



New South Wales

Strata Schemes (Leasehold Development) Amendment Bill 1999

Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

Overview of Bill

The *Strata Schemes (Leasehold Development) Act 1986* allows land to be developed by means of a strata scheme in cases where the land owner wants to lease the land but does not want, or is not able, to sell the land. When land is subdivided by means of a leasehold strata scheme, the owner of the land retains the estate in fee simple to the strata lots that is created under the scheme. The strata lots are usually leased under long-term leases.

At present, the scheme can be utilised only by the Crown or a public authority (including a local council).

The object of this Bill is to amend the *Strata Schemes (Leasehold Development) Act 1986* to allow privately owned land to be the subject of a leasehold strata scheme.

The Bill also makes changes to the taxation provisions contained in the *Land Tax Management Act 1956* to ensure that the lessee of a strata lot in a leasehold strata scheme is treated as the owner of the lot for land tax purposes. As a result, the lessee will be liable for any land tax payable in respect of the lot. In addition, any land tax exemptions that apply to land owned by a particular body (such as land owned by a charitable institution or religious society) will apply as if the lessee owned the strata lot.

Similar changes are made to rating provisions in the *Local Government Act 1993*, so as to ensure that the lessee of a strata lot created under a leasehold strata scheme is treated as the owner of the land for the purposes of various rate exemptions.

The effect of these amendments generally is that a lessee of a leasehold strata lot will be able to claim the benefit of any land tax or rate exemption that would have applied if the lessee were the owner of the lot. Conversely, the owner/lessor of the leasehold strata lot will not be entitled to claim an exemption for land that is leased to a lessee.

Clause 1 sets out the name (also called the short title) of the proposed Act.

Clause 2 provides for the commencement of the proposed Act on a day or days to be appointed by proclamation.

Clause 3 is a formal provision giving effect to the amendments to the *Strata Schemes (Leasehold Development) Act 1986* set out in Schedule 1.

Clause 4 is a formal provision giving effect to the amendments to the other Acts set out in Schedule 2.

Schedule 1 Amendments to Strata Schemes (Leasehold Development) Act 1986

At present, only land that is held in fee simple by a *prescribed authority* may be subdivided under the *Strata Schemes (Leasehold Development) Act 1986*. A prescribed authority is defined as the Crown in right of New South Wales or a public authority (including a local council) constituted or established by an Act.

The amendments set out in Schedule 1 allow other land owners to develop land by means of a leasehold strata scheme. In particular, the amendments to section 6 (see **Schedule 1 [5]** and **[6]**) make it clear that land held or vested in fee simple in any person may be subdivided under the Act, subject to the limitations provided for by section 6 of the Act. **Schedule 1 [7]** makes it clear that the Crown, a public authority or a local council will still be able to utilise the scheme of subdivision provided for by the Act.

Consequential amendments replace the expression *prescribed authority* with the expression *proprietor*. The proprietor under the leasehold strata scheme will be the person who retains the estate in fee simple in the parcel (the land that is the subject of the scheme). See **Schedule 1 [2]–[4], [8]–[11] and [13]**.

Schedule 1 [1] inserts a note in the Act to make it clear that the Act provides for an alternative form of subdivision to the *Strata Schemes (Freehold Development) Act 1973*, where a land owner does not wish, or is not able, to part with ownership of the land proposed to be subdivided.

Schedule 1 [12] omits a provision that currently prevents the lessor from transferring land held by the lessor under the leasehold strata scheme, except in accordance with the regulations.

Schedule 1 [14] and [15] replace an incorrect reference to a prescribed authority.

Schedule 1 [16] provides for the making of savings and transitional regulations.

Schedule 2 Amendment of other Acts

Amendments to Land Tax Management Act 1956

Liability of lessees in leasehold strata schemes

Under the *Land Tax Management Act 1956* the owner of land that is taxable is liable to pay land tax. In general, the owner is a person entitled to an estate in freehold in possession or a person entitled to receive the benefit of any rents or profits that would be payable if the land were leased.

The amendment set out in **Schedule 2.1 [3]** provides that the lessee of a leasehold strata lot is to be considered to be the owner of the lot for land tax purposes. Accordingly, the lessee will be liable for any land tax payable in respect of the lot. The lessor will not be considered to be the owner of the lot unless the lessor is the lessee. (The *Strata Schemes (Leasehold Development) Act 1986* contemplates some circumstances in which a lessor may also be the lessee of a strata lot.)

