

Council Rates and Gross Rental Value Objections

It is now the time of the year that Local Government Council Rates notices are being delivered to land owners who often question the amount of Rates that are required to be paid. In most circumstances, commercial property land owners pass the cost onto the tenants, who then dispute the amount of rates to be paid.

Council Rates are based on a rate in the dollar of the **Gross Rental Value (GRV)** assessed by the Valuer Generals Office at Landgate. Under the Valuation of Land Act 1978, "Any person liable to pay any rate or tax assessed in respect of land who is dissatisfied with a valuation of such land made under this Act, may serve upon the Valuer-General **a written objection to the valuation.**" The [Licensed Valuers](#) at Garmony Property Consultants undertake numerous Valuations for the objection of the assessed Gross Rental Value and submit the prescribed objection form as their clients "Agent" and liaise with the Valuer Generals Office throughout the objection process.

The Valuation of Land Act defines Gross Rental Value or GRV as;

gross rental value of land means "the gross annual rental that the land might reasonably be expected to realize if let on a tenancy from year to year upon condition that the landlord were liable for all rates, taxes and other charges thereon and the insurance and other outgoings necessary to maintain the value of the land"

However in some situations if the GRV cannot reasonably be determined on such basis as defined by the Act above, then the gross rental value shall be the assessed value and if the value of the improvements of land not used for residential purposes is **less than one-third of the vacant land value**, then the GRV will be assessed value.

Assessed value of land means such **percentage** of the capital value of the land as may from time to time be prescribed either —

- (a) in respect of land generally; or
- (b) in respect of a class of lands which includes the land;

capital value of land means the capital amount which an estate of fee simple in the land might reasonably be expected to realize upon sale — provided that where the capital value of land cannot reasonably be determined on such basis, the capital value of such land shall be the sum of, first, the unimproved value of the land, and, secondly, the estimated replacement cost of improvements to the land after making such allowance for obsolescence, physical depreciation, and such other factors as are appropriate in the circumstances;

The **percentages** used above is 3% for Residential and 5% for non-residential land under the Valuation of Land Regulations 1979.

This means for underutilised sites such as old houses converted to office use in redevelopment areas, where the improvements add little value (generally a holding income until redevelopment) then the Gross Rent may be less than 5% of the Land Value and the higher of the two assessments will be used as the GRV for rating and taxing purposes.

CASE STUDY - Converted House on small development site in South Perth.

The property has a tenant paying a Net Rent of \$55,000 per annum (inclusive of GST) plus outgoings of \$10,000 which indicates a Market Gross Rent of \$65,000. However the Assessed Land Value (Unimproved Value or UV) of the property is \$1,800,000. If the improvements add less than \$600,000 (in this case they only add \$150,000) then **the site is considered underdeveloped** and therefore the 1/3 rule applies. The Assessed GRV (**or Site Value GRV**) would be 5% of the land value of \$1,800,000 being \$90,000 and not \$65,000 as what is paid by the market.

The above case study shows that the GRV assessment by the Valuer General may appear to be above market levels or unfair, however the definition of Gross Rental Value in the Valuation of Land Act 1978, the assessment complies.

Please contact the expert Licensed Valuers at Garmony Property Consultants for further information and advice on Gross Rental Valuation and Unimproved Value objections for your Council Rates and Land Tax assessments.