

**Submission  
No 116**

## **INQUIRY INTO LAND VALUATION SYSTEM**

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**Date Received:** 15/03/2013

Joint Standing Committee  
on the Office of the Valuer General

By email: [JSCOVG@parliament.nsw.gov.au](mailto:JSCOVG@parliament.nsw.gov.au)

15 March 2013

Dear Committee Members,

### **Inquiry into the Land Valuation System**

This submission is in response to the "Inquiry into the Valuation System" Issues Paper (**Issues Paper**).

The Real Estate Institute of NSW ("**REINSW**" or "**the Institute**") is the largest professional association of real estate agents and other property professionals in New South Wales. The REINSW seeks to promote the interest of members and the property sector on property related issues, and in doing so the REINSW believes it has a substantial role in the formation of regulatory policy in New South Wales.

### **General**

The Institute is of the view that the *Valuation of Land Act* 1916 needs to be replaced with a modernised version of the legislation which reflects contemporary economic principles.

The valuation system needs to be transparent and easy for land owners to understand. Land owners should be given clear information on the methodologies used for valuations and how they are applied.

The Valuer General should be provided with sufficient resources to enable the Valuer General to set precedents and take pre-emptive steps in respect of valuations of special categories of properties which are likely to attract objections.

The functions of the Land Valuation Advisory Group ("**Advisory Group**") should be expanded to better assist the Valuer General with valuations of unusual classes of land and in anticipating and responding to objections.

## ***Challenges with current valuation system***

### **Special properties**

It is submitted that, in principle, the system of mass land valuation works well for most types of real estate. However this system is not suitable for the valuation of special types of land such as some CBD properties, golf courses, cemeteries and waterfront properties.

Over the years a lot of the resources previously available to the Valuer-General have been progressively removed. For example, expertise that used to sit within the Valuer General's department is no longer available. Valuations are currently being outsourced by a tender process. There are not sufficient specialist senior valuers within the Valuer General's department to advise on the special types of properties.

In addition, there is a concern as to the ability of the Valuer General to access quality senior valuers in the marketplace as a lot of these valuers act for the large private land owners who are most likely to lodge objections. Accordingly these valuers do not wish to be placed in a conflict of interest situation by having to argue against their own clients should an objection be made.

The necessary resources to be able to substantiate valuations of special classes of land and pre-empt potential objections need to be brought back into the Valuer General's department. By adopting a more proactive approach it will be less likely for objections to be litigated.

The functions of the Advisory Group should be broadened to include residential properties as well as waterfront and other special categories of land. The Advisory Group should establish precedents and create benchmark valuations for special types of land in different areas.

### **Objections process**

The REINSW would support an online objection process. Information about the valuation methodologies employed and the sales used in the valuation process should be available online. It is submitted that land owners would be less likely to object if they understand the valuation process.

Some of the confusion among owners arises from the fact that land values are determined by the Valuer General as at 1 July, whereas land tax is levied by the Office of State Revenue as at 1 January in the following year and council rates are levied as at 1 July in the following year. This creates a problem in that the objection period is 12 months, however owners have only 6 months to object before they receive their land tax assessment.

Accordingly it is submitted that the land tax assessment date and the council levy date should be harmonised to 1 July in the following year as this will allow owners the full 12 months to make objections.

## **Land tax**

The Issues Paper notes that in NSW the valuation system may favour strata holdings for the purposes of land tax. It is submitted that broadening the land tax base by changing the way that strata holdings are valued will serve to further distort investment decisions in the property sector, worsen the housing shortage in NSW, discourage new investment and push existing investors into other, less taxed, asset classes.

Currently real property is the most taxed asset class in NSW. Taxes levied on or impacting real property owners include:

- stamp duty on transfers of all real property;
- landholder duty on acquisitions of shares and other interests in companies or unit trust schemes holding land in NSW valued at \$2,000,000 or more;
- GST on new residential properties (and the additional stamp duty on the GST component of the price);
- land tax for investment residential properties and all commercial and industrial properties;
- parking space levies for non-residential parking spaces located in specified districts; and
- local government rates for all properties.

Most real property owners would be subject to one or a combination of the above taxes. Broadening the land tax payable on strata properties will have a negative impact on the already strained property industry.

The REINSW advocates for the increase of GST and removal of state based taxes as this will harmonise the taxation regime nationally, broaden the tax base and remove the necessity for the interpretation and application of a complex state taxation system.

### ***Criteria for review***

It is noted that the review of the land valuation will focus on several identified criteria. The REINSW submits as follows in relation to those criteria:

- Transparency – in a transparent system where owners understand the valuation process and methodologies owners will be less likely to make objections;

- Efficiency – as noted above, it is submitted that the GST should be increased and land tax removed – this will result in efficiencies for state departments;
- Predictability – it is agreed that a consistent predictable system will attract the confidence of both government and the land owners;
- Equity – as noted above, comparable sales for a property should be available online for objectors so they can understand the methodology used in arriving at the value. In addition, the objection process should be accessible and inexpensive.

### **Conclusion**

A modernised, transparent, efficient and accessible land valuation system would be welcomed by government and land owners alike. The Valuer General's department should bring back specialist expertise in-house and should draw more extensively on the independent expertise currently available to it in the form of the Advisory Group.

The REINSW appreciates the opportunity to comment on the Issues Paper and would welcome the opportunity to discuss it further.

Yours faithfully,

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**Chief Executive Officer**

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**Legal and Policy Manager**