

Valuer General's Policy

ISSN 2203-9600

June 2019

Concessions for single residential or rural land zoned for higher use

- What** This policy provides guidance on the assessment of concessions for land used as a single residence, or rural land, in a zone permitting a higher use.
- How** Under this policy, valuers must make a part determination of the attributable part or unutilised value allowance if landholders are eligible for a rating and taxing concession under section 585 of the *Local Government Act 1993* or section 62K of the *Land Tax Management Act 1956*.
- Why** This policy will ensure that part determinations of land values are:
- consistent and accurate
 - transparent
 - in line with the *Local Government Act 1993* or the *Land Tax Management Act 1956*.

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1 Policy

1.1 Scope

Rating and taxing concessions

attributable parts

unutilised value allowances

Landholders may apply to their local council or Revenue NSW for a rating and taxing concession in specific circumstances where their land is valued at a higher use than they are currently using it for.

Landholders who qualify receive relief from payment of part of their rates or taxes.

Under this policy, valuers must make a determination of attributable parts and unutilised value allowances if the land is eligible for a concession.

1.2 Rating and taxing authorities

It is the responsibility of each rating and taxing authority to ensure that applications made by landholders for a rating and taxing concession comply with section 585 of the *Local Government Act 1993* (the Local Government Act) or section 62K of the *Land Tax Management Act 1956* (Land Tax Management Act).

Requests made to the Valuer General by Local Councils or Revenue NSW are to be determined annually until a change in the circumstances prevents eligibility e.g. the land is developed.

1.3 Eligibility for concessions

environmental planning instrument

The criteria for eligibility closely align in both the Land Tax Management Act and the Local Government Act.

To be eligible for a concession, a parcel of land must meet one of the following criteria.

- a** A parcel of land on which there is a single dwelling house used or occupied as such, and which is zoned or otherwise designated for use under an environmental planning instrument (EPI) for the purposes of industry, commerce, or the erection of residential flat buildings.

b	A parcel of land (which may comprise one or more lots or portions in a current plan) on which there is <u>a single dwelling house</u> used or occupied as such, and which is zoned or otherwise designated under an EPI so as to permit its subdivision for residential purposes.
c	A parcel of <u>rural land</u> (which may comprise one or more lots or portions in a current plan) which is zoned or otherwise designated under an EPI so as to permit its use otherwise than as rural land, or its subdivision into two or more lots or portions, one or more of which has an area of less than 40 hectares.

1.4 Assumptions and considerations

highest and best use

If a council or Revenue NSW are satisfied that land is eligible for a concession it refers the application to the Valuer General.

Following receipt of the application you must:

- determine the land value of the subject property under section 6A of the *Valuation of Land Act 1916* (assuming the highest and best use of the land)
- determine the land value of the subject property as a single residential dwelling site or single rural parcel
- deduct the value of the land as if it could only be used as a single residential dwelling site or single rural parcel from the land value made under section 6A.

The difference between the two figures is the attributable part for an application from a council or, in the case of an application from Revenue NSW, the unutilised value allowance.

When assessing the value of the land as if it could only be used as a single residential site you must exclude any part of the parcel considered to be in excess of the reasonable needs for the single dwelling on the land.

Refer to the examples below.

Example 1

An owner qualifies for a rating concession under section 585 of the Local Government Act so the “attributable part” of the land value must be determined.

The lot has an area of 4,000 m² and is in a high density residential zone. The lot has a single dwelling set in landscaped gardens that cover the whole site. It has been valued on its highest and best use as a unit site.

The landscaped gardens are obviously used by the owners in conjunction with the dwelling. In this case the “attributable part” is the difference between the land value of a single residential block of 4,000 m² and its land value as a unit site.

Example 2

An owner qualifies for a rating concession under section 585 of the Local Government Act so the “attributable part” of the land value must be determined.

The lot has an area of 4,000 m² and is in a high density residential zone. The lot has been valued as a unit site. A single dwelling is situated in the corner of the lot. The dwelling occupies 800 m² and has been fenced off from the rest of the site. The rest of the site is overgrown and obviously not used. The “attributable part” is the difference between the land value of the 800 m² single residential site and the land value of the 4,000 m² unit site.

Rural land

rural land

environmental planning instrument

Rural land is generally exempt from land tax if it is used for primary production (see section 10AA of the Land Tax Management Act).

If a landholder of rural land qualifies for a concession under section 62K of the Land Tax Management Act you will need to determine the unutilised value allowance in accordance with the assumptions and considerations detailed above at 1.4.

Where an application has been received under section 585 of the Local Government Act for a parcel of rural land you must decide whether to calculate the attributable part in accordance with section 587(2) or 587(3) of the Local Government Act.

Where an EPI permits the land to be subdivided into one or more lots of less than 40 hectares the attributable part is calculated by assuming the land could only be subdivided into lots having an area of 40 hectares or more (see section 587(3) of the Local Government Act).

Alternatively, where an EPI does not permit the subdivision of the land into lots having an area of 40 hectares or more but does permit the land to be used for another use, other than rural, and that use has a higher value, the attributable part

must be calculated assuming that the land could only be used as rural land (see section 587(2) of the Local Government Act).

1.5 Objection rights

There are no rights of objection against a determination of the attributable part under section 585 of the Local Government Act. However, under section 598 the council must require the Valuer General to re-determine the attributable part should the land value be altered on objection or correction of a clerical error or misdescription.

An objection may be made to an unutilised value allowance under section 62K of the Land Tax Management Act.

2 References

Definitions

attributable part For the purpose of assessing rates, the land value of the land is to be reduced by the attributable part. The reduction is a concession for land that is valued for a higher use, than the current use. The attributable part is postponed only but will be written off after 5 years.

environmental planning instrument A legal document that regulates land use and development under State environmental planning policies and local environmental plans.

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.

rural land Rural land means:

- a parcel of rateable land which is valued as one assessment and exceeds 8,000 square metres in area and which is wholly or mainly used for the time being by the occupier for carrying on one or more of the businesses or industries of grazing, animal feedlots, dairying, pig-farming, poultry farming, viticulture, orcharding, bee-keeping, horticulture, vegetable growing, the growing of crops of any kind or forestry, or
- an area which is wholly or mainly used for aquaculture within the meaning of the *Fisheries Management Act 1994*.

unutilised value allowance For the purpose of assessing land tax, the land value of the land is to be reduced by the unutilised value allowance. The reduction is a concession for land that is valued for a higher use, than the current use.

Laws and policies

Governing NSW law	<i>Valuation of Land Act 1916</i> (Valuation of Land Act) section 6A <i>Local Government Act 1993</i> section 585 and section 587 <i>Land Tax Management Act 1956</i> Section 62K
Related Valuer General policy	None.

3 Context

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 appointment 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 maintaining an open and transparent valuation process that is easy for landholders to understand.

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Title: Concessions for single residential or rural land zoned for higher use

ISSN: 2203-9600

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Document control

Approval

Name and position	Signature and date
Simon Gilkes, Valuer General	 12/07/2017

Version

Number	Status	Date	Prepared/Reviewed by	Comments
2.1	Final	04/06/2019	Rachael Burn	Administrative update
2.0	Final	12/07/2017	Rachael Burn	Amended to clarify the position in relation to applications under sections 587(2) or 587(3) of the <i>Local Government Act 1993</i> in respect of rural land.
0.1	Final	02/08/2016	OVG	Stakeholder consultation and review undertaken. No changes required
0.1	Final	20/11/2014	Michael Parker	First release

Next review

Date	Comments
July 2020	May be reviewed sooner following release or as needed