


Valuer-General's Policy

VGP 10/2019

Notional Values



Approved 15 October 2019

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Note: Words and acronyms that are in italics in this Policy, that are not part of a 'quote' or legislative reference, have a meaning as outlined in the Valuer-General's Guideline VGG - *Glossary of Terms and Definitions*

PURPOSE

To provide consistent and accurate *valuations* for the purpose of rating and taxing for *land*¹ that is eligible to have *notional values* determined in accordance with the requirements of s 22A of the *Valuation of Land Act 1971* (VL Act) by having appropriate regard to:

- Eligibility criteria;
- Valuation; and
- Administration

SCOPE

This policy relates to residential and primary production *land*, which in certain cases require site and capital values to be made on a notional basis by having regard to the residential or primary production use of the land, and not *the highest and best use* of the land.

This policy does not address the heritage land provisions of s 22B of the VL Act, and *land* that has been identified as a *Contributory Item*.

IMPLEMENTATION

Following the date of approval (and issue) this policy is to be used for:

- considering and determining all new notional values;
- reviewing existing notional values when there is cause to investigate the owners eligibility for a notional value;
- when reviewing existing notional values as part of an objection, supplementary change, revisit, revaluation as outlined in a scoping document or whenever there is cause to have the notional value manually adjusted or handcrafted; and
- retrospectively resolving:
 - an objection to a notional value in force for 2019-20;
 - a recommendation to install a notional value to have effect for the 2019-20 rating year as part of considering an objection to value;

¹ As defined in the Valuer-General's Guideline VGG - *Glossary of Terms and Definitions*.

- a recommendation to install a *notional value* to have effect for the 2019-20 rating year following a request by the owner; and
- other circumstances as approved by the Valuer-General to amend or install a *notional value* for the 2019-20 rating year.

BACKGROUND

S 22A, which was introduced into the *Valuation of Land Act 1971* in 1981², made provisions for notional valuations to be made in certain cases. The purpose of these concessional valuations was to afford the *owner* the benefit of valuations that were not based on the *highest and best use* of the land, and ignored any enhancement in the value brought about by:

- an existing division of the land; or
- a potential for division of the land; or
- a potential use of the land otherwise than used for the business of primary production, or as a principal place of residence.

Notional values are classified as either:

- *Residential Notional Values*; or
- *Primary Production Notional Values*

Where the *owner* of the *land* is entitled to a *notional value* the Valuer-General must also maintain on the relevant *valuation roll valuations* that reflect the highest and best use of the land.

For the purpose of this policy *valuations* that are determined under s 22A are referred to as *notional site value* and *notional capital value*, and are referred to in this manner on the *valuation roll*. Valuations that are required to be also maintained for the *land*, that reflect *highest and best use*, are referred to as the *substantive site value* and *substantive capital value*, and are also referred to in this manner on the *valuation roll*.

² Introduced by section 7 of Act No. 29 of 1981.

KEY CONCEPTS

This policy is reliant on key concepts summarised in diagram 1 below and explained further under their respective headings.

Diagram 1: Key Concepts

Concepts

Commercial and
Industrial Purpose

A residential notional cannot be provided if the land is also being used for a commercial or industrial purpose.

Class of Residential
Development

Used for determining the restricted highest and best use of residential land for the purposes of determining a notional value.

Business of Primary
Production

A primary production notional value can only be provided where the land is being used for the *business of primary production*.

Category of Business
of Primary
Production

The *business of primary production* is categorised as either intensive or non-intensive. Understanding the area of land associated with each category is important in determining a *primary production notional value*.

Farming Enterprise

Understanding what a farming enterprise is and what *land* is associated with it is important in determining *primary production notional values*.

Key Concepts - Residential Notional Values

Commercial and Industrial Purpose

For this policy a commercial and industrial purpose is a use of the land that cannot be considered a *home activity*.

Table 1 and 2 below outlines the uses of the land that constitute a commercial or industrial purpose. Each of the specific uses outlined in the tables are defined in the Valuer-General's Guideline: *VGG – Glossary of Terms and Definitions*.