The effect of the amendments will be that any land tax exemption that applies to land owned by a body that is “tax exempt” (such as a charitable institution) will apply to a leasehold strata lot only if the tax exempt body is the lessee of that strata lot.

Note that, at present, section 21C of the Act already deems a lessee of land to be the owner of the land if the land is owned by the Crown, a local council or a county council. However, as a result of the amendments to the *Strata Schemes (Leasehold Development) Act 1986* explained above it will be possible for land that is the subject of a leasehold strata scheme to be privately owned. Accordingly, it is necessary to include a similar provision for privately owned land.

Schedule 2.1 [1] and [2] are consequential amendments.

Savings and transitional

Schedule 2.1 [4] allows savings and transitional regulations to be made.

Schedule 2.1 [5] provides that the amendments do not impose any liability, or affect any liability, in respect of a land tax year that commenced before the commencement of the amendments.

Amendments to Local Government Act 1993

Exemptions from rates

At present, section 555 of the *Local Government Act 1993* exempts certain land from all rates. Section 556 exempts certain land from all rates other than water supply special rates and sewerage special rates. In some cases, land is exempt if it belongs to or is vested in a particular body (such as a religious body or a public benevolent institution or public charity). Generally there is also a requirement that the land be occupied and used by the body concerned.

Schedule 2.2 [1] and [2] provide for the application of those exemptions to land that is the subject of a leasehold strata scheme. A strata lot created under a leasehold strata scheme will be taken, for the purposes of the exemptions that apply to land belonging to or vested in a particular body, to belong to or be vested in the lessee of the strata lot, instead of the lessor. Accordingly, the strata lot will be rate-exempt only if the lessee is entitled to claim a rate exemption for land that belongs to or is vested in it.

If the lessor is the lessee of a strata lot, the lessor will still be considered to be the owner of the strata lot and will be able to claim the benefit of any relevant rate exemption.

Savings and transitional

Schedule 2.2 [3] allows savings and transitional regulations to be made.

Schedule 2.2 [4] provides that the amendments do not apply in respect of any year or part of a year occurring before the commencement of the amendments and do not affect any existing liability for rates.

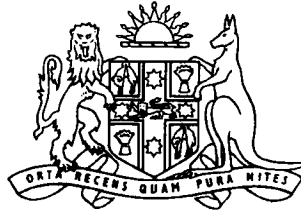


New South Wales

Strata Schemes (Leasehold Development) Amendment Bill 1999

Contents

	Page
1 Name of Act	2
2 Commencement	2
3 Amendment of Strata Schemes (Leasehold Development) Act 1986 No 219	2
4 Amendment of other Acts	2
Schedules	
1 Amendment of Strata Schemes (Leasehold Development) Act 1986	3
2 Amendment of other Acts	7



New South Wales

Strata Schemes (Leasehold Development) Amendment Bill 1999

No. , 1999

A Bill for

An Act to amend the *Strata Schemes (Leasehold Development) Act 1986* to allow the strata leasehold development of privately owned land; to amend certain other Acts to make further provision for the rating and taxation of land that is the subject of a leasehold strata scheme; and for other purposes.

The Legislature of New South Wales enacts:	1
1 Name of Act	2
This Act is the <i>Strata Schemes (Leasehold Development) Amendment Act 1999</i> .	3 4
2 Commencement	5
This Act commences on a day or days to be appointed by proclamation.	6 7
3 Amendment of Strata Schemes (Leasehold Development) Act 1986 No 219	8 9
The <i>Strata Schemes (Leasehold Development) Act 1986</i> is amended as set out in Schedule 1.	10 11
4 Amendment of other Acts	12
The Acts specified in Schedule 2 are amended as set out in that Schedule.	13 14

