

**Review of particular concession provisions**

***Land Valuation Act 2010***

**State Valuation Service**

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# Executive Summary

## Introduction:

Section 262 of the *Land Valuation Act 2010* (LVA) requires that, before December 2012, the Minister must review the operation of the particular concession provisions contained in chapter 2, part 2, division 5, subdivisions 2 and 3.

These concessions include – single dwelling house/farming (where any more valuable use is ignored) and the discount for subdivided land (40% of the valuation deducted by the local government prior to calculating rates).

## History:

The **single dwelling house** concession was first introduced to the *Valuation of Land Act 1944* (VOLA) in 1953 and was further amended in 1971 and 2000.

The **farming** concession was first introduced into the VOLA in 1971 and was further amended in 1991 and 2000.

The **discount for subdivided land** was first introduced into the VOLA in 1997 and was further amended in 1998 and 2001.

## Prior Reviews:

Prior reviews included the Hardie, Chalk, Smith, Evans, Hefferan/Boyd and PwC reviews. All the reviews shared a central theme of concern with concessions and their association with valuations.

The earlier reports (Hardie, Chalk) suggested a dispensation from rates associated with a more valuable use and then, when the concessional use ceased, an optional retrospective rate recovery (by the local gov.), based on the more valuable use. The Smith report went further to state that concessions were more appropriately the responsibility of local governments and also mentioned a concern that valuers were making socio/economic decisions.

The more recent reports (Evans, Hefferan/Boyd, PwC) recommended that concessions should be removed from valuation legislation and be the responsibility of revenue collectors.

## Australian Jurisdictions:

<u>Jurisdiction</u>	<u>Single Dwelling?</u>	<u>Farming?</u>	<u>Discount for Subdivided Land?</u>
<i>Queensland</i>	Yes	Yes	Yes
<i>Victoria</i>	No	No	No
<i>Northern Territory</i>	No	No	No
<i>South Australia</i>	Yes (owner apply and must be PPR)	Yes (owner apply with ABN)	No
<i>Western Australia</i>	Yes (request from Comm. State Revenue – inner city only)	No	No
<i>New South Wales</i>	Yes (request by rating/taxing authority – not VG's decision)	Yes (request by rating/taxing authority – not VG's decision)	Yes (only applied by rating authority if they consider applicable; expires after 3 years)
<i>Tasmania</i>	No	Yes (on declaration by rating authority and request to VG)	No (however policy that individual valuations delayed until 1 <sup>st</sup> lot sold – currently under review)

## **Results of concession quantification:**

### Discount for subdivided land (as at 12 June 2012):

- If the concession ceased, the estimated % change in the total valuation for a local government (that had properties affected by the discount) varied between – 0.08% (Murweh) and 1.63% (Ipswich).
- Number of valuations affected for the State = 18532.

### Single Dwelling House (data collated May 2012):

- If the concession ceased, the estimated % change in valuations of those properties receiving the concession varied between – 15% (Brisbane – 22325 properties) and 101% (Mount Isa – 519 properties).
- Number of valuations affected for the State = 159681.

### Farming (data collated May 2012):

- If the concession ceased, the estimated % change in valuations of those properties receiving the concession varied between – 13% (Central Highlands – 538 properties) and 869% (Redland – 114 properties).
- Number of valuations affected for the State = 34376.

## **Consultation:**

The Valuation Reform Reference Group (VRRG) is the stakeholder group for valuation reform (includes the Property Council of Australia, Agforce, Local Government Association of Queensland and Australian Property Institute etc). The VRRG was requested on 3 August 2012 to provide written submissions to inform the concession review process.

Of the eight industry groups that provided responses seven supported the retention of concessions in the LVA. The Local Government Association of Queensland's submission stated that concessions should be removed from the valuation process.

## **Land Tax Revenue Impact Analysis:**

The Office of State Revenue estimated the impact on land tax revenue from the removal of Single Dwelling House and Farming concessions from valuation as an increase of between \$15 and \$20 million each year. This estimate is based on comparing the difference in land tax between the 2012 value and a revised value for the parcel after removal of the concession in a sample of 55,760 parcels over the 12 local government/divisions provided. The results were then extrapolated to the whole of Queensland.

## **Conclusion:**

The concession review has been completed and government does not believe that the potential gain in revenue outweighs the negative impact that concession removal could have on stakeholders. Government has determined that concessions will remain in the LVA.

Government acknowledges the importance of concessions and commits to monitor their application (in consultation with stakeholders) to ensure that they continue to be relevant in their current form and, where required, progress appropriate amendments.

## **Introduction**

Section 262 of the *Land Valuation Act 2010* requires that, before December 2012, the Minister must review the operation of the particular concession provisions contained in chapter 2, part 2, division 5, subdivisions 2 and 3.

These concession provisions (including relevant supporting information) are contained in sections 45 – 51 (attachment 1) and are described as single dwelling house, farming and discount for subdivided land.

This document includes the following:

- **Background** – Some general information about the SVS, Statutory valuation methodologies and an explanation of the current legislation that relates to concessions.
- **History** – Details when concessions were first implemented, the reasons associated with implementation and amendments that have been made.
- **Prior Reviews** – Information on concession related findings/recommendations of previous reviews of statutory valuations.
- **Other Jurisdictions** – Information on similar concessions in the other Australian jurisdictions.
- **Results of concession quantification** – Quantifies valuation information in relation to concessions.
- **Consultation** – Details results of stakeholder consultation.
- **Land Tax Revenue Impact Analysis** – Quantifies the impact of concession removal on land tax.
- **Conclusion** – Decision and associated reasons.

## **Background**

### ***State Valuation Service:***

The State Valuations Service (SVS) provides approximately 1.6 million statutory property valuations annually across 58 local government (LG) areas.

Statutory valuations are the basis for the assessment of:

- general rates by local governments
- land tax by the Office of State Revenue (OSR) and
- State land rental by the Department of Natural Resources and Mines (DNRM).

Valuations are also used to assist with the calculation of the funding allocation distributed to the state by the Commonwealth Grants Commission.

The *Land Valuation Act 2010* (LVA) and its predecessor the *Valuation of Land Act 1944* (the VOL Act), sets out the legislative framework that guides the provision of statutory valuations in Queensland.

The SVS has valuers situated in 17 locations around the state. Valuers utilize the Queensland Valuation and Sales (QVAS) system for the storage of valuation related information and the calculation and creation of values.

QVAS is the computer system that forms the valuation roll as required by the LVA Act. It is the major system that supports the statutory business of the SVS with 640 active users, 2.1 million current property records, 18 million historical records and 3.97 million property sales records.

Once the valuers have completed the calculation and creation of values, QVAS provides the valuations to property owners, LGs, OSR and DNRM.

### ***Valuations:***

There are two methodologies utilised for statutory valuations in Queensland.

Where land is considered to be ‘non-rural’ (based on zoning) it is valued using a site value methodology. Site value is the market value of the land in its present state. It includes the value of any site improvements made to the land (e.g. filling, clearing, leveling and drainage works undertaken to prepare the land for development).

Where land is considered to be ‘rural’ (based on zoning) it is valued using unimproved value methodology. Unimproved value is the amount for which rural land could be expected to sell for without physical improvements such as houses, fences, clearing, leveling and earthworks.

### ***Concessions:***

#### **Single Dwelling House/Farming:**

When valuing land used for a single dwelling house<sup>1</sup> or farming<sup>2</sup> any enhancement in its value caused by any of the following must be disregarded:

- subdivision by survey;
- potential use for industrial, subdivisional or any other purpose.