Table 1: Commercial Purposes

- ⇒ Bulky goods outlet
- ⇒ Consulting rooms
- ⇒ Hotel
- ⇒ Hostels
- ⇒ Motel
- ⇒ Nursing Home
- ⇒ Office
- ⇒ Petrol filling station
- ⇒ Retail showroom
- ⇒ Restaurant
- ⇒ Service trade premises
- ⇒ Shop
- ⇒ Store
- ⇒ Warehouse

Or the purpose can be ascribed a Valuer-General's LUC that has a Local Government Code of:*

- ⇒ (2) commercial – shop
- ⇒ (3) commercial – office
- ⇒ (4) commercial – other

Table 2: Industrial Purposes

- ⇒ General industry
- ⇒ Fuel Depot
- ⇒ Industry
- ⇒ Light Industry works
- ⇒ Motor repair
- ⇒ Petrol Station
- ⇒ Service Industry
- ⇒ Special Industry
- ⇒ Stock slaughter

Or the purpose can be ascribed a Valuer-General's LUC that has a Local Government Code of:

- ⇒ (5) industry – light
- ⇒ (6) industry – other

*Land Use Code

Class Of Residential Development

Understanding the class of residential development that the *land* belongs to is used to determine the density of development. The valuer is to have regard to this density in determining a *residential notional value*.

Table 3 below outlines the three classes of residential development for the purpose of this policy and their density. The class of development is based on the Valuer-General's Land Use Code (LUC)³.

Table 3: Class of Residential Development and Density	
Class of Development (LUC*)	Density
11xx	low
12xx	medium
13xx and 14xx	high
*Land Use Code	

Key Concepts - Primary Production Notional Values

Business Of Primary Production

A *primary production notional value* can only be determined for *land* being used for the *business of primary production*.

For this policy the *business of primary production*⁴ means the business of the primary production activities outlined in table 4 on the next page.

³ A copy of the Valuer-General's Land Use Codes are provided on the Office of the Valuer-General's web page.

⁴ s 5(1) of the VL Act

Table 4: Permissible Primary Production

- ⇒ Agriculture
- ⇒ Pasturage
- ⇒ Horticulture
- ⇒ Viticulture
- ⇒ Poultry farming
- ⇒ Dairy farming
- ⇒ Forestry
- ⇒ Cultivation of soils, the gathering in of crops or the rearing of livestock
- ⇒ Propagation and harvesting of fish or other aquatic organisms

The *owner* of the land is not entitled to a *primary production notional value* if the *primary production* activities conducted on the land are not permissible *primary production* as outlined in table 4.

Not all permissible *primary production* activities can constitute a business. In order for the *primary production* activity on the land to be considered a *business of primary production* there must:

- be continuity and an organised operation associated with the permissible *primary production* activity along with reasonable size and scale normally associated with that activity; and
- diligence and repetition of actions constituting the activities expected for these *primary production* operations being undertaken upon the land; and
- the operations must have some significant commercial purpose or character, demonstrating a degree of sustainability or viability; and

- There is an intention and the prospect to make a profit from the permissible primary production activity, despite perhaps not always realising a profit in any particular year.

To qualify for a *primary production notional value* a business need not necessarily be profitable. Profit, or lack of it, and scale of operations are not decisive criteria for whether the activities on the land constitute a business.

Evidence in support of a *business of primary production* include:

- an ABN;
- existence of a business plan and budget;
- record keeping associated with the business for accounting and tax purposes;
- marketing being undertaken;
- investment being undertaken in the primary production activities and supporting equipment and infrastructure;
- research; and
- establishment of a customer base.

Category of Business of Primary Production

In order to determine a *primary production notional value* the valuer must categorise the *business of primary production* being undertaken on the *land* as either:

- non-intensive, or
- intensive

Table 5 on the following page outlines what primary production activities constitute intensive or non-intensive.

Table 5: Definition of Intensive and Non-Intensive Primary Production

Category	Definition
Non-Intensive	<ul style="list-style-type: none"> ⇒ Forestry; and ⇒ The cultivation of soils, the gathering in of crops or the rearing of livestock without irrigation
Intensive	<ul style="list-style-type: none"> ⇒ Pasturage; ⇒ Horticulture; ⇒ Viticulture; ⇒ Apiculture; ⇒ Poultry farming; ⇒ Dairy farming; ⇒ Cultivation of soils, the gathering in of crops or the rearing of livestock where irrigation is used; and ⇒ Propagation and harvesting of fish or other aquatic organisms

Farming Enterprise

When determining a *primary production notional value* the valuer must give consideration to if the land forms part of a farming enterprise.