Schedule 1	Amendment of Strata Schemes (Leasehold Development) Act 1986	1
		2
	(Section 3)	3
[1]	Part 1, note	4
	Insert after the heading to Part 1:	5
	Note. The purpose of this Act is to allow land to be subdivided by means of a strata scheme in cases where the owner of the land does not wish, or is not able, to part with ownership of the land. Under a leasehold strata scheme, the owner of the land that is the subject of the scheme retains an estate in fee simple in the land. The purchaser of each lot that is created under the subdivision obtains a leasehold interest, rather than a freehold interest, in the lot. The scheme of subdivision provided for by this Act is an alternative to that provided for by the <i>Strata Schemes (Freehold Development) Act 1973</i> , but many of the provisions governing the two types of schemes are the same.	6 7 8 9 10 11 12 13 14 15
[2]	Section 4 Definitions	16
	Omit paragraph (d) of the definition of <i>lessee</i> from section 4 (1).	17
	Insert instead:	18
	(d) while a proprietor is deemed by section 35 (1) to be the lessee of the lot, that proprietor,	19 20
[3]	Section 4 (1), definition of “lessor”	21
	Omit “the prescribed authority which is”.	22
	Insert instead “the proprietor who is”.	23
[4]	Section 4 (1), definition of “prescribed authority”	24
	Omit the definition. Insert instead:	25
	<i>proprietor</i> , in relation to a parcel, means the person for the time being recorded in the Register as entitled to an estate in fee simple in that parcel.	26 27 28
[5]	Section 6 Subdivision	29
	Omit “a prescribed authority” from the definition of <i>land</i> in section 6 (1).	30
	Insert instead “any person”.	31

Strata Schemes (Leasehold Development) Amendment Bill 1999

Schedule 1 Amendment of Strata Schemes (Leasehold Development) Act 1986

[6] Section 6 (3)	1
Omit “prescribed authority in which”.	2
Insert instead “person in whom”.	3
[7] Section 6 (6) and note	4
Insert after section 6 (5):	5
(6) In this section, a reference to land held in fee simple by, or vested in, a person includes land held in fee simple by, or vested in, the Crown in right of New South Wales or a public authority (including any local council) constituted or established by an Act.	6 7 8 9 10
Note. Before the amendments made to this Act by the <i>Strata Schemes (Leasehold Development) Amendment Act 1999</i> , only land owned by the Crown or a public authority (including a local council) could be subdivided under this Act. As a result of the amendments, land held in fee simple by any person (including the Crown, a public authority or local council) may be subdivided under this Act.	11 12 13 14 15 16
[8] Section 7 Registration of strata plans	17
Omit “prescribed authority” from section 7 (1) (d) (i).	18
Insert instead “proprietor”.	19
[9] Section 7 (1) (d) (i)	20
Omit “the authority”.	21
Insert instead “the proprietor”.	22
[10] Section 7 (3)	23
Omit “prescribed authority as lessor”.	24
Insert instead “proprietor as lessor”.	25
[11] Section 7 (3)	26
Omit “that authority”	27
Insert instead “that proprietor”.	28

[12] Section 34 Restrictions on dealings by lessee	1
Omit section 34 (1).	2
[13] Section 35 Powers of lessor where no current lease	3
Omit section 35 (1). Insert instead:	4
(1) If a proprietor is entitled to immediate possession of a lot because of the determination of a lease, the proprietor is, for the purposes of this Act (but subject to such exceptions as may be prescribed), to be deemed to be the lessee of the lot.	5 6 7 8
[14] Section 69 Appeal against local council refusing approval	9
Omit “prescribed authority” wherever occurring.	10
Insert instead “local council”.	11
[15] Section 69 (4)	12
Omit “the authority's”. Insert instead “the local council's”.	13
[16] Schedule 5 Transitional and savings provisions	14
Insert before Part 1:	15
Part 1A Regulations	16
1 Regulations	17
(1) The regulations may contain provisions of a savings or transitional nature consequent on the enactment of the following Acts:	18 19 20
<i>Strata Schemes (Leasehold Development) Amendment Act 1999</i>	21 22
(2) Any such provision may, if the regulations so provide, take effect from the date of assent to the Act concerned or a later date.	23 24 25

Strata Schemes (Leasehold Development) Amendment Bill 1999

Schedule 1 Amendment of Strata Schemes (Leasehold Development) Act 1986

- (3) To the extent to which any such provision takes effect from a date that is earlier than the date of its publication in the Gazette, the provision does not operate so as:
 - (a) to affect, in a manner prejudicial to any person (other than the State or an authority of the State), the rights of that person existing before the date of its publication, or
 - (b) to impose liabilities on any person (other than the State or an authority of the State) in respect of anything done or omitted to be done before the date of its publication.