#### **Discount for subdivided land:**

This applies to a parcel of land where it is part of a subdivision, the subdivider is still the owner of the parcel and the parcel hasn’t been developed.<sup>3</sup>

Where these requirements are met, the local government is required to discount the valuation for the relevant parcel by 40%.<sup>4</sup>

(Note: the Office of State Revenue has its own discount for subdivided land under section 30 of the *Land Tax Act 2010*)

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<sup>1</sup> Section 47 (Attachment 1) defines single dwelling house to include a dwelling used for habitation by a single household, a building consisting of 2 flats or a building consisting of 2 self-contained units (duplex). It includes a dwelling occupied by a single household with a single self-contained flat or where part is used or available for use as a furnished room/s.

<sup>2</sup> Section 48 (Attachment 1) defines farming and states that the land is only used for farming if it is the land’s dominant use and various conditions relating to profit and commercial purpose/character are complied with.

<sup>3</sup> Section 49 (Attachment 1)

<sup>4</sup> Section 50 (Attachment 1)

## **History**

### ***Valuation of Land Act 1944***

The following information details when the subject concessions were first introduced to the *Valuation of Land Act 1944* and any major changes that were made to those concessions since their introduction.

#### **1953 – Introduction of ‘Residential Purposes’ concession<sup>5</sup>:**

A concession in valuation was introduced for land used for ‘residential purposes’ – any enhancement in value because the land has a potential use for industrial or any other purpose is disregarded.

When the Bill was introduced to the House the Minister stated that reflecting the potential for industrial use in land used for residential purposes (particularly in areas where industrial development had occurred in recent years) could cause great hardship. This had been noticed in parts of Brisbane<sup>6</sup>.

The subsequent debate raised concerns that the Valuer-General’s Department should arrive at ‘true’ values and not values based on some artificial formula. A possible solution was to provide a rebate in rates<sup>7</sup>.

#### **1971 – Introduction of ‘Primary Production’ concession and amendment of ‘Residential Purposes’<sup>8</sup>:**

The term ‘residential purposes’ is amended to ‘single dwelling-house’ to exclude multi-unit development such as home units, flats etc from receiving the concession.

The phrase ‘industrial or any other purpose’ is amended to ‘industrial, subdivisional or any other purpose’.

The ‘business of primary production’ is included with ‘single dwelling-house’ to ensure that where land is used for that purpose, any enhancement in value is disregarded.

When the Bill was introduced to the House, the Minister stated that primary production was inserted to ensure that a primary producer caught up in urban development was not valued on the potential until the primary production ceased. This was to provide for the primary producer to carry on for as long as possible. Specific mention was made of forestry plantations that would be uneconomical if valued on their subdivisional potential. It was to the advantage of the State that these projects continued<sup>9</sup>.

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<sup>5</sup> The *Valuation of Land Acts Amendment Act of 1953* (Assented to 18 December, 1953)

<sup>6</sup> Hansard – 3 December 1953, Page 1679

<sup>7</sup> Hansard – 3 December 1953, Page 1682

<sup>8</sup> The *Valuation of Land Act and Another Act Amendment Act 1971* (Assented to 22 December 1971)

<sup>9</sup> Annual Report for the Department of the Valuer General 1971 - 1972

### 1991 – Substituted the term ‘Farming’ in place of ‘Primary Production’<sup>10</sup>

The term ‘Farming’ replaced ‘Primary Production’ with the inclusion of the meaning for ‘Farming’ in lieu of the references to ‘Primary Production’. The definition was clarified by the addition of the qualifiers ‘dominant use’, ‘significant commercial purpose or character’, and ‘profit on a continuous or repetitive basis’.

When the Bill was debated to the House, the Minister stated that the main reason for the amendments was because of a different interpretation of ‘Primary Production’ contained in a particular court case (Crawford –v- Valuer-General). The amendments would bring the definition in line with modern-day procedures<sup>11</sup>.

### 1997 – Introduction of the discount for subdivided land<sup>12</sup>

Allow for a separate valuation for each lot in a plan of subdivision where the land remains vacant, undeveloped and in the subdivider’s ownership. To ensure that the provision of separate valuations did not create a burden for subdividers, each valuation would be subject to a 40% discount. The amendments included a period that the discounted valuation would apply (sunset clause) and the requirement for a subdivider to be approved to qualify for the discount<sup>13</sup>.

During the second reading speech for the Bill, the Minister stated that the amendments generally allowed for a separate value for each lot in a plan of subdivision registered after 30 June 1997. The need for the amendment was caused by amendments that were made to the Local Government Act in 1993 that required that adjustments to general rates be made by a local authority from the date of a change of ownership for part of the land. This required fresh amalgamated valuations every time a lot in a plan of subdivision was transferred from the developer to an individual purchaser. Provision of separate valuations would streamline the issue of valuations for local authority rating purposes. To ensure that the change did not introduce a burden for subdividers, amendments were made so that where the subject land remained vacant and in the subdivider’s ownership, the valuation of the land would be reduced by 40% - this would also apply to any balance area created<sup>14</sup>.

### 1998 - Removed the requirement for a subdivider to be approved<sup>15</sup>

It was considered that the application and associated decision making process for a subdivider to be approved for the discount for subdivided land was unnecessary<sup>16</sup>.

### 2000 – Introduction of a minimum gross return/capital outlay to qualify for farming and changes to ‘single dwelling house’ definition<sup>17</sup>

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<sup>10</sup> *Lands Legislation Amendment Act 1991* (Assented to 9 December 1991)

<sup>11</sup> Hansard – 14 November 1991, Page 2952

<sup>12</sup> *Natural Resources Legislation Amendment Act 1997* (Assented to 25 August 1997)

<sup>13</sup> Explanatory notes for *Natural Resources Legislation Amendment Bill 1997*, Page 2  
<<http://www.legislation.qld.gov.au/Bills/48PDF/1997/NatResLegAmdB97E.pdf>>

<sup>14</sup> Hansard – 5 June 1997, Page 2228

<sup>15</sup> *Valuation of Land and Other Legislation Amendment Act 1998* (Assented to 27 November 1998)

<sup>16</sup> Explanatory notes for *Valuation of Land and Other Legislation Amendment Bill 1998*, Page 1

<[http://www.legislation.qld.gov.au/Bills/49PDF/1998/Valuation\\_OthLegAmB98\\_G\\_Exp.pdf](http://www.legislation.qld.gov.au/Bills/49PDF/1998/Valuation_OthLegAmB98_G_Exp.pdf)>

<sup>17</sup> *Valuation of Land Amendment Act 2000* (Assented to 4 September 2000)

There were concerns on decisions and difficulties associated with valuation concessions in relation to defining a significant “farming” business or industry. These amendments attempted to address these by prescribing a minimum gross return (minimum average gross annual return of \$5,000 over a three year period) or capital outlay (minimum value of farm improvements of \$50,000). The amendments also recognised the outlay and maintenance in forestry, both plantation and native timbers, and in the establishment of orchard crops in the eligibility test for the valuation concession. These types of enterprises often did not qualify under the previous interpretation of the Act.

Concern on the eligibility requirements for ‘single dwelling house’ valuation concessions caused this meaning to be overhauled to make the requirements more equitable by including duplex units, a house converted to two flats, and a house with an additional self contained flat. Also the arbitrary and complex requirements of family residence or an owner’s personal residence in one of the flats or units were removed from the Act<sup>18</sup>.

#### 2001 – Removal of the set period for the application of the discount to subdivided land<sup>19</sup>

The removal of the set period (sunset clause) to allow for the continued application of the discount was to streamline the administration of valuation and rating records<sup>20</sup>.

During the second reading speech for the Bill, the Minister stated that the amendment streamlined the valuation and rating provision by removing the sunset clause that was included when the discount was first introduced in 1997. The sunset clause had required the amalgamation of the undeveloped lots still held by the subdivider. This was causing administrative difficulties with ongoing adjustments to valuation and local government rating records. The amendment was suggested following submissions by the Local Government Association of Queensland and was supported by the Urban Development Institute of Australia<sup>21</sup>.