A farming enterprise comprises more than one holding of *land* used collectively as part of the same class of *business of primary production* that occurs across each of the holdings, which are:

- owned by members of the same family conducting the business of primary production; or

- owned by related companies conducting the business of primary production; or
- are leased from different owners by the above; and
- there is demonstrable evidence that all land being used as part of the enterprise are in use for that *business of primary production*.

The valuer in valuing the land within a farming enterprise must:

- determine notional values for the *land* within the farming enterprise on the assumption that all the *land* comprising the farming enterprise can only sell as one holding as at the *date of valuation*; and
- The land comprising the farming enterprise need not be contiguous, however, the land must be situated in the same *area*⁵ of the State, or adjacent *area* of the State.

Where the land in one *area* of the State is separated from land within another *area* of the State, by one or more *areas* of the State then they cannot be considered a part of the same farming enterprise.

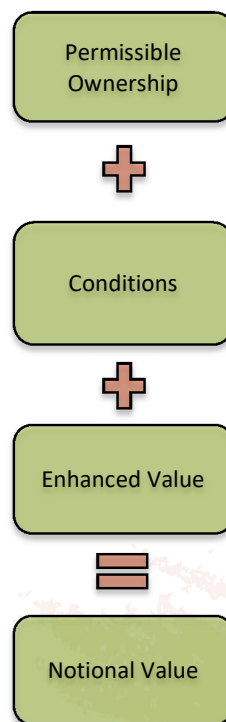
⁵ As defined in the Valuer-General's Guideline VGG - *Glossary of Terms and Definitions*.

ELIGIBILITY CRITERIA

Considerations

The owner of *land* is entitled to a *notional value* if they meet the criteria outlined under all the following headings:

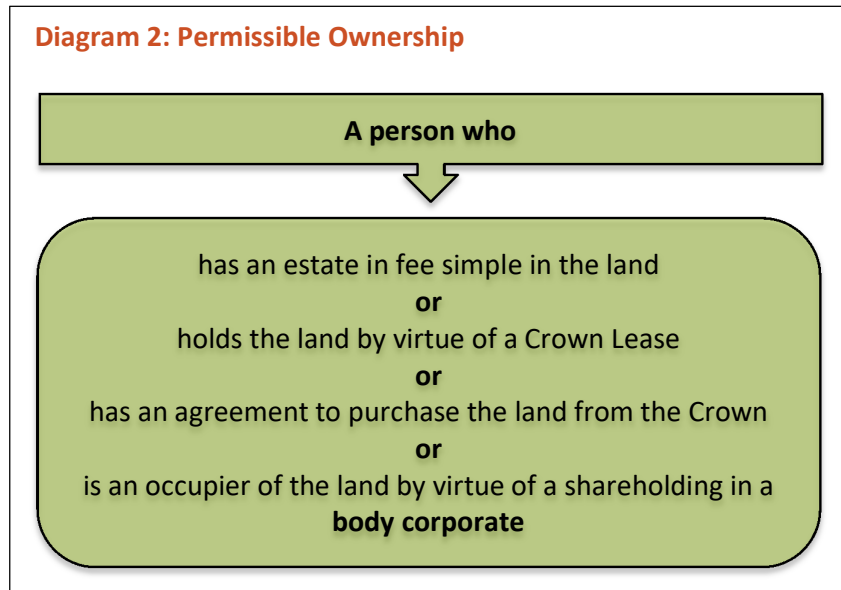
- a) Permissible Ownership
- b) Conditions
- c) Enhanced Value



Permissible Ownership

For an owner of *land* to be eligible for a *notional value* they must be a permissible ownership as outlined in diagram 2.

Diagram 2: Permissible Ownership



A **body corporate** is the kind as outlined under the VL Act⁶, where:

- the whole of the land vested in the body corporate consists of a group of dwellings and land appurtenant to those dwellings; and
- all issued shares of the body corporate are owned by shareholders who acquire exclusive rights to occupy land of the body corporate by virtue of their shareholdings.

⁶ Refer to s 22A(b)(ii), VL Act

Conditions

The following conditions are required to be met for a *residential notional value*:

- the owner of the *land* is a *natural person*, and the *land* constitutes their *principal place of residence*; or
- the *land* constitutes the *principal place of residence* of a natural person who is a shareholder in the body corporate.

And

- the land is not used for a commercial or industrial purpose, other than what can be considered a *home activity*.
- the commercial or industrial purpose does not need to be considered the predominant use of the land before an owner is not entitled to a *residential notional value*.
- Commercial or industrial purpose is discussed under key concepts.

