too often, differential rates for farm land are seen as a concession or discount to the farm sector rather than a reflection of a more equitable distribution of the rate burden.• The implicit assumption of Victoria's rating system is that a uniform rate is inherently equitable. It is not, but the perception means the use of differentials is perceived by many to be a form of 'positive discrimination'.
Why do farmers support the use of differential rating?	<ul style="list-style-type: none">• A uniform rate across all ratepayers unfairly penalises asset rich individuals with no regard for capacity to pay, service delivery or debt status – Differentials can deliver greater equity to this situation.• Council services are not provided to all ratepayers, even more so for residents living outside the main population centre. Differentials can assist in matching service funding with service use.