#### 2010 – Requirement for Minister to review concessions by December 2012<sup>22</sup>

The explanatory notes for the *Land Valuation Bill 2010* included the following matters related to concessions:

Concessions were introduced to the *Valuation of Land Act 1944* at a time when local governments did not have powers to adjust rates. Local governments now have powers to apply concessions under their legislation.

Consideration of concessions was to be delayed to ensure clear direction and implementation of new site valuation methodology and streamlined objection

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<sup>18</sup> Explanatory notes for *Valuation of Land Amendment Bill 2000*, Page 2  
<<http://www.legislation.qld.gov.au/Bills/49PDF/2000/ValuationofLandAmdB00Exp.pdf>>

<sup>19</sup> *Natural Resources and Other Legislation Amendment Act 2001* (Assented to 10 December 2001)

<sup>20</sup> Explanatory notes for *Natural Resources and Other Legislation Amendment Bill 2001*, Page 6  
<[http://www.legislation.qld.gov.au/Bills/50PDF/2001/NatRes\\_OLAB01Exp.pdf](http://www.legislation.qld.gov.au/Bills/50PDF/2001/NatRes_OLAB01Exp.pdf)>

<sup>21</sup> Hansard – 11 September 2001, Page 2576

<sup>22</sup> *Land Valuation Act 2010* (Assented to 20 September 2010)

processes, which were considered significant changes for valuations in Queensland.

Whilst the Local Government Association of Queensland supported their removal, the Bill provided that the Minister must review the concessions by December 2012. This timing was to ensure that full consultation on the issue could occur and further consideration could be given as to whether removal of concessions needed to coincide with any corresponding amendment to rating and taxing legislation<sup>23</sup>.

## **Prior Reviews**

Previous reviews of statutory valuations in Queensland have examined the application and appropriateness of concessions.

### ***The Hardie Report<sup>24</sup>:***

The committee that produced the report was constituted by Order in Council dated 19 January 1966 with the requirement to make full and careful inquiry into the various matters concerning the valuation of lands in Queensland.

The committee examined the 'Residential Purposes' (single dwelling house) concession and stated that the principle embodied by the concession was subject to criticisms – not only on the grounds advanced in the submissions they reviewed (local governments believed it inhibited development and confused valuing and rating notions) but also on the ground that the owner-occupier has the benefit of a low residential valuation for rating purposes but could realise the full market value of the property on a higher commercial or industrial basis.

The committee suggested that the New South Wales legislative approach (at that time) was equitable and effective – the owner paid rates based on the residential value while it was being used as a residence, but when sold for a commercial or industrial purpose, the arrears of rates for a period of five years based on an industrial use would then be payable. The committee believed that a similar legislative amendment in Queensland would be desirable but that local governments be provided with an option as to whether this retrospective rate recovery would be applied.

### ***The Chalk Report<sup>25</sup>:***

Due to substantial increases in Brisbane valuations in 1986 there was public apprehension about the impact on rates levied by the Brisbane City Council (BCC). The BCC also had concerns about other anomalies and whether areas of the city should be differentiated for rating purposes. In mid 1987 the Lord Mayor instituted this inquiry to undertake a wide-ranging review of the operation of the valuation and rating system in Brisbane.

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<sup>23</sup> Explanatory notes for *Land Valuation Bill 2010*, Page 13  
<<http://www.legislation.qld.gov.au/Bills/53PDF/2010/LandValB10Exp.pdf>>

<sup>24</sup> *Report of the Committee of Inquiry into Matters Concerning The Valuation of Lands In Queensland – 1966* – M.F.Hardie (Judge, NSW Supreme Court) Chairman, pages 17-18, 70-71.

<sup>25</sup> *Committee of Inquiry into Valuation and Rating*, 1989, Brisbane City Council, Summary of Report (Sir Gordon Chalk, Chairman), Brisbane

The report considered the matter of concessions in valuations. The committee believed that the extent of the dispensation from rates provided by the concessions in the valuation legislation was unwarranted. The majority of the committee recommended that while residential use continued, owners should be eligible to defer that proportion of rates that would be attributed to the higher value that would have applied in the absence of the residential use.

If the property was transferred to another residential occupier, the same dispensation would be permitted subject, however, to the rate due and payable being not less than the rate calculated on the value established by the sale price.

It was further recommended that owners of farming land which had been zoned for urban use should similarly be eligible to apply for deferment while the land continued to be farmed.

As the residential or farming uses could continue indefinitely, the Committee considered it reasonable that the deferred rates should not continue to accrue, but would be written off for any retrospective period in excess of five years.

### ***The Smith Report<sup>26</sup>:***

This review involved examining reports and other material available from previous inquiries into valuation and rating systems including the Chalk Report, the New South Wales Report of the Committee of Inquiry Into Local Government Rating and Other Revenue Powers and Resources (The Oakes Report - April 1990) and a 1990 local government review discussion paper. In addition, Mr Smith was requested to examine the valuation related representations that had been received by the Minister since the Qld State Government had taken office in December 1989.

The terms of reference for the review included the consideration of the following matters:

- Whether Unimproved Value is the appropriate method for land tax and local government rating
- Cost effective options for advising landowners of their new valuations.
- Any other matters relating to the administration of the valuation system.

The review incorporated valuation concessions and the report contained several concession related conclusions<sup>27</sup> including:

- There was a concern that Valuers were called upon to make socio/economic enquiries and decisions to determine if the business of primary production was occurring.
- Concessions were more appropriately the concern of a local government (LG) than the Valuer-General as the LG has an 'on the spot' presence and is better equipped to overview the regular and actual use of the parcel concerned.
- There was a reference to New South Wales where concessions were administered by the LG under the Local Government Act whilst the

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<sup>26</sup> *Valuation for Taxation and Rating*, Report Conclusions and Recommendations, 1990 (W.F. Smith, former President of the Qld Land Court)

<sup>27</sup> Page 31, Paragraphs 161-164

appropriate valuation based on the nature of the concession granted by the LG is determined by the Valuer-General. Property owners that continued to reside or farm on land that was zoned for a more valuable use were eligible to defer that portion of the rates attributable to the increased value of their land, subject to, on sale or death, the amount of deferred rates being remitted for any retrospective period in excess of five years – there was the suggestion that this would be appropriate for Queensland.

### ***The Evans Report*<sup>28</sup>:**

In 1996, the Minister for Natural Resources instigated a review of Queensland's valuation system. The review sought written submissions from local governments (LGs), industry groups and the general public, held information sessions throughout the State, considered the findings of previous reports into the State's valuation system and investigated procedures utilised in other States.

The review included valuation concessions and produced a number of comments and recommendations. Comments included the following<sup>29</sup>:

- The one conclusive fact that was identified was that concessions should not be by way of adjusting the valuation. The valuation should be a 'pure' valuation and any concessions should be an administration matter or a derivative of valuation for specific purposes requested by the administering authority.
- The valuation and administration by the department was very time and resource intensive. The implementation of annual valuations where properties were not inspected at the time of the valuation caused anomalies where some properties were receiving concessions that perhaps should not and others weren't receiving concessions and should have.
- Some submissions identified that LGs had greater local knowledge and were therefore in a better position to make sound decisions as to what land was being used for.
- The LGAQ suggested that local governments should deal with all concessions and that specific concessions granted under the Act should be abolished.

The review contained the following concession related recommendations<sup>30</sup>:

- Section 17 (single dwelling house/farming) of the *Valuation of Land Act 1944* be repealed.
- Prior to the repeal, relevant consultation should be undertaken to prepare guidelines to allow for the delivery of concessions through an administrative process.