The following conditions are required to be met for a *primary production notional value*:

- the *land* must be used for the *business of primary production*. It does not need to be the *predominant use* of the *land*.
- Land that is also being used for a commercial or industrial purpose, or purchased by an owner who is not a primary producer, does not preclude the owner from being entitled to a primary production notional value. [See example one under Annexure A]

-
- The *business of primary production* is discussed under key concepts.

Enhanced Value

A notional value will only be determined where the *value* of the *land* has to be enhanced by:

- an existing *division of the land*; or
- a potential for *division of the land*; or
 - for the purpose of a *residential notional value* a potential use of the land otherwise than used as a *principal place of residence*; or
 - for the purpose of a *primary production notional value* a potential use of the *land* other than for the *business of primary production*.

DETERMINING NOTIONAL VALUES

Assumptions and Considerations

Valuation Assumptions

A *notional site value* will always be determined despite it not being used for the purpose of the *Land Tax Act 1936*.⁷

The valuer must assume in determining a *notional value*:

- The *land* is capable of being separately sold.
- The *estate in fee simple* in the *land* to be *valued* is *unencumbered* and the *valuation* is not of the taxpayer's interest in the *land*.
- The capital amount expected to be realised upon sale, in the definition of site and capital value, is the estimated amount for which the *land* should exchange on the *date of valuation* between a *willing buyer* and a *willing seller* in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- The *willing buyer* and *willing seller* are hypothetical.
- The *highest and best use* of the land⁸ is restricted, and for the purposes of a:

Residential notional value

- the *land* is a single residential parcel with no existing or potential for division; and

⁷ For the purpose of the Land Tax Act 1936 a notional site value will not be used for land tax purposes, unless the land is being used for the business of primary production, see s 22A(9) VL Act.

⁸ Refer to Valuer-General's Policy: VGP 06/2019 – *Highest and Best Use*.

- the *land* can only be used for the development of a place of residence that reflects the current *class of residential development* upon the *land*, or a lessor density residential use if that is more advantageous. [See example two under Annexure A]

Primary production notional value

- the *land* is a single primary production parcel with no existing or potential for division; and
- the highest and best permissible use of the land (or that portion of the land within a category) is the most advantageous form of business of primary production within the category that the use of the *land* is classified.

Notional Site Value Assumptions

For a *residential notional site value*, and a *primary production notional site value*, the valuer must assume:

- Improvements on the *land* that are not exhausted have not been made. These include buildings and structures, wells, dams, reservoirs and the planting of trees for commercial purposes.
- Improvements and structures in the nature of *site works*⁹ are not hypothetically ignored. These include:
 - reclamation of the *land* by draining or filling, and any retaining walls or other structures or works ancillary to that reclamation;
 - the excavation, grading or levelling of the *land*;

⁹ As defined in the Valuer-General's Guideline VGG - *Glossary of Terms and Definitions*.

-
- the removal of rocks, stone, sand or soil from the *land*; and
 - the clearing of timber, scrub or other vegetation.
 - the removal of rocks, stone, sand or soil from the *land*; and
 - the clearing of timber, scrub or other vegetation.

Notional Capital Value Assumptions

For a *residential notional capital value* and a *primary production notional capital value* the valuer must not take into account in the *valuation* of the *land* trees planted for the primary purpose of commercial production of timber, or the prevention of degradation of land, or the disposal of effluent, or the provision of a habitat for wild life.

For a *primary production notional capital value* only the valuer must not take into account in the *valuation* of the *land*¹⁰:

- Any item of machinery, plant or equipment that is used in connection with a trade, business or manufactory where:
 - It is not fixed to the land or premises; or
 - It is fixed to the land or premises so as to be capable of being removed without structural damage, other than minor or trivial structural damage, to the *land* or premises
- Any main, pole, transformer, wire, pipe, machinery, plant or equipment that is used in the connection with the generation and supply of electricity, the supply of gas or water or the

¹⁰ Not relevant for a residential notional value as one cannot exist where the land is being used for a commercial or industrial purpose.

provision of sewerage and is erected on land occupied by a public utility undertaking¹¹ to the supply or provision of such services must not be taken into account in the *valuation* of the *land*, unless:

- It is electricity generating plant, and substations for converting, transforming or controlling electricity that are used by a body specified by proclamation under clause 3(2) of Schedule 1 of the *Electricity Corporations (Restructuring and Disposal) Act 1999*; and
- are situated on land to which a proclamation under clause 3(3) of Schedule 1 applies.

