

Rating valuations FAQ

Valuations used for council rates, land tax, windfall gains tax and the fire services property levy

# Annual and central valuations

## Q. What has changed?

**A.** The Valuer-General is now responsible for undertaking of valuations (for council rates, fire services property levy, windfall gains tax and land tax purposes) in Victoria. These valuations are now undertaken annually whereas previously they were undertaken every two years.

## Q. Why has it changed?

**A.** Valuations will now be current (annual rather than biennial) to more accurately reflect recent change in values.

## Q. How will the change affect my rates?

**A.** Revaluations do not impact councils’ revenue which is determined by their budget process. A revaluation simply reapportions the rate burden between all rate payers. Annual valuations, rather than biennial valuations, are expected to improve equity and transparency in the distribution of rates.

## Q. How will enquiries and objections be handled?

**A.** Rates enquiries should be directed to the local council who issued the valuation and rates notice. Council will respond to the enquiry in accordance with their customer service charter. If they are unable to assist the ratepayer with the query, they may forward the query to the valuer appointed to undertake the valuation on behalf of the Valuer-General.

Similarly, Land Tax Assessment and Windfall Gains Tax Assessment enquiries should be directed to the State Revenue Office (SRO) who issued the notice. The SRO will respond to the initial enquiry in accordance with their customer service charter. If the SRO are unable to assist, they may forward the query to the valuer appointed to undertake the valuation on behalf of the Valuer-General.

A person aggrieved by a valuation may object to that valuation in accordance with the *Valuation of Land Act 1960*.

## Q. Will yearly valuations increase land tax revenue?

**A.** Land tax revenue is reflective of changes in land values, by undertaking annual valuations land values will be current and equitable. In a rising/falling property market, taxpayers will have a changing liability and will see their liabilities increase or decrease every year instead of every second year.

# Council rates

## Q. How are the rates set?

**A.** Through the budget process Council determine the amount of revenue required to be raised in rates. The rate in the dollar is then determined to deliver the amount required. Councils’ ability to increase the total rates received from the budget is capped by the Government’s Fair Go Rates system, which means councils are restricted from increasing their overall rate revenue by more than a percentage set annually.

## Q. What is the system of rating used by Council?

**A.** Council can adopt a system of differential rates based on Capital Improved Value/ Net Annual Value. Capital Improved Value can be described as the market value of the property as at a certain date (1 January of relevant year). For residential property and farms, the NAV is fixed at 5% of the Capital Improved Value and for non-residential property, the NAV represents the annual market rental value of the property, less all necessary expenses required to maintain that property, except Council Rates. The NAV must be a minimum of 5% of CIV. It cannot be less than 5% of the CIV.

## Q. How are the rates calculated for my property?

**A.** Rates are based on the combination of two variables: the rate in the dollar and the valuation. The rate in the dollar determined by Council is multiplied by the Net Annual Value/ Capital Improved Value to determine your rates.

## Q. Why has my valuation decreased while my rates have increased?

**A.** The total expenses the Council has estimated to fund operational running costs and complete projects and policies is divided into the total assessed CIV/NAV of rateable properties within the municipality to create a ‘rate in the dollar’. The result of this could be that your CIV/NAV has decreased but the rate in the dollar has increased by a higher proportion which may result in an overall increase in the rate liability calculated.

## Q. Can I object to my rates?

**A**. Ratepayers are not able to object to their Rates however they are able to object to their valuations, if they believe the valuation is incorrect.

## Q. How does rate capping affect my rates?

**A.** There is no connection between rate capping and an individual’s rates. The rate cap applies to the total rate revenue for the whole municipality. In some cases, ratepayers will find that their rates bill has changed by more or less than the current rate cap from the previous year. There are several reasons this may occur, including:

* The valuation change of a property relative to the valuation of other properties in the municipality;
* The inclusion of other rates and charges not covered by the Government’s rate cap policy; and
* The application of any differential rate by council.

# Valuations

## Q. What do the Valuations on my rate notice mean?

**A.** ***Net Annual Value (NAV)***

NAV for residential properties is 5% of the capital improved value.

NAV for non-residential properties is approximately the annual **market net rental** of the property less all necessary expenses required to maintain that property, except Council Rates. NAV cannot be less than 5% of CIV.

***Site Value (SV)***

Site value is the value of the **land only** (assuming vacant land with no buildings).

***Capital Improved Value (CIV)***

Capital Improved Value is the **total market value of the property** including land and all improvements.

The CIV, SV and NAV are separate valuations and for separate purposes. The values should not be added together.

These valuations may be used by other authorities for the purpose of a rate or tax. For example, the Site Value is used by the State Revenue Office to determine land tax liability

## Q. How often does a revaluation occur?

**A**. A revaluation of all properties in the municipal boundary occurs every year. Properties are valued as at 1 January each year.

The valuation which appears on your rate notice becomes effective on 1 July of the year it was valued, ie. 1 January 2023 valuation becomes effective 1 July 2023.

## Q. How will the new valuation affect my rates?

**A.** Rates are based on the combination of two variables, the rate in the dollar (based on Council budget) and the valuation. The rate in the dollar is multiplied by the valuation to determine your rates.

If the rate in the dollar remained constant, those properties which increased in value above the average increase would pay higher rates. Conversely, those properties which change below the average would pay lower rates.

If the rate in the dollar increased and all valuations decreased, the rates payable may increase.

If the rate in the dollar increased and all valuations were to be increased by the same percentage, the rates payable will increase.