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<sup>28</sup> Review of State's Valuation System 1996 (Lenard W Evans, Project Manager)

<sup>29</sup> Page 80

<sup>30</sup> Page 82

## ***The Hefferan/Boyd Report<sup>31</sup> :***

The report summary stated that this investigation was established following a number of Land Appeal Court decisions regarding the valuation of certain complex properties for statutory purposes. The investigation aimed to establish options (with recommendations) for a simpler methodology for such assessments. The research studied existing literature, court cases, and previous reports and also investigated case studies represented by the policies and methodologies adopted in other States and New Zealand.

The report's recommendations were based on two objectives – the first to assist in the resolution of obvious, fundamental methodological differences that resulted in radically different valuation assessments presented to the Court and secondly, to suggest a better process for dealing with these and similar matters into the future.

Concessions were included in the investigation and the report's operational recommendation nine stated:

*'All valuations should primarily reflect the pure value of the land without consideration of concessions for restrictive uses. In the interests of valuation uniformity, differential assessment should be applied as much as possible at the taxing level. Concessionary use considerations, such as principal place of residence, should not be considered in the valuation assessment. However, matters that intrinsically affect the nature of the land itself, such as contamination, need to be taken into account in assessing the unimproved value.'*

## ***The PricewaterhouseCoopers (PwC) Report<sup>32</sup> :***

The executive summary of the report states that in March 2010, the Queensland Government announced that, commencing in 2011, Queensland would move away from using the Unimproved Value methodology for Non-Rural land and instead adopt a Site Value definition and methodology consistent with other Australian jurisdictions. The summary then goes to say that a review team led by PricewaterhouseCoopers (PwC) had been engaged to undertake a high-level review of the State's statutory valuation process.

Chapter 6 of the report deals with concessions and section 6.1.2 (page 59) details some concession related issues. These include:

- Unnecessary complications associated with the identification of properties that are entitled to a concession and the proper application of the concession.
- Robust and consistent application of concessions to the assessment of valuation is difficult and disputes with landowners may arise.
- In most other states, concessions are generally dealt with by the relevant rating and taxing authorities at the point of revenue collection.

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<sup>31</sup> *An Investigation Into Different Land Valuation Methodologies For Complex Valuations For Statutory Purposes*, October 2008, Professor Michael Hefferan/Adjunct Professor Terry Boyd.

<sup>32</sup> *Queensland Statutory Valuation Reform Review*, 2010, Price Waterhouse Coopers.

- The intent of the reforms to the statutory valuation process in Qld, was to simplify the valuation process and ensure consistency with methodology used by other jurisdictions. To achieve these objectives, concessions should be removed or amended to allow for the management of concessions by revenue collection agencies.

Section 6.6 (page 62) of the report advised on the proposed way forward and stated that concessions should be removed and management of any concessions should be the responsibility of the revenue collection agencies. It also stated that the phasing out of concessions and the timing for transfer to the revenue collection agencies should be considered by Government as part of transition.

### ***Summary of Reviews:***

All the reviews share a central theme of concern with concessions and their association with valuations.

The earlier reports (Hardie, Chalk) suggested that a dispensation from rates associated with a more valuable use continue for as long as the concessional use continued but once the use changed then some retrospective recovery of rates based on the higher use could be obtained by the LG (at the discretion of the LG).

The Smith report also suggested a deferral of rates followed by a retrospective recovery but also stated that concessions were more appropriately the concern of local governments. The report also expressed a concern that valuers were forced to make socio/economic decisions in relation to the extent of primary production activities.

The more recent reports (Evans, Hefferan/Boyd, PwC) do not mention a deferral of rates or retrospective recovery however the reports' recommendations are consistent in that concessions should be removed from valuation legislation and should be the responsibility of the relevant revenue collection authorities (the Evans report stated that the relevant authority could request a valuation for a specific purpose).

### **Other Jurisdictions**

The other Australian jurisdictions were requested to provide advice on any similar concessions existing in their areas. The following is a summary of each jurisdiction's response:

#### ***Victoria***

The Valuer-General, Victoria correctly assumed that the request related to valuations made for statutory rating and taxation purposes. His response stated that the only concessions made in Victoria are for Registered Historic properties or Heritage properties where a permit for removal has been refused. The Victorian legislation<sup>33</sup> requires the presence and preservation of these improvements to be considered.

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<sup>33</sup> *Valuation of Land Act 1960* – section 2 (8) and (9)  
< [http://www.austlii.edu.au/au/legis/vic/consol\\_act/vola1960173/](http://www.austlii.edu.au/au/legis/vic/consol_act/vola1960173/)>

## **Northern Territory**

The Director of Valuations, Northern Territory stated that there was nothing specific in the legislation<sup>34</sup> in relation to the nominated concessions. He did reference section 10 that states that when land is subdivided, a new valuation must be prepared (there is no mention of the application of any discount).

## **South Australia**

The Deputy Valuer-General, South Australia provided a detailed response and nominated section 22A (Notional valuations to be made in certain cases) of the South Australian legislation<sup>35</sup> as the relevant section.

The response provided a summary of the interpretation of notional valuations and included the following:

- Single dwelling house:
  - Concessional (Notional) valuations are available to an owner of a dwelling where it is their principal place of residence and is not used for any commercial/industrial purpose – the valuation ignores any potential enhancement to the value caused by an existing/potential division of the land or other use.
  - The owner must apply for the notional value.
  - If the dwelling is no longer the principal place of residence or other circumstance change so that the entitlement to the notional value ceases, the VG must be notified within 28 days (penalties apply)
- Farming:
  - Concessional (Notional) valuations are available to primary producers where the land is used for the business of primary production to encourage the retention of primary production (PP) land where there is pressure to alter the use away from PP – the valuation ignores any potential enhancement to the value caused by an existing/potential division of the land or other use.
  - The land must genuinely be used for the business of PP.
  - Owner must apply and provide ABN that applies to the business of PP on the land as well as detail the activities (intensive or non-intensive).
  - If the business of PP ceases, the VG must be notified within 28 days (penalties apply).
- Discount for subdivided land: No

## **Western Australia**

The Acting Valuer-General, Western Australia stated that section 31B of the Western Australian legislation<sup>36</sup> contains one concession.

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<sup>34</sup> Valuation of Land Act

< [http://www.austlii.edu.au/au/legis/nt/consol\\_act/vola173/](http://www.austlii.edu.au/au/legis/nt/consol_act/vola173/)>

<sup>35</sup> Valuation of Land Act 1971

< <http://www.legislation.sa.gov.au/LZ/C/A/VALUATION%20OF%20LAND%20ACT%201971.aspx>>

<sup>36</sup> Valuation of Land Act 1978

< [http://corrigan.austlii.edu.au/au/legis/wa/consol\\_act/vola1978173/](http://corrigan.austlii.edu.au/au/legis/wa/consol_act/vola1978173/)>

- Single dwelling house:
  - Section 31B requires that, on the request of the Commissioner of State Revenue (Land Tax), the Valuer-General shall provide the residential equivalent value of land.
  - This only applies to land within an inner city area, being used for residential purposes and where the use is not limited to residential.
  - The residential equivalent value means the value determined as if the property were zoned solely for residential purposes.

The Western Australian response also detailed concessional related policies including:

- Rural unimproved value adjustments for uncleared land:
  - Allows for rating and taxing values to be adjusted to reflect the effect on value of restrictions to clear uncleared vegetation – any adjustment should reflect the market.
- Pensioner Rating Rebate – on farm residence:
  - Rating authority can request a separate value for the purpose of a pensioner’s residential rebate calculation.
- Pensioner Rating Rebate – residence:
  - Rating authority can request a separate gross rental value for a pensioner’s residence where that residence is part of a non strata multi-residential development or is located on a property also used for non residential purposes.