Valuation Considerations

The following considerations as at the *date of valuation* must be reflected in the *valuation*:

- The physical condition, location and surroundings of the land and available amenities. Including all interests or restrictions imposed by generally applicable legislation on the *estate in fee simple* in the *land* that are in addition to the assumed restrictions as to the *highest and best use* of the land.
- Where the *land* is on a State/local heritage list take into account the fact that the *land* is on a heritage list in the *valuation*, including disregarding any potential use of the land that is inconsistent with its preservation as a place of State or local heritage significance or value¹².
- Consideration must be given to any site contamination¹³ on or in the land, even those brought about by the use of the land associated with the improvements.

¹¹ Whether or not an agency or instrumentality of the Crown.

¹² See s 22B of the VL Act, and relevant policy.

¹³ Includes issues such as spray drift which is covered under its own policy.

**Valuation
Methods and Sales
Analysis****Direct Comparison**

Valuation by Direct Comparison is a suitable method to value *land* where it is determined the owner is to receive a *notional value*.

Where value is to be determined based on accuracy care must be taken in comparing the subject land with *Comparable Sales* evidence, ensuring the sales evidence reflects a parcel of land that has no existing or potential for division, and:

- For a *residential notional value* ensure the *highest and best use* of the sale land is for the same class of residential development as the subject land, or a lessor intensive residential use if that is more advantageous use of the subject land. Refer to example two in Appendix A.
- For a *primary production notional value* ensure the highest and best use of the sale land is for the *business of primary production* relevant to the category of *business of primary production land* being valued.

When using *Direct Comparison* to determine a *notional site value* based on accuracy consideration must be given to:

- A broad range of market evidence, including sales of vacant and improved land if required, including sales of land from alternative areas where required and making necessary adjustments for location.
- Follow an evidence based approach when using sales of improved land to deduce a *notional site value*.

-
- This can involve analysing sales evidence of improved land to arrive at a *site value* component that can be used, in conjunction with any vacant land evidence, to determine the *notional site value* for the *land* on a *direct comparison* basis, or
 - For a *residential notional site value* a *notional capital value* can first be determined by *direct comparison* with improved land, and the value of the improvements and structures (other than site works) deducted to arrive at the residual *notional site value*. The value of the improvements and structures would need to be arrived at by using evidence that is not enhanced by existing, or potential subdivision, and for the potential use of the land other than for the residential purposes the land is being put to at the time of sale. Where there is no such evidence the proxy value of the improvements can be arrived at by *depreciated replacement cost (DRC)*.

When using *Direct Comparison* to determine a *notional capital value* based on accuracy consideration must be given to a broad range of market evidence, including sales of improved land from alternative areas where required and making necessary adjustments for location.

When using *Direct Comparison* to determine a *notional value* based on relativity consideration must be given to the same principles outlined for accuracy, but rather than use sales evidence it is the values prevailing in relation to land of the same or similar character upon the relevant current or proposed valuation roll(s) that is used for comparison.

Summation Method

Valuation by Summation Method is also permitted to deduce a notional capital value that is required to be determined on accuracy or relativity, where the arrived *notional site value* can be used as the land component as part of the summation exercise.¹⁴

For a *residential notional capital value* the added value of the improvements needs to be arrived at from an evidence based approach, taking care where:

- The valuation is based on *accuracy* that the sales of vacant and improved land that are used to determine the market worth of improvements as part of a notional capital value summation calculation are not enhanced by existing or potential division of land, or:
 - for the purposes of a *residential notional capital value* an alternative use of the land other than for the class of residential development that comprises the place of residence of the subject land, or a lessor intensive residential use if that is more advantageous use of the subject land.
 - for the purposes of a *primary production notional capital value* an alternative use other than for *business of primary production* unless the improvements are associated with a land component where the potential has been realised.

When using the *Summation Method* to determine a *notional capital value* based on relativity consideration must be given to

¹⁴ It is possible that the residential use of the land is non-complying, and that the land component required as part of a summation approach to arrive at a *substantive capital value* may not be the same as the *substantive site value* for the subject *land*, but this will not be the case for a *notional capital value*.

the same principles outlined for accuracy, but rather than use market evidence it is the values prevailing in relation to land of the same or similar character upon the relevant current or proposed valuation roll(s) that is used.

