QUESTIONS & ANSWERS
General – proposed changes to rates on Māori land

When referring to Māori land or whenua Māori in this document, we mean Māori freehold land. There is around 1.4 million hectares of Māori freehold land in Aotearoa which is governed by Te Ture Whenua Maori Act 1993.

Why are these changes necessary?

The difficulties around the rating of Māori land are longstanding and are consistently raised by whānau as barriers to the use and development of their whenua.

Amending the rating regime will encourage more Māori landowners to engage with, use and develop their land. In doing so, this will provide better economic, social and cultural outcomes for Māori landowners, their whānau and local communities.

The current system is outdated and does not reflect the wider changes that have taken place since the system was first developed.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.

Why is Māori freehold land being singled out for these changes?

Māori freehold land has unique characteristics, such as protection from sale and multiple ownership (on average there are more than 100 owners per block of Māori land).

These characteristics, along with other factors, can make it difficult to use and develop and difficult to collect rates from. It is estimated that more than a third of Māori land blocks are unused and unoccupied.

The accumulation of rates arrears, particularly on unused land, discourages owners from engaging with and developing their land.

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 owners of Māori land?

Amending the rating regime will reduce the rates burden on owners of Māori land, particularly those who own unused land or have inherited rates arrears from deceased owners.

Making unused land non-rateable and removing unrecoverable rates arrears will enable owners of Māori land to talk to local authorities about potential uses and 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.

The package of changes will provide better economic, social and cultural outcomes for owners of Māori land, their whānau and local communities.

How will these changes benefit local authorities?

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

Collecting rates is much easier where land is used and occupied.

These changes will lead to increased development of Māori land. This will provide jobs and strengthen communities.

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 (Northland), Te Tairāwhiti (East Coast) and the central North Island.

QUESTIONS & ANSWERS
Proposed rates Bill & having your say

What are the key proposed changes?

The Local Government (Rating of Whenua Māori) Amendment Bill seeks to support the use and development of Māori land and modernise the law relating to the rating of Māori land. The Bill proposes that:

- local authorities will have the power to write-off rates arrears when they consider them uncollectable
- most unused Māori land, including conservation land protected by Ngā Whenua Rāhui kawenata, will be non-rateable
- there will be a statutory rates remission process for Māori land under development
- owners can apply to have multiple blocks of Māori land that come from the same parent block to be treated as one for rating purposes
- homeowners on Māori land will be able to choose to be rated individually, which will ensure low income homeowners are eligible for rates rebates.

Other changes to modernise the rating legislation include:

- protecting Māori land converted to general land by the Māori Affairs Amendment Act 1967 from “abandoned land sales”
- removing two-hectare restrictions on the non-rateability for marae and urupā
- extending the non-rateability for marae to all marae, not just those on a Māori reservation
- clarifying the obligations of trustees to declare income received from land if requested
- clarifying that homes on Māori reservations are liable for rates
- referencing the principles in Te Ture Whenua Maori 1993 in local government rating legislation.

How can I make a submission on the Local Government (Rating of Whenua Māori) Amendment Bill?

Once the Bill has its First Reading in Parliament, the Māori Affairs Committee will call for public submissions. You can keep up-to-date with the progress of the Bill at www.parliament.nz/en/pb/bills-and-laws

When will the changes to the rating of Māori land take effect?

If the Bill progresses through Parliament in 2020, some of the changes come into force immediately and others will come into force on 1 July 2021.

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 or desire to develop it. Unused general land can also be more easily mortgaged to raise development capital.

In contrast, 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 enabling these blocks to be treated 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 as 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 Maori Act 1993.

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

QEII 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 freehold 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 Māori freehold 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 come 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 land in multiple ownership 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.

Māori landowners will be able to apply for a rates remission for land under development, and local authorities will be required to consider their application against statutory criteria.

How will the Government ensure the proposals that provide discretion to local authorities are effective for Māori landowners?

The proposals that provide discretion to local authorities recognise that decision-making at a local level is important in certain circumstances to allow local solutions to be applied to local problems. For example, a local authority may deem that rates can and should be collected in certain situations, and it is in the community interest to collect those rates.

However local authorities will be encouraged to use of these types of powers where appropriate, including outlining the potential long- term benefit to the community of using these powers.

Where can I find out more details on the Bill?

To view the Bill, go to www.legislation.govt.nz

You can access a user-friendly Legislative Guide, Regulatory Impact Statement and relevant Cabinet paper online at www.tpk.govt.nz

If you wish to make a public submission, keep an eye out on the Bill's progress through Parliament and make sure you have your say.

To view the progress of the Bill, go to https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_94968/local-government-rating-of-whenua-m%C4%81ori-amendment-bill

QUESTIONS & ANSWERS
Current rating regime

What is the current approach to rating Māori freehold land?

The Local Government Act 2002 and the Local Government (Rating) Act 2002 currently provides for the rating of Māori freehold land. This includes:

- *Liability*: Māori freehold land is liable for rates as if it were general title land
- *Exemptions*: certain Māori freehold land is currently non-rateable[1]
- *Remission and postponement*: local authorities develop policies for the remission and postponement of rates on Māori land – and these vary across the country
- *Rates write-off*: Local authorities can write off outstanding rates when they become 'statute barred' six years after they were charged
- *Enforcement*: Māori land cannot be sold to recover outstanding arrears – although charging orders can be obtained through the Māori Land Court.

How much rating 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. Most arrears are penalties for non-payment, rather than the original rates bill.

Will there be a shortfall from lost rates if the Bill is enacted?

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.

What is the difference between writing off rates and rates remissions?

Local authorities can currently develop policies for the remission of rates on Māori freehold land. These can be for a range of reasons including that the land is unoccupied or unused.

Landowners typically need to apply, with supporting information, to receive a rates remission. This normally applies to rates for the current or upcoming financial year. Local authorities are required to record remitted rates as having been paid by themselves.

[1] Schedule 1 of the Local Government (Rating) Act 2002.

A rate that is written off is recorded as having not been paid. Administratively it is easier to record a written off rate than a remitted rate. The write-off of outstanding rates is typically for rates that were charged in previous financial years and have not been paid.

The proposed change would allow the Chief Executive of each local authority to write off rates arrears they deem uncollectable at any time, instead of needing to wait for the arrears to become ‘statute barred’ six years later.