

**Submission
No 125**

INQUIRY INTO LAND VALUATION SYSTEM

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Position: Certified Valuer No 2003
Date Received: 19/03/2013

C.J.[Mike] Danzey



Dear Matt Kean MP

Regarding. Inquiry into Land Valuation System

Thank you for you letter [7/2/13] inviting me to make a submission. I have absent from Sydney most of February and March, accordingly did not receive you invite until last week and in Sydney one day

Appreciate your invitation and apologise for a late involvement.

I spoke with John Miller advising, I would make a submission out -lining my experiences and research and be pleased to elaborate further in person to your committee,

Since 2000 have collected considerable data regarding both Local Government and State land taxes. This information is available in all Council's areas in the Sydney region and NSW Coastal Council's.

It is my opinion the comparative data reflects the difficulties that influence the Land Valuation Methodology I would be pleased to discuss, and elaborate with your committee.

Yours Faithfully

Mike Danzey

Certified Valuer No 2003

15th March 2013

SUBMISSION

15 -3 -2013

To INQUIRY INTO LAND VALUATION SYSTEMS

Introduction

The “Valuation of Land Act 1916”, directs how the “mass land valuation methodology” sets land value liable for land taxing. The Act’s intent [in NSW] was to set local government valuation rolls, each Council must use when setting their respective land tax ‘Rate’. The valuation methodology was introduced when land use for - housing –industrial-commercial was predominantly Freehold land.

The valuation methodology intent was the equitably distribution among Ratepayers to fund Local Council’s. A vital factor was transparency to safeguard the systems veracity by being open – transparent to the public.

Over the years changes have occurred many to the disadvantage of Freehold land use.

EG. *Removal = Annual Assed Value.

*Removal of =Transparency

*Introduction of = Site value.

* Disregard for existing use especially in established residential - commercial - industrial areas.

* Etc. Etc.

A n important factor distorting the land valuation system methodology intent [in my opinion], was the introduction of Strata Title together with advanced construction methods that allowed greater exploitation of air space; again, existing use of Freehold land was/is impacted, especially sever on land uses that require a freehold site, as only Freehold can subdivide into numerous Strata Lots.

Land use Impacted

EG * High Street small business, Tourist accommodation

* Transport—storage—many other industrial uses

* Exclusively rental Apartment Blocks.

* Etc

2.

A prime factor that has distorted the land valuation system impact on Freehold land use was/is un-pegged State land Tax [SLT] that is selectively imposed, taxing land values imposed by the “mass valuation methodology” in competition with Council’s land taxes ‘Rates’. SLT performs a diverse revenue agenda to Council’s, however, engages a valuation methodology that impacts existing use of Freehold land. This is recognised by government exemptions from SLT to various users who require a Freehold Site.

- EG
- * Nursing Homes - Boarding Houses- Low cost accommodation. Residential parks. Etc.
 - * Company Title Blocks. [Treated as Strata 1991]
 - * Rural lands.- Wind farms- Mining.
 - * Etc.

****Please Note Attachment page. 4 providing comparatives examples**

*** comparing SLT with Council land tax ‘Rates’ . Revenues–**
Woollahra – Waverley- Randwick that compares SLT revenues with Council’s “Rate’ revenues.

*** Residential Ratios Comparing**
SLT “Rates” and Local Council’s land tax ‘Rate’ ‘

The comparative data [and other] is available for each Council’s in the Sydney region, also, NSW coastal Council’s. The data was provided in writing from both Treasury and Council’s.

Summary

***The “land valuation system methodology” is used by two competing land taxing regimes with contrasting agenda.**

***Removing the valuation systems transparency, has compromised it’s integrity, a prime intent ‘to be open and fair, has been removed the intend of the “Valuation of Land Act 1916”.**

*** Significant increases in SLT occurred across the board following the failed experiment in 2005 to abolish the threshold that imposed SLT all residential investment property and blanket imposition om Industrial and Commercial land use in NSW. This lasted just one tax year.**

***The valuation systems original intent was admirable, however, its valuation methodology as used to selectively impose SLT especially impacts Freehold land because of changed circumstances**

3.

* Local Council's must strike a local rate yearly, and, "must apply the same 'Rate' to ALL liable land in the same class." Also, Council's gross Rates revenues" are pegged to CPI increases, however, Council's can apply to IPART for Rate increase [previously the Minister] and are receiving increases. IPART is aware increased Council land tax 'Rates" is most severe on existing Freehold land EG "Existing Family Homes"

Possible viable short term Solution

A solution is difficult especially while two Land Taxes operate in competition with each other and with divergent agendas, both using the same 'Land Valuation System" with SLT selectively imposed at a considerable higher 'Tax Rate". [see attached data]then council's

However, I make the following suggestion. That can provide respite from a SLT regime that taxes land values disregarding existing use, using a valuation methodology intended for Local Government and never intended for a selectively imposed SLT

Concern exists about SLT impact, especially, on small business and exclusively rental housing stock. Etc. seeking solutions, one being to for SLT to regard existing use

A Suggestion

A) SLT be applied to prevent land banking. Not the current agenda.

B) A Land use requiring a "Freehold Site" SLT "Annual value".

E.g. Such as freestanding.

- * High Street small business premises.
- * Small business that requires an Industrial Site.
- * Exclusively rental Apartment Blocks.
- * Motels – Hotels- Tourist accommodation

All being purposes built for the purpose used.

C) Government mooted a wide based SLT be introduced. I have some correspondence with Treasury regarding this.

C.J.[Mike] Danzey
Certified Valuer 200

Comparative data by Mike Danzey Certified Valuer
COUNCIL'S 2011-12 - and - SLT 2012
 [Please note SLT is about 10% conservative]

Woollahra Council

SLT. Liable Properties .Res. 6172. SLT \$66,308,000.
Bus. 1130. : \$14,527,000.
= 7302 = \$80,835,000.

Council : : Res. 24,365. Rates \$24,882,000
Bus 1,457 : \$ 4,417,000.
= 25822. = \$ 30,299,000

SLT tax rate exceeds Council's Residential rate by 3272%

Waverley Council

SLT Liable Properties. Res. 7035. SLT \$46,948,000.
: : Bus. 2007 : \$18,383,000.
= 9042 = \$65,331,000.

Council : : Res 27,807. Rates \$25,763,000
Bus 1811 : \$9,923,000
= 29618. = \$35,686,000.

SLT tax rate exceeds Council's Residential rate by 1087%

Randwick Council

SLT Liable Properties Res 8356 SLT \$44,723,000.
Bus 1789 : \$27,089,000
= 10,145 : \$71,812,000.

Council : : Res 47,630 Rates \$ 45,236,000.
Bus 2025 : \$ 11,690,000.
= 49,655. : \$ 56,926,000

SLT tax rate exceeds Council's Residential rate by 879%

Etc