## ***New South Wales***

The Valuer-General, NSW provided a memorandum detailing similar concessions that also highlighted significant differences regarding concession application decision makers, method of calculation, time limits and retrospective recovery:

- Single dwelling house/Farming:
  - Nothing equivalent in the NSW valuation legislation<sup>37</sup> but similar provisions exist in rating<sup>38</sup> and taxing<sup>39</sup> legislation.
  - Major difference is that in NSW, the value is determined according to the allowable use of the land (even if used for a single dwelling).
  - The rating and taxing authorities can request the VG to calculate the difference in the value already provided (reflecting the potential use) and the value that would apply if the land could only be used for dwelling/farming purposes.
  - There are specific requirements for the calculation of the difference that vary depending on the provisions of the rating/taxing legislation.
  - It is the responsibility of the owner to apply to the rating/taxing authority for the concession.

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<sup>37</sup> *Valuation of Land Act 1916*

< [http://www.austlii.edu.au/au/legis/nsw/consol\\_act/vola1916173/](http://www.austlii.edu.au/au/legis/nsw/consol_act/vola1916173/) >

<sup>38</sup> Sections 585 – 599 of the *Local Government Act 1993* (NSW)

<sup>39</sup> Sections 62I to 62N of the *Land Tax Management Act 1956*

- The rating/taxing authority decides if the land satisfies the criteria and, if so, forwards request to the VG – the onus of determining if a concession is applicable falls on the rating/taxing authority and not the VG.
- The rating legislation only allows for a postponement of the rates that would have applied without the concession. If the entitlement to the concession ceases then the difference in the rates (up to five years) is to be paid to the Council.
- Discount for subdivided land:
  - NSW has the ‘Subdivision Allowance’ under its Valuation legislation<sup>40</sup>.
  - Significant differences between Qld and NSW include:
    - No prescribed amount for the discount - discount is calculated as a market discount and may vary depending on factors such as location, number of lots or prevailing market conditions – provided as a dollar value and not a %.
    - Calculated by adding the total land values of all the lots in a deposited plan determined on the assumption that the lots had been sold separately – then the total value is assessed as if all the lots had been sold to the one person.
    - The difference then becomes the subdivision allowance which is apportioned to each lot proportionately.
    - The amount is deducted from the individual value by the rating/taxing authority if they believe it is applicable – it is not uncommon for the rating authority to not apply the allowance.
    - The calculated allowance is usually between 10 to 15% of the value.
    - The allowance lapses three years after the plan registration or before if the lot is sold or developed.

## **Tasmania**

The Valuer-General, Tasmania provided a response that stated that the valuation legislation<sup>41</sup> is a pure valuation statute with no concessions applying to valuations.

The response also included the following:

- Former concessions relating to the effective date of valuations for rating and taxing purposes, discounted valuations for elderly person units and charitable/not for profit organisations have been removed from the valuation legislation and are solely the jurisdiction of the relevant rating authority (Council).
- Required to assess market value as at the relevant date of valuation. Market value is founded on the concept of highest and best or most optimum use which may be different to the current use. It is considered inappropriate that an Act would require the assessment of a value that is not market based.

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<sup>40</sup> Sections 14S – 14W *Valuation of Land Act 1916* (NSW)

<sup>41</sup> *Valuation of Land Act 2001*

< [http://corrigan.austlii.edu.au/au/legis/tas/num\\_act/vola2001102o2001219/](http://corrigan.austlii.edu.au/au/legis/tas/num_act/vola2001102o2001219/)>

The response provided information on the farming concession included under the jurisdiction of Councils:

- Farming:
  - There are special provisions contained in the *Local Government Act 1993* for the valuation of urban farm land.
  - In summary, the provisions enable a Council to declare land urban farm land where:
    - It is used for substantial agricultural purposes and
    - Its value is increased because of its proximity to developed land and
    - There is a substantial market demand for redevelopment.
  - On receipt of a declaration by Council the Valuer-General will make a valuation of the land as urban farm land disregarding the location and development pressures and solely having regard to farm land values generally prevailing in the municipal area.
  - Council Rates are then based on the urban farm land values until the declaration is revoked or replaced by a fresh valuation.
  - The important point to note is that urban farm land values do not supersede or replace our statutory assessments of value and they do not appear on the Valuation Roll because they do not reflect market value.

The response provided the following information in relation to the discount for subdivided land:

- The only concession related to subdivided land is a policy that supplementary valuations for lots in a subdivision are only activated when the first lot is sold.
- This is currently under review by the VG to allow for valuations when a survey plan is lodged.

### ***Other Jurisdictions – Summary***

<b><u>Jurisdiction</u></b>	<b><u>Single Dwelling?</u></b>	<b><u>Farming?</u></b>	<b><u>Discount for Subdivided Land?</u></b>
<i>Victoria</i>	No	No	No
<i>Northern Territory</i>	No	No	No
<i>South Australia</i>	Yes (owner apply and must be PPR)	Yes (owner apply with ABN)	No
<i>Western Australia</i>	Yes (request from Comm. State Revenue – inner city only)	No	No
<i>New South Wales</i>	Yes (request by rating/taxing authority – not VG’s decision)	Yes (request by rating/taxing authority – not VG’s decision)	Yes (only applied by rating authority if they consider applicable; expires after 3 years)

<b><u>Jurisdiction</u></b>	<b><u>Single Dwelling?</u></b>	<b><u>Farming?</u></b>	<b><u>Discount for Subdivided Land?</u></b>
<i>Tasmania</i>	No	Yes (on declaration by rating authority and request to VG)	No (however policy that individual valuations delayed until 1 <sup>st</sup> lot sold – currently under review)

## **Results of concession quantification**

### ***Discount for subdivided land***

The table below provides (for each local government) numbers of properties and total valuation for those receiving the discount and the overall effect on the local government if the discount no longer applied. Column definitions are:

- **# Props discount:** Number of properties in that local government that are subject to the discount
- **% of total props – discount:** The per cent of the total props for that local government that are subject to the discount.
- **% total value – props with discount:** The per cent of the total value for that local government of the total value of props subject to the discount.
- **% change total value – discount removed:** The per cent change in the total value for the local government that would occur if the discount did not apply.

### **Statistical Data – discount for subdivided land**

(base data extracted on 12 June 2012)

<b>Local Government</b>	<b># Props - discount</b>	<b>% of total props - discount</b>	<b>% total value – props with discount</b>	<b>% change total value – discount removed</b>
Balonne	13	0.6	0.3	0.11
Banana	148	2.1	1	0.4
Barcaldine	68	3.7	0.9	0.37
Barcoo	0	0	0	0
Blackall Tambo	37	3.1	0.5	0.21
Boulia	0	0	0	0
Brisbane	1987	0.6	1	0.39
Bulloo	0	0	0	0
Bundaberg	513	1.3	1.5	0.61
Burdekin	70	0.8	0.9	0.36
Burke	0	0	0	0
Cairns	864	1.6	2.1	0.84
Carpentaria	0	0	0	0
Cassowary	208	1.4	1.6	0.63
Central Highlands	59	0.5	0.7	0.28
Charters Towers	67	1.2	0.8	0.33
Cloncurry	7	0.5	1	0.41
Cook	51	2.3	2.3	0.92
Croydon	0	0	0	0

