

**Submission  
No 69**

## **INQUIRY INTO LAND VALUATION SYSTEM**

**Name:** Name Suppressed

**Date Received:** 8/03/2013

8 March 2013

Joint Committee on the Office of the Valuer General  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Ministers,

**Re: Inquiry into Land Valuation System**

I have been concerned for many years about the Land Tax Assessment & Land Valuation System. I do not believe that the current system is transparent, equitable and delivers consistent outcomes for landowners. I have written a separate letter to the Premier and Minister on 6 February 2013 regarding land values and have not yet received an acknowledgement of receipt of my letter.

The land valuation system in NSW is geared solely for the government revenue purposes. Any property which is assessed for land tax will automatically receive an annual land valuation from the Valuer General which is then reflected in the annual land tax assessment. Properties which are exempt from land tax such as principal place of residence will generally receive a written valuation notice from the Valuer General every 3 years. How the Valuer General can value certain properties on an annual basis and others on a 3 year cycle needs to be examined. As properties which are exempt from land tax do not generate revenue, it appears that the Valuer General is required to update certain properties on an annual basis for the sole purpose of determining government revenue. This may imply that the Valuer General is under a strict timetable to deliver valuations each year and the accuracy and consistency of the valuations may be impaired by this short time period to produce valuations for determining government revenue.

The land tax assessment system in NSW currently uses the average land value to assess land tax. The use of the average land value in NSW has disadvantaged individual owners of residential property ie mums and dads who purchase residential property for investment purposes. The current land tax assessment system does not pass on the benefit when actual land value falls in the year of assessment. The average land value as the basis of assessment for land tax was introduced by the previous Labor Government to protect the revenue base of the government after it had foolishly introduced the vendor tax on the sale of properties in NSW. I wrote to the Treasurer at the time, Mr. Michael Costa, pointing out that a safety net needed to be included in the land tax assessment system to overcome the problem of increasing land tax with decreasing values. The safety net that I put forward to Mr. Costa was that the legislation should be amended to state that in a year in which the land value decreases, the taxable value should be the lesser of the actual land value and the average land value. This would provide some relief to the land tax payer. Unfortunately, Mr. Costa was not changing the system and in his letter of reply clearly stated "*there are winners and losers under the new system*". That was not the reply I expected from the Treasurer.

The objection process for land values needs to be reviewed and overhauled. I have lodged many objections to land value assessments for both myself and clients over the years. On each occasion I received the same standard letter advising that the land value has been reviewed and the valuation is correct. I was annoyed with this standard letter system and on the last occasion I lodged I insisted on directly speaking to the independent valuer who reviewed the land value. I was told by the independent valuer that 92% of land value objections for land tax purposes are automatically rejected, hence the standard letter being issued. The valuer was dependant on receiving ongoing referrals and was not really independent and could not provide an objective assessment. Although there were no sales of properties in the particular suburb that year, there were no similar properties against which the land value could be compared. Instead, the increase in land value was explained by the valuer as being the average increase for the entire municipality or council area. As a result, the sale of waterfront properties in other suburbs and areas in the same municipality have a direct impact on the land value of an average suburban home in a suburb which has had no property sales in a given year.

The land value system and land tax assessment system should relate to the value of land only. The buildings and other structures such as pools & tennis courts are not to be taken into account. The logic as provided by the independent valuer was that buildings depreciate over time. This logic is not transferred to the land valuation system as the land values are taken on the market sales of properties over a period of time. The market value of a property at the time of sale may or may not provide the correct value of a building. The Valuer General is unable to distinguish the value of the building compared to the land component in the sales price of the property sold. Hence, using the total sales values for a municipality and then averaging the values across all properties may also cause further anomalies.

There is also a distinction made between corporate owners of commercial property and individual owners of residential property for investment purposes. The movements in the land values for land tax assessment purposes of properties owned by corporations have not changed in recent years. I have provided the land values of properties owned by different corporations for comparison which highlight this point.

	<u>City Property Owned by Company</u>	<u>Suburban Property Owned by Company</u>	<u>Residential Property Owned by Individual</u>
Land Value 2011	7,290,000	2,700,000	580,000
Land Value 2012	7,290,000	2,700,000	613,000
Land Value 2013	7,290,000	2,700,000	613,000

How can land values for commercial properties owned by corporations in different areas not have any increase in value over a three year period while residential properties owned by individuals for investment purposes seem to increase? This is another anomaly which needs to be examined.

I look forward to receiving your report.

Yours faithfully,

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