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Schedule 2	Amendment of other Acts	1
	(Section 4)	2
2.1	Land Tax Management Act 1956 No 26	3
[1]	Section 3 Definitions	4
	Insert “or 21D” after “section 21C” in paragraph (c) of the definition of <i>Owner</i> in section 3 (1).	5 6
[2]	Section 10 Land exempted from tax	7
	Omit section 10 (1CA).	8
[3]	Section 21D	9
	Insert after section 21C:	10
	21D Liability of lessees of leasehold strata lots	11
	(1) The lessee of land that is a leasehold strata lot is taken to be the owner of the leasehold strata lot for land tax purposes. The lessor of the lot is not to be considered to be the owner of the lot (unless the lessor is the lessee for the purposes of the <i>Strata Schemes (Leasehold Development) Act 1986</i>).	12 13 14 15 16
	(2) Accordingly, the lessee is liable for any land tax payable in respect of the leasehold strata lot.	17 18
	(3) If there are joint lessees, they are deemed to be joint owners of the leasehold strata lot.	19 20
	(4) This section does not apply in respect of land to which section 21C applies (land owned by the Crown, a local council or a county council).	21 22 23
	(5) In this section:	24
	<i>leasehold strata lot</i> means a lot within the meaning of the <i>Strata Schemes (Leasehold Development) Act 1986</i> .	25 26

	<i>lessee</i> means a lessee within the meaning of the <i>Strata Schemes (Leasehold Development) Act 1986</i> .	1 2
	<i>lessor</i> means a lessor within the meaning of the <i>Strata Schemes (Leasehold Development) Act 1986</i> .	3 4
[4]	Schedule 2 Savings and transitional provisions	5
	Insert at the end of clause 1A (1):	6
	<i>Strata Schemes (Leasehold Development) Amendment Act 1999</i>	7
[5]	Schedule 2, Part 11	8
	Insert after clause 24:	9
	Part 11 Strata Schemes (Leasehold Development) Amendment Act 1999	10 11
	25 Operation of amendments	12
	Section 21D, as inserted by the <i>Strata Schemes (Leasehold Development) Amendment Act 1999</i> , does not impose any liability for land tax for a tax year that commenced before the commencement of that amendment and does not affect any liability for land tax for any such tax year.	13 14 15 16 17
2.2	Local Government Act 1993 No 30	18
[1]	Section 555 What land is exempt from all rates?	19
	Insert after section 555 (3):	20
	(4) Land that is a lot in a strata plan registered under the <i>Strata Schemes (Leasehold Development) Act 1986</i> is taken, for the purposes of subsection (1) (e), (f), (g) and (g1), to belong to or be vested in the lessee (within the meaning of that Act) of the lot and not the lessor (within the meaning of that Act), unless the lessor is the lessee for the purposes of that Act.	21 22 23 24 25 26

[2] Section 556 What land is exempt from all rates, other than water supply special rates and sewerage special rates?	1 2
Insert at the end of the section:	3
(2) Land that consists of a lot in a strata plan registered under the <i>Strata Schemes (Leasehold Development) Act 1986</i> is taken, for the purposes of subsection (1) (h)–(o), to belong to or be vested in the lessee (within the meaning of that Act) of the lot and not the lessor (within the meaning of that Act), unless the lessor is the lessee for the purposes of that Act.	4 5 6 7 8 9
[3] Schedule 8 Savings, transitional and other provisions consequent on the enactment of other Acts	10 11
Insert at the end of clause 1 (1):	12
<i>Strata Schemes (Leasehold Development) Amendment Act 1999</i>	13
[4] Schedule 8, Part 15	14
Insert after clause 49:	15
Part 15 Provisions consequent on enactment of Strata Schemes (Leasehold Development) Amendment Act 1999	16 17 18
50 Changes to rating provisions	19
The amendments made to this Act by the <i>Strata Schemes (Leasehold Development) Amendment Act 1999</i> do not apply in respect of any year or part of a year occurring before the commencement of those amendments and do not affect any liability for rates in respect of such a year or part of a year.	20 21 22 23 24