Local Government	# Props - discount	% of total props - discount	% total value – props with discount	% change total value – discount removed
Diamantina	4	2.8	0.2	0.09
Etheridge	0	0	0	0
Flinders	0	0	0	0
Fraser Coast	1006	2.2	2.7	1.07
Gladstone	204	0.8	2.3	0.91
Gold Coast	1225	0.9	1.3	0.52
Goondiwindi	81	1.6	1.2	0.48
Gympie	508	2.2	1.8	0.73
Hinchinbrook	81	1.2	0.9	0.36
Ipswich	1305	2.1	4.0	1.63
Isaac	223	2.4	1.2	0.48
Lockyer Valley	432	2.7	2.2	0.89
Logan	735	0.8	1.2	0.47
Longreach	0	0	0	0
Mackay	583	1.3	1.9	0.78
Maranoa	48	0.7	1	0.4
McKinlay	0	0	0	0
Moreton Bay	2248	1.7	2.3	0.94
Mount Isa	28	0.4	0.4	0.15
Murweh	4	0.2	0.2	0.08
North Burnett	65	1	0.5	0.19
Paroo	0	0	0	0
Quilpie	0	0	0	0
Redland	506	0.9	1.2	0.48
Richmond	0	0	0	0
Rockhampton	595	1.3	1.8	0.71
Scenic Rim	208	1.2	1	0.41
Somerset	292	2.6	1.7	0.67
South Burnett	173	1	1	0.41
Southern Downs	192	1.1	1.1	0.44
Sunshine Coast	1394	1.2	1.4	0.57
Tablelands	424	2	1.8	0.74
Toowoomba	631	1	1.1	0.43
Torres	3	0.4	0.4	0.14
Townsville	793	1.2	2.2	0.87
Weipa	3	0.3	0.5	0.19
Western Downs	178	1	0.8	0.33
Whitsunday	267	1.9	2	0.79
Winton	1	0.1	0	0

## ***Single Dwelling House/Farming***

### **Revised Valuation**

Local governments/divisions (LGD) that were considered to form a representative basis for all local governments in Queensland were selected for a revised valuation exercise. The 12 selected were:

Brisbane Division Stephens, Brisbane Division Toombul, Cairns, Charters Towers, Gold Coast Division 01, Lockyer Valley, Longreach, Sunshine Coast Division Central, Rockhampton, Maranoa, South Burnett and Toowoomba.

The table below provides the summary totals for the 12. Column definitions are:

- **Single Dwelling House/Farming:**
  - **# Props** – Number of properties receiving either the single dwelling house or farming concession.
  - **% change** – The average per cent change in value that would apply to those properties currently receiving the concession if it was removed.
- **Overall Local Government/Division:**
  - **# Props** – total number of properties in that local government/division
  - **% change** – The % change that would occur in the total value for that local government/division if the single dwelling house/farming concessions were removed.

### Summary totals for the 12 local government/divisions subject to revised valuations – single dwelling/farming

(Data collated May 2012)

Local Government/ Division (LGD)	Single Dwelling House		Farming		Overall Local Government/ Division	
	# Props	% change	# Props	% change	# Props	% change
Brisbane – Stephens	1707	27	0	0	16352	4
Brisbane - Toombul	1930	9	0	0	12624	1
Cairns	6508	19	745	162	55714	5
Charters Towers	1295	28	58	79	5606	5
Gold Coast - 01	11898	17	2	494	50063	3
Lockyer Valley	454	55	457	35	15916	4
Longreach	113	28	14	49	1947	2
Maranoa	253	53	120	169	6563	3
Rockhampton	7490	23	1380	99	46949	9
South Burnett	921	43	2135	38	17195	12
Sunshine Coast - Central	3645	21	714	164	58716	3
Toowoomba	8522	31	3499	88	62932	11

### Extrapolation

The extrapolation of the calculated % changes from the 12 LGD that received revised valuations to similar LGD around the State was the second and final part of the quantification phase.

The table below provides the summary totals for the extrapolated local governments. Column definitions are:

- **Single Dwelling House/Farming:**
  - **# Props** – Number of properties receiving either the single dwelling house or farming concession.
  - **% change** – The average per cent change in value (calculated from the % changes derived from the relevant notionally valued LGD)

that would apply to those properties currently receiving the concession if it was removed.

- Overall Local Government/Division:
  - # Props – total number of properties in that local government/division.
  - % change – The % change that would occur in the total value for that local government/division if the single dwelling house/farming concessions were removed.

### Summary totals for the extrapolated local governments – single dwelling/farming

(Data collated May 2012)

Local Government/ Division (LGD)	Single Dwelling House		Farming		Overall Local Government/ Division	
	# Props	% change	# Props	% change	# Props	% change
Balonne	938	30	21	25	2302	4
Banana	879	21	1107	96	6995	56
Barcaldine	161	57	13	49	1903	1
Barcoo	14	31	0	0	249	0
Brisbane (overall)	22325	15	134	262	330650	1
Blackall	131	30	39	49	1210	4
Boulia	12	27	0	0	187	0
Bulloo	9	30	0	0	307	0
Bundaberg	2035	25	1808	93	40980	8
Burdekin	4294	53	710	343	8467	57
Burke	17	21	0	0	180	0
Carpentaria	98	18	0	0	835	1
Cassowary Coast	1869	44	1051	136	14816	20
Central Highlands	804	35	538	13	11852	3
Cloncurry	197	24	0	0	1422	2
Cook	444	21	51	77	2220	7
Croydon	22	27	0	0	143	0
Diamantina	5	31	0	0	144	0
Etheridge	40	25	0	0	546	0
Flinders	135	26	5	79	1091	0
Fraser Coast	3807	22	889	102	45146	6
Gladstone	8917	47	827	130	26343	17
Gold Coast (overall)	16131	17	411	675	136070	4
Goondiwindi	404	52	305	38	5076	3
Gympie	1304	37	1497	97	23454	16
Hinchinbrook	1412	46	1019	137	6611	42
Ipswich	6344	39	239	300	63837	8
Isaac	1094	26	442	50	9132	13
Logan	3703	52	189	686	90623	6
Mackay	3865	21	2089	165	44055	8
McKinlay	55	25	0	0	505	0
Moreton Bay	21567	28	827	283	135412	8
Mount Isa	519	101	1	36	6833	8
Murweh	110	29	4	25	2354	1
North Burnett	585	51	1779	42	6255	30

Local Government/ Division (LGD)	Single Dwelling House		Farming		Overall Local Government/ Division	
	# Props	% change	# Props	% change	# Props	% change
Paroo	59	28	1	49	1284	1
Quilpie	26	27	1	49	761	2
Redland	2616	26	114	869	57625	6
Richmond	34	25	0	0	478	0
Scenic Rim	350	50	1201	40	16953	10
Somerset	223	51	758	40	11189	10
Southern Downs	1486	63	1840	36	17471	4
Sunshine Coast (overall)	7249	22	1544	246	115027	4
Tablelands	2756	45	1821	206	21233	48
Torres	191	23	0	0	731	6
Townsville	10752	20	86	73	65538	3
Weipa	84	22	0	0	1016	1
Western Downs	1269	30	1920	81	17537	2
Whitsunday	2689	33	680	155	14156	21
Winton	95	29	7	51	1046	1

## **Consultation**

### ***Valuation Reform Reference Group***

The Valuation Reform Reference Group (VRRG) is a stakeholder reference group formed in 2010 after the commencement of major reforms to statutory valuation processes in Queensland.

The VRRG includes representatives from key industry stakeholder groups including the Property Council of Australia, Shopping Centre Council of Australia, Urban Development Institute of Australia, Queensland Tourism Industry Council, Queensland Law Society, Local Government Association of Queensland, the Australian Property Institute (Qld Division), Queensland Resources Council, Agforce, Queensland Farmers Federation and the Real Estate Institute of Queensland.

The VRRG continues to be consulted on matters relating to the statutory valuation program and other valuation initiatives.

The VRRG met on 3 August 2012 where an earlier version of this report was provided and a presentation on concessions delivered. The concession review was discussed. To inform the review process, the VRRG members were requested to provide written submissions addressing the following questions in relation to each of the three concessions.

- Should each concession be retained?
- If retained should each concession
  - remain in the *Land Valuation Act 2010* (LVA) or be included in the revenue gatherer's legislation?
  - be retained in its existing form or should it be amended – if amended, what changes should be made?

## Results of consultation:

The following table provides a summary of responses received from members of the VRRG.