Mass Appraisal

The use of mass appraisal to revalue an existing notional value that reflects the benefit of s 22A of the VL Act is permitted as part of the General Valuation process, where this will involve the systematic valuation of groups of properties at the *date of valuation* using standardised procedures.

These standardised procedures are to be identified by LSSA and are to be outlined in the *Valuation Services Operations Manual*, or relevant guideline.

Further Considerations for Primary Production Site Value Notional

Single Category – Owner is Primary Producer

Where the *land* is being used for just one category of *business of primary production*, and the *owner* of the *land* is undertaking the business, then the valuer:

- is to value the land based on the most advantageous form of *business of primary production* within the category that the use of the *land* is classified; and
- if the land forms part of a farming enterprise have regard to this in the valuation; and

Multiple Categories – Owner is Primary Producer

Where the *land* is being used for both categories of *business of primary production*, and the *owner* of the *land* is undertaking one or more of the businesses, then the valuer:

- is to value the land using the *piecemeal approach*; and
- is to value all of the land that falls within each category of business of primary production based on the most advantageous form of business of primary production within the category that the use of the land is classified; and
- if the land forms part of a farming enterprise have regard to this in the valuation.

Single or Multiple Category – Owner is not Primary Producer

Where the *owner* of the *land* is not undertaking a business of primary production upon the land, and they are occupying a residence on the land as at the date of valuation (or in the case of new notional values, the date it was identified as being required or when a request in writing was received) as their principal place of residence, it is to be assumed that the rural living potential associated with a portion of the *land* has been realised.

In this case the valuer:

- is to value the land using the *piecemeal approach*; and
- to value a portion of the *land* that would constitute a house site and curtilage for the residence, based on the same rate as the *substantive site value*; and
- for the balance of the *land*, value the land that falls within each category of *business of primary production* based on the most advantageous form of *business of primary production* within the category that the use of the land is classified; and

- if the land forms part of a farming enterprise have regard to this in the valuation.

If the land is not improved by a residence then the land will be valued based on the 'Single Category – Owner is Primary Producer' or 'Multiple Categories – Owner is Primary Producer', whichever is applicable.

Mixed Use

Where the *land* is being used for both the *business of primary production*, and other more advantageous alternative uses of the *land* (including realised subdivision), the owner of the land is still entitled to the benefit of a primary production notional, even if the *business of primary production* is not the predominant use of the land.

In this case the valuer:

- is to value the land using the *piecemeal* approach; and
- to value a portion of the land that would constitute a house site and curtilage for the residence based on the same rate as the *substantive site value* if the owner:
 - is not undertaking a *business of primary production upon the land* and there is a residence that is their principal place of residence; or
 - the residence is rented to an occupier who is not undertaking a business of primary production upon the land.

And

- for each of the more advantageous uses of the land, that cannot be considered a *home activity*, value the portion of land associated with those uses, including curtilage required for those uses, based on the same overall rate as the *substantive site value*; and
- for the balance of the *land*, value the *land* that falls within each category of *business of primary production* based on the most advantageous form of *business of primary production* within the category that the use of the *land* is classified; and
- if the *land* forms part of a farming enterprise have regard to this in the valuation.

For the purpose of the above a more advantageous use of the land associated with subdivision can only be considered for those portions of the *land* where associated site works, improvements and structures for such subdivision have commenced as at the date of valuation, or for new notional values, as at the date the entitlement to notional values was identified or when a request in writing was received from the *owner*.

LSSA is to maintain a notional value benchmark table to assist in the valuation of notional values within Peri-Urban and Metropolitan Areas. An example of this is outlined in this policy's guidelines.

Further Considerations for Primary Production Capital Value Notional

Valuation by Summation Method is a primary method to deduce a primary production notional capital value that is required to be determined on an *accuracy* or *relativity* basis.

The added value of the improvements needs to be arrived at from an evidence based approach, taking care where:

- The valuation is based on *accuracy* that the sales of vacant and improved land that are used to determine the market worth of improvement as part of a notional capital value summation calculation are:
 - for improvements and structures associated with those portions of land used for the business of primary production - not enhanced by existing or potential division of land, or for an alternative use of the land other than for the business of primary production.
 - for improvements and structures associated with those portions of land used for other more advantageous uses of the land and rural living - the added value for those improvements and structures as it relates to the substantive value of the land.
- When using the *Summation Method* to determine a *notional capital value* based on relativity consideration must be given to the same principles outlined for accuracy, but rather than use market evidence it is the values prevailing in relation to land of the same or similar character upon the relevant current or proposed valuation roll(s) that is used.

