

Frequently Asked Questions

The Fire Services Property Levy (FSPL)

If you look at your current home and contents insurance notice, you may see a charge for a fire services levy. Under the current system, insurers add this charge on insurance premiums to recover the cost of their contributions to the fire services – the Country Fire Authority (CFA) and Metropolitan Fire Brigade (MFB).

You will also notice that GST and stamp duty are added to the current fire services levy, creating a 'tax on a tax on a tax'.

The Victorian Bushfires Royal Commission found the existing insurance-based levy was highly flawed, unfair and needed reform. One of the major problems was that those property owners who choose not to insure, under insure or self-insure make no (or inadequate) contribution to our fire services.

The Victorian Bushfires Royal Commission recommended replacing the current insurance-based funding model with a property-based levy. This will ensure that all Victorian property owners contribute a fair share to our fire services, not just those who adequately insure.

The Government has adopted this recommendation.

From 1 July 2013, the Fire Services Levy will be removed from insurance premiums and instead be collected with council rates.

This means that any insurance policy taken out or renewed after 1 July 2013 will not include a fire services levy.

If you believe your insurance company is charging you a fire services levy for policies starting or renewed after this date, you should contact the Fire Services Levy Monitor:

www.firelevymonitor.vic.gov.au or call 1300 300 635.

How are our fire services currently funded?

The MFB and CFA are largely funded by statutory contributions from the insurance industry, metropolitan councils and the State Government. Insurance companies are required to contribute 75.0 per cent of MFB budget and 77.5 per cent of CFA budget. Insurers recover the cost of their contributions through levies collected on home and contents insurance policies, which attract stamp duty and GST.

The State Government currently contributes 12.5 per cent of the MFB budget and 22.5 per cent of the CFA budget.

Metropolitan councils currently contribute 12.5 per cent of MFB budget. Metropolitan councils currently recover these costs from ratepayers.

When are we changing to FSPL?

FSPL will commence from 1 July 2013. Property owners will pay their FSPL as part of their council rates notices, which are issued by councils from July 2013.

FSPL will be collected in accordance with the *Fire Services Property Levy Act 2012*, which legislates that all Victorian property owners are liable for a financial contribution (via FSPL to be included on their annual council rates notice charge) to the State's fire services.

How will I know how much I will be paying?

Collection of the levy will be simple and transparent. Property owners will receive notice of their FSPL on their council rates notices, including how the levy has been calculated.

How is the FSPL calculated?

FSPL is made up of two parts:

- a fixed charge; and
- a variable charge based on the property's capital improved value.

For 2013-14, the fixed charge on residential property (including vacant residential land) will be \$100 and the fixed charge for commercial, industrial, primary production, public benefit and vacant property will be \$200.

The fixed charge will be indexed annually in accordance with movements in the consumer price index.

The variable levy rates for 2013-14 are:

CFA Variable rates (cents per \$1 000 of capital improved value)

Property sector	CFA
Residential	11.5
Commercial	109.2
Industrial	170.9
Primary Production	31.2
Public Benefit	11.5
Vacant (excluding vacant residential land)	11.5

MFB Variable rates (cents per \$1 000 of capital improved value)

Property sector	MFB
Residential	6.9
Commercial	60.7
Industrial	95.0
Primary Production	17.3
Public Benefit	6.9
Vacant (excluding vacant residential land)	6.9

The levy is calculated using the following formula:

Levy = fixed charge + (Capital Improved Value x levy rate) – concession (if any)

Why are there different rates for the MFB and CFA areas?

Separate levies will remain in the MFB and CFA areas in recognition of the different costs associated with funding each service.

How do I pay for the FSPL?

Councils will list the FSPL as a separate item on the rates notice for rateable properties. You will be able to pay the FSPL in the same manner as your rates. This means that you will be able to pay the FSPL in four instalments.

Are there any concessions?

There will be a new \$50 concession for holders of pensioner concession cards and Department of Veterans' Affairs gold cards (TPI) – Totally and Permanently Incapacitated and War Widows on their principal place of residence. Only one concession will apply per property. This will be administered in the same way as the rates concession.

Property owners who currently receive a council rates concession in respect of their principal place of residence will automatically receive the FSPL concession.

For further information on Victorian concessions call the Concessions Information Line on 1800 658 521.

Will there be stamp duty or GST on FSPL?

Stamp duty and GST will no longer be charged on the levy, and the Government will forgo this 'tax-on-tax' component.

What contribution will the State Government and metropolitan councils make to the fire services under FSPL?

The State Government will continue to fund 12.5 per cent of the MFB budget and 22.5 per cent of the CFA budget.

However, the metropolitan council contribution will be abolished and local councils will now be treated like any other property owner (with some special treatment for recreational land).

What is the capital improved value (CIV)?

CIV is the value of your land with improvements as determined by your council. A revaluation of land is completed by each of Victoria's 79 municipalities every two years in accordance with guidelines specified by the Valuer-General of Victoria.

Where do I find my property's CIV?

Your CIV is located on your council rates notice.

What if I disagree with my CIV?

If you disagree with the value of your property as listed on your rates notice, please contact your council for more information.

What is an AVPCC?

An AVPCC is an Australian Valuation Property Classification Code. An AVPCC is allocated to each property by the council's valuer according to the use of the land – e.g. house, shop, cattle grazing.