Stakeholder	Summary of Response
Agforce	<ul style="list-style-type: none"> <li>• As the key peak group for broad acre agriculture in Queensland, the response was directed specifically to the farming concession.</li> <li>• The farming concession should remain.</li> <li>• Removal would affect many landholders, particularly those on the outskirts of cities or towns and within a defined urban planning zone.</li> <li>• Removal would see the affected land rated at the higher, urban value despite the landholder not realising any of that value or necessarily having the capacity to pay this premium.</li> <li>• Removal would result in financial hardship and reduced viability within the agricultural sector - contrary to LNP's stated vision of doubling agricultural.</li> <li>• Removal may force landholders of productive agricultural land out of food/fibre production and into subdividing or sale.</li> <li>• Until a more appropriate location for the provision is nominated by the SVS, Agforce will not support its removal from the LVA.</li> <li>• Decision of whether the concession remains should be made before discussing possible alternative criteria for farming (e.g. ATO &amp; ABARES definitions), which could lead to a reduction in numbers receiving the concession.</li> </ul>
Australian Property Institute	<ul style="list-style-type: none"> <li>• All concessions should be retained in their existing form.</li> <li>• Should stay in the LVA and not be included in the revenue gatherer's legislation.</li> <li>• May be necessary to review the amount of the discount for subdivided land (currently 40%) since the 'englobo' value of residential subdivision land is generally much less than 60% of the developed lot value – the 40% may no longer be sufficient.</li> <li>• In the longer term it may be possible to transfer concessions to revenue gatherer's legislation but this is not considered appropriate at this time.</li> <li>• SVS resources and technology should be continually upgraded to ensure the accuracy of the identification of properties entitled to concessions.</li> </ul>
Cotton Australia	<ul style="list-style-type: none"> <li>• Focused on farming concession but agree with views expressed by the Property Council of Australia in relation to all concessions and also endorse the submission lodged by the Qld Farmers Federation.</li> <li>• Many examples of active farming occurring up to the edge of towns - land will eventually be used for urban purposes – at that point the land should be valued (and rated) accordingly.</li> <li>• Can be many years between a change in zoning and a change in use – owner should not be penalised with a high valuation if still farming.</li> <li>• Concession removal would result in an additional cost burden</li> </ul>

Stakeholder	Summary of Response
	<p>on the farmer and force a change in use at an earlier time than would have occurred – leading to a rapid diminution of agricultural production capacity – inconsistent with the Government’s championing of agriculture as one of the economic ‘pillars’.</p> <ul style="list-style-type: none"> <li>• Transfer of concessions to LGs would lead to less certainty for landholders, become an annual issue for LGs and be inconsistent across the State.</li> <li>• If concerned about non-genuine farming properties receiving the concession, there may be justification for the introduction of a higher level of proof such as an ABN or ATO primary producer recognition.</li> </ul>
Local Government Association of Queensland	<ul style="list-style-type: none"> <li>• Concessions should be removed from the valuation process so that the taxing authority is provided with a ‘pure’ non-concessional valuation based on the merits and features of the land.</li> <li>• LG legislation allows LGs to grant the same concessions therefore decisions on granting concessions should be left to the LG – able to consider local information and understand equity and fairness across the community.</li> <li>• Provide the power for the VG to provide a concessional valuation to a LG when requested.</li> <li>• Rejection of any proposal to amend LG legislation to <b>require</b> LGs to implement the State’s concession policy position – this would simply impose the existing process on LGs and be an example of cost shifting onto LGs.</li> </ul>
Property Council of Australia	<ul style="list-style-type: none"> <li>• Involved in the review of Queensland’s land valuation system since 2009-10 where it was agreed that concessions should remain in the LVA pending a review by the Minister.</li> <li>• Strongly urges the Government to retain these concessions.</li> <li>• Concessions directly impact two of the Government’s four economic pillars – critical to the property/construction and agriculture industry as well as individual home owners.</li> <li>• New planning schemes under the Sustainable Planning Act will result in many properties currently zoned and used as single dwellings or for agriculture (particularly land adjacent to existing urban areas) being re-zoned to enable a much higher use in the future – resulting in increases in valuation.</li> <li>• Owners could be forced to sell because of increases in holding costs (including statutory outgoings) and inability to secure additional funds to develop property.</li> <li>• Higher rates and land tax with no change in use.</li> <li>• Existing concession indicates that Qld has in the past recognised a significant difference between urban and rural uses and aimed to tax accordingly – this distinction remains relevant.</li> <li>• The discount for subdivided land recognises the transition period between an englobo parcel of land and the sale of individual subdivided lots and provides an efficient transitional</li> </ul>

Stakeholder	Summary of Response
	<p>arrangement.</p> <ul style="list-style-type: none"> <li>• Removal would likely result in developments being broken down into a greater number of stages, reducing efficiency of development and increasing admin costs on Government.</li> <li>• Concessions operate efficiently and effectively in the LVA as the valuer is best placed to make concession decisions – this efficiency would be lost if concessions were moved to other legislation.</li> </ul>
Queensland Farmers Federation	<ul style="list-style-type: none"> <li>• The response focuses on the farming concession – it must be retained in the LVA to provide certainty to farmers to encourage continued farming and productive use.</li> <li>• When statutory regional plans are in place identifying an ‘Urban Foot Print’, land for rural residential use or land for future urban development, retention of the concession will give landholders some certainty about maintaining the productive use of the land until such time as land is not required for farming or is required for development.</li> <li>• LGs in mining areas may have to make quick decisions to expand towns to accommodate rapid growth – the retention of the concession gives those landholders continuing to farm some certainty that they can do so without the costs of significant valuation increases.</li> <li>• Not adequate planning/management systems in place across the State to allow value to be determined according to potential use - planning systems are focused on urban/industrial with insufficient attention to rural needs.</li> <li>• Removal would mean farmers would have to apply to local governments for concessions – this would add to regulatory burdens and uncertainty about future costs – would not encourage continuation of farming and would encourage farming to cease prematurely.</li> <li>• Some value in reviewing the definition of farming – other options (e.g. use of ABN in South Australia) are worth investigation.</li> <li>• Supports the Property Council submission in relation to retention of the discount for subdivided land – provides the transition period between an englobo parcel of land and the sale of individual subdivided lots.</li> </ul>
Queensland Law Society	<ul style="list-style-type: none"> <li>• Whatever approach is adopted should be transparent.</li> </ul>
Shopping Centre Council of Australia	<ul style="list-style-type: none"> <li>• Support the submission lodged by the Property Council of Australia.</li> <li>• Concessions were introduced for sound policy reasons.</li> <li>• Elimination of concessions would introduce significant anomalies in valuation.</li> <li>• No sound argument put forward for removal of concessions from LVA or for the transfer of concession administration to</li> </ul>

Stakeholder	Summary of Response
	<p>Land Tax Act.</p> <ul style="list-style-type: none"> <li>Discount for subdivided land originally included in former Valuation of Land Act in order to reduce the administrative burden on the State and LGs – remains a valid reason for retention.</li> </ul>
<p>Urban Development Institute of Australia (Qld)</p>	<ul style="list-style-type: none"> <li>Urges retention of concessions in existing form.</li> <li>For consistency, efficiency, transparency and certainty, concessions must remain in the LVA and not be at the discretion of local authorities.</li> <li>If at the discretion of local governments (LGs) there would be greater uncertainty for developers over future holding costs – LGs would be more likely to make regular changes to availability/extent of concessions.</li> <li>Development activity would be reduced with consequential effect on GST/payroll tax and transfer duties.</li> <li>Concession related decisions should reside with the State Government</li> </ul>

## **Land Tax Revenue Impact Analysis**

The Office of State Revenue (OSR) was requested (7 August 2012) to provide an analysis of the possible impact on State land tax of the removal of Single Dwelling House and Farming concessions from valuations. The discount for subdivided land does not impact OSR as it has its own discount for subdivided land under section 30 of the *Land Tax Act 2010*.