ADMINISTRATION AND PROCESSING OF NOTIONAL VALUES

Responsibilities

Maintaining the Valuation Roll

LSSA must ensure the valuation records that have notional values are:

- kept up to date¹⁵; and
- the *notional values* and *substantive values* that are on the valuation record for the *land* are accurate

LSSA must maintain processes and procedures to be outlined in the *Valuation Services Operation Manual* that identify when the owner of the land may no longer be eligible for the benefit of a notional value, or when they are.

Administration

Removing Notional Values

Notional values can only be removed upon approval of the Valuer-General.

Unless for compelling reasons notional values should only be removed for the next *general valuation* following the date upon which the Valuer-General approves their removal.

LSSA are to confirm the requirement to remove notional values in accordance with the administrative process outlined in this policy's guidelines.

¹⁵ In line with the requirement of c 15.4(a), sch 1, LSA

Processing

New Notional Values

New notional values may be determined for land as a consequence of:

- Being identified by LSSA or the Valuer-General; or
- Upon request from an owner.

Identified

Where LSSA, or the Valuer-General, have identified the *owner of land* is entitled to a *notional value*, prior to or as part of the *Calculation Phase* for a *proposed general valuation*, LSSA will:

- determine the required *notional value* recommendations as part of the *general valuation*¹⁶ process; and
- the new notional values will be determined having regard to accuracy as at the *date of valuation*.

Where LSSA, or the Valuer-General, have identified the *owner of land* is entitled to a *notional value*, post the *Calculation Phase* for a *proposed general valuation*, and prior to the proposed general valuation coming into force, LSSA will:

- determine the required notional value recommendations as part of a *proposed supplementary change*; and
- the notional values will be determined having regard to relativity of value of like properties upon relevant proposed valuation rolls with particulars that have been accepted or specified by the Valuer-General.

Where LSSA, or the Valuer-General, have identified the *owner of land* is entitled to a *notional value*, as part of an objection to value,

¹⁶ S 11 VL Act and General Valuation Services as outlined under c 13, Sch 1, LSA

the *proposed supplementary change* recommendations that are associated with this *objection* require to be determined having regard to relativity of value of like properties upon relevant current valuation rolls in force.

In arriving at a recommendation, LSSA may request from the owner information in line with the process outlined in this policy's guidelines.

LSSA are to ensure where new *notional values* have been determined as part of the *general valuation* process that the *owner* of the *land* receive correspondence that meets the requirements of s 22A (3) of the VL Act.

Upon Request

The *owner* of the *land* may request the Valuer-General to value the *land* ignoring any enhancement to value as outlined in this policy. Where such request has been made, and the Valuer-General becomes satisfied that the owner is entitled to a notional value, they must be determined.

Before the Valuer-General can become satisfied that the owner is entitled to the benefit of a notional value, the request by the owner must be in writing. This includes the completion of application forms as outlined in this policy's guidelines.

Upon assessing the request the Valuer-General may request LSSA to undertake investigations and provide recommendations in line with this policy's guidelines as to:

- the eligibility of the owner to receive the benefit of notional values;
- the notional site value and notional capital value to be applied; and
- the recommended *general valuation* (current or proposed) in which the notional values are to come into effect in accordance with this policy, or otherwise instructed by the

Valuer-General.

Timing of New Notional Values

S 22A of the VL Act makes no provision for when a notional valuation is to commence.

When LSSA, or the Valuer-General, identify that the *owner* of the *land* is entitled to new *notional values* they are to form part of the proposed *general valuation* that comes into force after the date upon which the entitlement was identified.

As a consequence of a request in writing from the *owner* of the *land*, any new *notional values* that are determined form part of the proposed *general valuation* that comes into force after the date upon which the request in writing was received by the Valuer-General.

In appropriate circumstances, or where there are compelling reasons, new notional values maybe determined for the *land* to have effect for the *current general valuation* and change the current valuation roll particulars for the valuation record accordingly as part of a *Supplementary Change* process¹⁷.