The AVPCC is used to determine the land use classification.

Will I pay more under the new scheme?

The financial impact on any individual property owner will depend on a number of variables, including the value of your property, the land use classification of your property, your eligibility for a concession, and what you are paying under the current insurance-based funding model.

From 1 July, the average household's contribution in a CFA area for fire services is expected to reduce from an estimated average of \$262 in 2011-12 (the last full year of the insurance-based levy), to \$142 in 2013-14.

Contributions from households in a MFB area will reduce from an estimated average of \$193 in 2011-12 to \$143 in 2013-14.

If I start or renew an insurance policy before 30 June 2013, do I have to pay a levy?

If you are purchasing or renewing an insurance policy on or before 30 June 2013, your insurer is likely to charge a fire services levy as part of your total premium.

The amount of the insurance-based fire services levy is determined by your insurer and may vary from one insurer to the next. Some insurers may choose not to pass on any of the costs of their contribution to Victoria's fire services to policyholders.

What protection will there be for households and small businesses during the transition?

The Victorian Government has appointed Professor Allan Fels as the Fire Services Levy Monitor to ensure consumers are protected during the transition to the new property-based levy.

The Office of the Monitor provides advice to consumers, receives and investigates complaints regarding the insurance-based levy and monitors the insurance industry to make certain that insurers genuinely pass on savings to policyholders. The Fire Services Levy Monitor has substantial powers to protect consumers as Victoria transitions to the new fire services funding arrangements.

For more information about the Monitor or to lodge a complaint, please visit www.firelevymonitor.vic.gov.au or call 1300 300 635.

If I sell my property, do I get a refund for the portion of the year that I no longer own the property?

No, similar to council rates there may be adjustments made at the time of settlement. This is a matter between the vendors and the purchasers.

Do businesses pay the levy?

Under the insurance-based system, businesses that hold a fire insurance policy are charged a fire services levy as part of their insurance premium.

From 1 July 2013, all property owners, including businesses and households, will contribute to the levy when they pay their council rates.

I am a farmer with multiple land parcels: do I pay on each one?

Primary production properties consisting of multiple land parcels but valued as a single property for rates purposes will be treated as a single property for the purposes of the FSPL. This means they will only pay the fixed component of the levy once.

A person may also apply for an exemption from paying more than one fixed charge for a farm property that is a single farm enterprise (SFE).

Please contact your council for the SFE exemption application form.

For more information about the SFE exemption, please call the State Revenue Office on 13 21 61.

Why is the levy charged on vacant land?

Land can present a fire risk even where there are no buildings or structures on that land. It is therefore fair that owners of vacant land make a contribution to the fire services for the risk posed by that land.

Is non-rateable land leviable?

Yes, most non-rateable land will be leviable.

What happens if I cannot pay FSPL?

Councils will be able to waive or defer the whole or part of FSPL on the grounds of financial hardship, as they do with rates. However, a council can waive or defer FSPL payment only if it also waives or defers payment of rates for that specific property. If a property owner does not pay their FSPL, councils are expected to take steps to recover outstanding amounts, which may include charging interest or initiating court action.

Is there an FSPL on vehicles?

The FSPL will not apply to personal property (contents) or motor vehicles.

Why are my residential investment flats classified as commercial?

Most residential flats, whether owner occupied or rented out to tenants, will attract the residential fixed charge and residential levy rate.

Properties classified as residential investment flats for valuation purposes are a special class of investment flat and are different to most flats, units or houses that are leased out by the owner as an investment property. Residential investment flats are defined as 'several flats not separately titled, all let with one entity that runs the complex as an investment business'.

As these properties are let by a single operator that runs the complex as a business, they have been classified as commercial for FSPL purposes.

The FSPL applies equally to all owners in similar circumstances across each of Victoria's 79 councils. Therefore, there will be some differences between council classifications for rates purposes, and land use classifications for FSPL purposes.

If you think your property has been incorrectly described as a residential investment flat (with an AVPCC of 131), please contact your local council.

What happens if a supplementary valuation is undertaken?

When a supplementary valuation is undertaken the council will issue a supplementary rates notice with the adjusted levy amount due as a result of a change in the CIV or AVPCC. Any payments already made at the time of the supplementary valuation will be credited against the payment of the new levy amounts.

Will my council rates increase as a result of the FSPL?

Under the insurance-based levy, councils within the metropolitan area serviced by the MFB are required to contribute 12.5 per cent of the MFB's approved annual budget. From 1 July 2013, this statutory contribution will cease.

While councils will be required to pay the FSPL on properties that they own, they will no longer fund the fire services through the levy that currently applies on their property and contents insurance. The abolition of both the existing insurance-based levy and the direct statutory contribution of 12.5 per cent to the MFB by councils serviced by this fire service means that there should be no increase in underlying council rates as a result of the transition to the new levy.

What support has been provided to councils to implement and administer FSPL?

The Victorian Government is actively supporting councils in the transition to FSPL. The Government has provided funding to upgrade council IT systems, and to the Valuer-General to identify and value non-rateable property subject to FSPL.

Following recent consultation with the Municipal Association of Victoria, the Treasurer has determined the financial support that will be provided to councils for 2012-13 and 2013-14 for the performance of functions under the Act.

The Treasurer has recently written to the Mayors of all councils advising them of the amounts they will receive.