### ***Valuation basis for impact analysis***

Revised valuations for the 12 local government/divisions were provided to the Office of State Revenue to allow them to conduct an impact analysis.

### ***Results of Impact Analysis***

The Office of State Revenue estimated the impact on land tax revenue from the removal of Single Dwelling House and Farming concessions from valuation as an increase of between \$15 and \$20 million each year. This estimate is based on comparing the difference in land tax between the 2012 value and a revised value for the parcel after removal of the concession in a sample of 55,760 parcels over the 12 local government/divisions provided. The results were then extrapolated to the whole of Queensland.

## Conclusion

Of the eight VRRG industry groups that provided responses, seven rejected the removal of concessions from the LVA. Three of the seven responses referenced support for the position adopted by the Property Council of Australia (PCA). The PCA response included the following points:

- Concessions directly impact two of the Government's four economic pillars – critical to the property/construction and agriculture industry as well as individual home owners.
- New planning schemes under the Sustainable Planning Act will result in many properties currently zoned and used as single dwellings or for agriculture (particularly land adjacent to existing urban areas) being re-zoned to enable a much higher use in the future – resulting in increases in valuation.
- Owners could be forced to sell because of increases in holding costs (including statutory outgoings) and inability to secure additional funds to develop property.
- Higher rates and land tax with no change in use.
- Existing concessions indicates that Qld has in the past recognised a significant difference between urban and rural uses and aimed to tax accordingly – this distinction remains relevant.
- The discount for subdivided land recognises the transition period between an englobo parcel of land and the sale of individual subdivided lots and provides an efficient transitional arrangement.
- Removal would likely result in developments being broken down into a greater number of stages, reducing efficiency of development and increasing admin costs on Government.
- Concessions operate efficiently and effectively in the LVA as the valuer is best placed to make concession decisions – this efficiency would be lost if concessions were moved to other legislation.

Conversely the Local Government Association of Queensland (LGAQ) requested the removal of concessions. The LGAQ response included the following points:

- Concessions should be removed from the valuation process so that the taxing authority is provided with a 'pure' non-concessional valuation based on the merits and features of the land.
- Local government (LG) legislation allows LGs to grant the same concessions therefore decisions on granting concessions should be left to the LG – able to consider local information and understand equity and fairness across the community.
- Provide the power for the VG to provide a concessional valuation to a LG when requested.
- Rejection of any proposal to amend LG legislation to **require** LGs to implement the State's concession policy position – this would simply impose the existing process on LGs and be an example of cost shifting onto LGs.

The concession review has been completed and the government does not believe that the estimated gain in revenue and the arguments presented by the LGAQ outweigh the negative impacts of concession removal on stakeholders expressed in the responses requesting retention lodged by the seven VRRG industry groups.

Therefore government has determined that concessions will remain in the LVA.

Government acknowledges the importance of concessions and commits to monitor their application (in consultation with stakeholders) to ensure that they continue to be relevant in their current form and, where required, progress appropriate amendments.

## **Attachment 1: Sections 45–51 Land Valuation Act 2010**

### **Subdivision 2 Exclusive use as a single dwelling house or for farming**

#### **45 Application of sdiv 2**

(1) This subdivision applies for deciding the value of land used only as a single dwelling house or for farming.

(2) For this section, land is not used only for a single dwelling house or for farming if—

- (a) the land is divided into individual lots; and
- (b) there is evidence, including advertising or actual sales, of an intention to sell the individual lots.

#### **46 Particular enhancements must be disregarded**

(1) In deciding the value, any enhancement in its value because of any of the following for the land must be disregarded—

- (a) a subdivision by survey;
- (b) a potential use for industrial, subdivisional or any other purposes.

(2) Subsection (1)(b) applies whether or not the potential use is lawful on the valuation day.

#### **47 What is a *single dwelling house***

(1) A *single dwelling house* is—

- (a) a dwelling used solely for habitation by a single household; or
- (b) a building consisting of 2 flats used solely for habitation; or
- (c) a building consisting of 2 self-contained units, known as a duplex, and used solely for habitation.

(2) Subsection (1)(a) includes a dwelling used solely for habitation by a single household—

- (a) part of which is used or available for use as a furnished room or furnished rooms; or
- (b) with a single self-contained flat.

#### **48 What is *farming***

(1) *Farming* is the use of land for a farming business if—

- (a) the use is the land's dominant use; and
- (b) the conditions under subsections (2) and (3) are complied with.

(2) The business must be carried out for profit on a continuous or repetitive basis.

(3) The business must have a substantial commercial purpose or character shown by at least one of the following—

(a) having an average gross annual return, worked out over a 3-year period, of at least \$5000;

(b) if the business is establishing and harvesting native or non-native forests—having an average anticipated gross annual return, worked out over the period from establishment to harvesting that is usual for the particular species of tree, of at least \$5000;

(c) if the business is maintaining and harvesting native forests—having an average anticipated gross annual return, worked out over the period from the start of maintenance to harvesting of the particular species of tree, of at least \$5000;

(d) having both of the following—

(i) a minimum value of farm improvements or planting of forest or orchard trees of \$50000;

(ii) the appearance of being kept for farming or expenditure on crops, forest trees, maintenance of farm improvements, livestock or orchard trees.

(4) In this section—

***farm improvements*** includes appropriate sheds, other structures, facilities, farm plant and land development for the particular farming business but does not include a dwelling or car accommodation.

***farming business*** means—

(a) the business or industry of grazing, dairying, pig farming, poultry farming, viticulture, orcharding, apiculture, horticulture, aquaculture, vegetable growing, the growing of crops of any kind or forestry; or

(b) another business or industry involving the cultivation of soils, the harvesting of crops or the rearing of livestock.

### **Subdivision 3 Discounting for subdivided land not yet developed (non-Land Act rental)**

#### **49 Application of sdiv 3**

(1) This subdivision applies to a parcel (the ***relevant parcel***) if—

(a) the relevant parcel is 1 of the parts into which land has been subdivided; and

(b) the person who subdivided the land is the owner of the relevant parcel; and

(c) the relevant parcel is not developed land.

(2) This subdivision also applies to a parcel (also the ***relevant parcel***) if—

(a) the relevant parcel is 1 of the parts into which land has been reconfigured because of a compulsory acquisition under a law; and

(b) subsection (1) applied to the relevant parcel, as part of a relevant parcel mentioned in subsection (1), immediately before the compulsory acquisition; and

(c) after the reconfiguration, the same person continues to own the part of the land not compulsorily acquired; and

(d) the relevant parcel is not developed land.

(3) Despite subsections (1) and (2), this subdivision does not apply for a Land Act rental valuation.

(4) If subdivision 2 applies to land, this subdivision does not affect the operation of subdivision 2.

### **50 Discount until parcel developed or ownership changes**

(1) This section applies for the making and levying of rates on the relevant parcel for the discounted valuation period.

(2) The local government must discount the value of the relevant parcel by 40%.

(3) In this section—

*discounted valuation period*, for the relevant parcel, means the period starting when the land of which the parcel was a part was subdivided and ending on the earlier of the following days—

(a) the day on which there is a change in the ownership of the relevant parcel;

(b) the day the relevant parcel becomes developed land.

### **51 Provisions for when discounted valuation period ends**

(1) This section applies for the relevant parcel on and from the day the discounted valuation period under section 50 ends.

(2) For the local government legislation, a change in the relevant parcel's value is taken to have had effect on that day.

(3) For the making and levying of rates on the relevant parcel on and from that day—

(a) its previous value is its value as discounted under section 50(2); and

(b) its new value is its value without regard to the discount.