

## QUESTIONS & ANSWERS

### **Why are these changes necessary?**

- The current approach to rating of Māori freehold land has resulted in barriers for whānau wishing to use and develop their whenua. Amending the rating regime will encourage more Māori landowners to engage with, use and develop their land. In doing so, landowners can achieve economic returns, delivering economic, social and cultural benefit for Māori and the districts in which they live.

### **Why is Māori land being singled out for these changes?**

- Māori freehold land has unique characteristics, such as protection from sale and multiple ownership. This can make it difficult to use and develop and difficult to collect rates from.
- The current rating legislation discourages whānau from engaging with their whenua as well as using and developing it. The difficulties around the rating of Māori land are longstanding and are consistently raised by whānau as barriers to the development of their whenua.

### **Why are owners of Māori land getting different treatment over the payment of rates?**

- The retention of Māori freehold land is the primary objective of the law governing Māori freehold land, this means there are strong restrictions on the sale of Māori land. It also means that local authorities cannot sell Māori freehold land to recover rates debt.
- The accumulation of rates arrears discourages owners from developing their land. Removing unrecoverable rates arrears will enable owners of Māori land to talk to local authorities about possible development of their land without the fear they will first be asked to pay rates arrears. This will break a deadlock where lack of development prevents rates being paid, and the presence of rates arrears prevents development.
- In some cases, the proposed changes are about putting Māori on an equal footing. For example, low income owners of homes on Māori land are currently disadvantaged compared to other homeowners in accessing rates rebates. The changes will make those homeowners eligible for rates rebates, just as other homeowners and retirement village residents are.

### **How will these changes benefit local authorities?**

- These changes will lead to increased development of Māori land. This will provide jobs and strengthen communities, especially in rural and provincial areas.
- Collecting rates is much easier where land is used and occupied.

- Making unused land non-rateable and enabling the write-off of uncollectable rates will reduce administrative costs and provide some cash flow benefits to local authorities related to the GST on those rates.

### **What's wrong with the current rating system for Māori land?**

- The current system has led to significant problems for both owners of Māori land and local authorities, resulting in difficulties collecting rates and barriers to development of Māori land.
- The current system is outdated and does not reflect the wider changes that have taken place since the system was first developed. It is timely to modernise the rating law for Māori land.

### **How much debt is owing on Māori freehold land?**

- It is impossible to say exactly how much is owing on Māori freehold land because not every local authority in the country collects data on rates arrears for Māori land. Conservatively, it is estimated that there are tens of millions of dollars in rates arrears on Māori land, most of that is on unused Māori land. The majority of the arrears are penalties for non-payment, rather than the original rates bill.

### **How will councils be able to meet the shortfall in lost rates?**

- Most of the land being made non-rateable is not currently paying rates, so lost income will not be significant in the short term. In the long run, enabling development on Māori land will improve rates collection for local authorities.

### **How will these changes benefit regional development?**

- Most Māori land is in provincial and rural New Zealand. Developing that land will therefore support the development of those regions, especially in Te Tai Tokerau, Te Tairāwhiti and the central North Island.

### **Why should unused general land be rateable if unused Māori land is non-rateable?**

- Unused general land can be sold to another person if the current owner lacks the capital to develop it. Unused general land can also be more easily mortgaged to raise development capital. There are strong restrictions for the sale of Māori land, with the system designed to keep it in Māori ownership. These restrictions make it difficult to mortgage the land to raise development capital. Making unused Māori land non-rateable will break the deadlock where lack of development prevents rates being paid, and the presence of rates arrears prevents development.

### **What are the benefits of treating Māori blocks as one rating unit?**

- A significant part of the rates bill for any land block is often uniform charges. These are fixed charges per rating unit that are not related to the value of the rating unit. There is development potential if small Māori land blocks are managed together and used for a single purpose. By treating these blocks as one, uniform charges will be reduced, making it more economic for small blocks to be developed as a group of properties making up one business.

### **Why is Māori Affairs Amendment Act 1967 land being given protection from abandoned land sales?**

- This land was converted to general land in the 1960s without the landowners knowledge or consent. Had this land not been converted to general land, it would have retained its status of Māori freehold land and therefore maintained its protection from abandoned land and rating sales. The retention of Māori land in Māori ownership is of fundamental importance, and this is reflected in Te Ture Whenua Māori Act 1993.

### **If Ngā Whenua Rāhui kawenata are non-rateable why aren't QE11 trust covenants non-rateable?**

- QE11 trust covenants are outside the scope of this project. Ngā Whenua Rāhui kawenata occupy about 13 percent of Māori land, so in the context of Māori land the issue is significant and needs to be addressed.

### **What major changes will be mandatory for local authorities?**

- All wholly unused Māori land, and Ngā Whenua Rāhui kawenata land set aside for conservation purposes, will be non-rateable. This means all unpaid rates arrears on wholly unused land and Ngā Whenua Rāhui kawenata will be removed.
- The arbitrary two-hectare limit on the rates exemption for urupā, meeting houses and marae will be removed. These places of high cultural and spiritual importance will be non-rateable as are churches and cemeteries.

### **What changes will local authorities be able to exercise some judgment on?**

- While the changes will increase the powers for local authorities to write-off unrecoverable arrears, it will be up to the local authority to determine when a rates debt is unrecoverable.
- While there will be a statutory rates remission process for Māori land under development, it will be up to each local authority to decide when to grant this.

### **What changes will Māori landowners have to initiate?**

- Māori landowners will have the option of having multiple blocks of Māori land that comes from the same parent block treated as one for the purpose of calculating rates liability. This option would reduce the number of uniform charges and the overall rating liability.
- Māori landowners will have the option of enabling individual homeowners on multiplied-owned land to be rated as one unit. This would give each homeowner access to the rates rebate scheme if they are a low-income earner or retired; it would also make it easier for individual homeowners to pay their rates and for local authorities to collect them.