Instances where new notionals can be put into effect for the current general valuation are outlined in this policy's guidelines.

New notional values determined to have effect for the next *general valuation* will be based on relativity, having regard to the proposed *valuation roll* for the *area* (or comparable areas) if one has been produced, or the current *valuation roll* in force if no such proposed *general valuation* has been finalised.

New notional values determined to have effect for the current *general valuation* in force will be based on relativity, having regard to the current *valuation roll* for the *area* (or comparable areas).

¹⁷ Considered to be necessary or expedient under s 15 of the VL Act

REFERENCES AND RESEARCH

Legislation

- *Valuation of Land Act 1971*
- *Valuation of Land Regulations 2005*

Case Law and CLA

- Spencers case (1907) 5 CLR 418
- CLA, 10 March 2011, Administration of Notional Values under s 22A of the *Valuation of Land Act 1971*.
- CLA, 22 February 1995, Sections 22 and 22a, *Valuation of Land Act 1971* (as amended).
- CLA, 28 October 1998, *Date of Application of a Notional Value Applied for the First Time*.
- CLA, 31 October 1996, Defining what constitutes a 'Commercial or Industrial Purpose'.

Policy

Associated policy:

- VGP 06/2019 *Highest and Best Use*

Regard has been had to the following which is superseded by this policy:

- State Valuation Office, *Notional Values & Reduced Values Policy*, January 2014
- State Valuation Office, *Residential Notional Values*, November 2012

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- State Valuation Office Internal Directive, *Open Space Policy - Notional Site Values*, 29 October 2010
 - State Valuation Office, *Directive 13 Notional Values & Reduced Values*, March 2015
 - Valuer-General's Office, Staff Instruction No 77 'Notional Values, Business of Primary Production,' 4 November 1991

Standards and References

- International Valuation Standards 2017, International Valuation Standards Council.
- Rost RO and Collins HG, *Land Valuation and Compensation in Australia*, Australian Institute of Valuers and Land Economists (incorporated), Third Edition reprinted 1991, Southwood Press Pty Ltd.

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Notional Values

DOCUMENT CONTROL

Version

Version	Status	Date	Prepared By	Comments
0.1	draft	20 May 2019	A Smit	Development of Draft and Research
0.2	draft	26 August 2019	A Smit	Incorporate VG feedback and change in format
0.3	draft	3 October 2019	A Smit	Revised format and incorporation of VG, OVG and LSSA feedback
0.4	draft	10 October 2019	A Smit	Final edits
1.0	final	15 October 2019	A Smit	

Approval

Name and Position	Signature and Date
Katherine Bartolo Valuer-General	 15 October 2019

This policy replaces the following as at the date of approval:

- State Valuation Office, *Notional Values & Reduced Values Policy*, January 2014
- State Valuation Office, *Residential Notional Values*, November 2012
- State Valuation Office, Internal Directive, Notional Site Values, 29 October 2010
- State Valuation Office, *Directive 13 Notional Values & Reduced Values*, March 2015

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Notional Values

Next Review

Date	Comments
15 October 2021	Annual policy review. May be reviewed sooner following release or as needed.

ANNEXURE A – EXAMPLES

Example One

Currently a parcel of land of 4 hectares, with notional values, due to the value being enhanced for rural living, is being used for the business of primary production, by a farmer who is using the land in conjunction with other land as part of a farming enterprise.

The owner sells the subject land to a Transport Operator, who starts to use portion of the land for freighting business, while the farmer continues to use the balance of the land for the business of primary production.

This series of events does not lead to circumstances that require the notional values to be removed.

Example Two

The subject land of 1,200 square metres has improvements upon it that comprise a block of five flats, where one of the flats is the owners principal place of residence. The land is enhanced by the potential for subdivision, and commercial development.

For the determination of notional values the restricted highest and best use of the land is assumed to be the block of five flats, unless the land would be more valuable if used for a lessor intensive use such as a single detached dwelling.

Where the block of 5 flats is considered a more advantageous residential use, than a lessor intensive development, the notional capital value if determined on accuracy could be arrived at by direct comparison on a per flat basis. The notional site value in this case would be the residual value once the value of improvements are deducted from the notional capital value.

If it is more advantageous for the land to be used for a single detached dwelling then the notional site and capital value would be the same, with the block of flats adding no value. If this value is greater than the value of the land based on its potential for subdivision, or for commercial development, then no notional value is required.