

# Valuer General's Policy

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## Treatment of GST in land value

### What

This policy guides valuers on the treatment of the Goods and Services Tax (GST) in land values.

### How

Under this policy, land values are inclusive of GST, where it applies. Valuers assess the value of the land only, without including the value of structures or other improvements on that land.

### Why

This policy will ensure that the Valuer General's land valuations are:

- consistent and accurate
- transparent.

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# 1 Policy

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## 1.1 Scope

**Treatment of GST**  
**GST** Land valuations provided on behalf of the Valuer General are based on the analysis of property sales.

Valuers must consider the full market price of properties which includes any GST which formed part of the purchase price.

**Land value**  
**improvement** The land value excludes any structures or improvements, but includes land improvements.

**land improvement** See section 6A of the *Valuation of Land Act 1916* (Valuation of Land Act).

## 1.2 Assumptions and considerations

**Valuation**  
**assumptions** The treatment of GST is not dealt with specifically in the Valuation of Land Act.

**highest and best use**  
**sale** In line with section 6A of the Valuation of Land Act, you must value the land at its highest and best use, assuming that the valuation reflects a sale of the property at 1 July of the valuing year.

Where GST is paid in a property transaction, you must treat GST as part of the market price. This is consistent with a number of court decisions.

When you analyse sales of property any GST paid by the purchaser is to be included as part of the sale price.

**Hypothetical**  
**development**  
**method– treatment**  
**of GST** When you use the hypothetical development model to value land you must allow for GST as a cost where it applies to development costs.

## 2 References

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### 2.1 Definitions

**GST** The GST is a broad-based tax of ten per cent on most goods, services and other items sold or consumed in Australia.

The GST is a federal government tax levied in accordance with the *A New Tax System (Goods and Services Tax) Act 1999* and the *Tax Laws Amendment (2009 GST Administration Measures) Act 2010*.

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**highest and best use** Valuation concept that refers to the possible use of a property that would give the highest market value. The use must be lawful, physically possible and financially feasible.

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**improvement** Something that improves the value of the land. This is not defined in the Valuation of Land Act, and is different from the term 'land improvement' (below).

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**land improvement** Land improvement, such as draining, excavating, filling or clearing, as defined in section 4 of the Valuation of Land Act and included in the land value.

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**sale** The transfer of property between parties. To use a sale as market evidence, it must have been:

- an arm's length transaction
- between a willing buyer and willing seller who both acted knowledgeably, prudently and without compulsion
- properly marketed.

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### 2.2 Laws and policies

**Governing NSW law** *Valuation of Land Act 1916* (Valuation of Land Act)  
Section 6A

**Related Valuer General policy** [Valuation of englobo land](#)

## 2.3 Relevant court cases

### **Court cases**

*CSR Ltd v Hornsby Shire Council (2004) 57 ATR 201*

*Pebruk Nominees Pty Ltd v Woolworths (Victoria) Pty Ltd (2003) 54 ATR 156*

*Tomago Aluminium Company Pty Ltd v Valuer General*

*Storage Equities Pty Limited v Valuer General [2013] NSWLEC 137*

## 3 Context

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### 3.1 Role of the Valuer General

#### **The Valuer General for NSW**

In NSW, the *Valuation of Land Act 1916* establishes the Valuer General as the independent statutory authority responsible for ensuring the integrity of land valuations in NSW.

Valuation Services, Property NSW manages the valuation system on behalf of the Valuer General, outsourcing the majority of valuation services to private valuation firms.

The Valuer General is committed to an open and transparent valuation process that is easy for landholders to understand.

### 3.2 Background

#### **GST implications**

There are GST implications for property-related transactions in certain circumstances. For more information on how and when GST applies to a property transaction refer to the property section of the Australian Tax Office's website.

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## Document control

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### Approval

Name and position	Signature and date
Simon Gilkes, Valuer General	 05/05/2017

### Version

Number	Status	Date	Prepared by	Comments
0.2	Final	05/05/2017	OVG	Administrative update
0.1	Final	02/08/2016	OVG	Stakeholder consultation and review undertaken. No changes required
0.1	Final	20/11/2014	OVG	First release

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Date	Comments
May 2018	May be reviewed sooner following release or as needed