## Q. Why has my valuation changed this year when it changed last year?

**A.** Valuations are carried out annually at 1 January each year.

## Q. Why has my Valuation decreased while my rates have increased?

## A. If the rate in the dollar increases and all valuations decrease, the rates payable will increase. The total revenue required has been determined by the budget process. This along with the valuation is used to determine the rate in the dollar. Where valuations may all decrease, if the rate in the dollar increases, then the rates payable will increase.

## Q. The property market has declined – why hasn’t my valuation decreased?

**A.** Valuations are relevant as at 1 January of each year. These valuations are based on sales activity leading up to and close to this relevant date. Any sales activity and change in value after this date may be considered but has less weight than the sales leading up to the date. If market prices drop after the relevant date (1 January) this has no impact on the valuations returned. It is approximately 8 months after the relevant date before rate notices are issued and market conditions can change markedly in this time.

# Supplementary Valuations

## Q. What is a supplementary valuation?

## A. A supplementary valuation is conducted as a result of one of the following:

* any change to the physical characteristics of the property;
* any change to the use of the property;
* where the property is now occupied by a charitable or religious institution and is no longer rateable, or the property is owned and occupied by a statutory body.

# Council Objections

## Q. What is a Valuer-General adjustment?

**A.** An adjustment arising from a successful objection to a previous valuation which has been approved by the Valuer-General Victoria.

## Q. What if I don’t agree with the valuation?

**A.** If you don’t agree with the valuation in your rates assessment notice you may object by completing and lodging an objection form with Council within two (2) months of the date of issue shown on the rate notice. Objections received after this date will not be considered. It is advisable that you first discuss your concerns with Council. If Council is unable to assist your enquiry may be forwarded to the appointed Valuer. (Note: ratepayers wishing to lodge an objection without first discussing the matter with the valuer can do so via the Objections Portal (https://ratingvaluationobjections.vic.gov.au) or by seeking an objection form directly from Council).

## Q. What if I have lodged an objection but I’m still awaiting the result?

**A.** The objection process may take a few months before the ratepayer is advised. You may contact the appointed valuer to check the progress of an objection. Objections are required to be approved by the Valuer-General prior to Council adjusting the rates.

## Q. Why has my valuation decreased while my rates have increased?

**A.** If the rate in the dollar increases and all valuations decrease, the rates payable may increase. The total revenue required has been determined by the budget process. This along with the valuation is used to determine the rate in the dollar. Where valuations across the municipality may decrease, if the rate in the dollar increases, then the rates payable may increase.

## Q. How can I object to a valuation?

**A.** If you don’t agree with the valuation on your rates assessment notice you may object by completing and lodging an objection online via the Objections Portal (https://ratingvaluationobjections.vic.gov.au) or by seeking and lodging an objection form with Council. Objections must be lodged within two (2) months of the date of issue shown on the rate notice.

## Q. Does the Valuer-General review the objection?

**A.** Objections are processed by the appointed valuer. Once the valuer has made their determination a recommendation is forwarded to the VGV for review and confirmation.

# Land Tax

## Q. Who is responsible for land tax enquiries?

## A. VGV is the valuation authority for all municipalities in Victoria

As the valuation authority, VGV is responsible for returning annual valuations to Council for rating purposes. The valuations are also used by the State Revenue Office (SRO) for land tax assessments.

Although VGV is the valuation authority, the SRO remains the rating authority for land tax and are responsible for issuing land tax assessment notices and taking initial customer enquiries.

The SRO may direct valuation enquiries to the appointed valuer where they are unable to assist.

## Q. What is a Valuer-General adjustment?

## A. An adjustment arising from a successful objection to a previous valuation which has been approved by the Valuer-General Victoria.

## Q. What if I don’t agree with the valuation?

## A. If you don’t agree with a valuation you may object by completing and lodging an objection with the State Revenue Office (SRO) online (viahttps://www.sro.vic.gov.au/land-tax/object-site-value-your-land) within two (2) months of the date of issue shown on the Land Tax Assessment Notice. Objections received after this date will not be considered. It is advisable that you first discuss your concerns with the SRO. If the SRO is unable to assist they may forward your enquiry to the valuer appointed to undertake the valuation on behalf of the Valuer General.

## Q. What if I have lodged an objection but I’m still awaiting the result?

## A. The objection process may take a few months before the ratepayer is advised. You may contact the appointed valuer to check the progress of an objection. Objections are required to be approved by the Valuer-General.

## Q. How can I object to a land tax valuation?

## A. If you don’t agree with the valuation on your land tax assessment notice you may object by completing and lodging an objection online via the SRO (https://www.sro.vic.gov.au/land-tax/object-site-value-your-land) within two (2) months of the date of issue shown on the Land Tax Assessment Notice.

## Q. Who manages land tax enquiries?

## A. All enquiries relating to Land Tax Assessment notices should be directed to the State Revenue Office in the first instance. If the enquiry relates to the valuation, the SRO may refer to the appointed valuer. Further information can be found at [the State Revenue Office’s website (https://www.sro.vic.gov.au/land-tax)](https://www.sro.vic.gov.au/land-tax)

# Windfall Gains Tax

## Q. What is the Windfall Gains Tax?

## A. The windfall gains tax commenced at 1 July 2023. It is a property tax administered by the SRO and applies to land rezoned by a planning scheme amendment that results in a value uplift to the Capital Improved Value of the property over a certain amount.

## Q. Does the Windfall Gains Tax affect my council rates notice?

## A. Properties liable for the windfall gains tax have a change in their valuation following a rezoning event. This is completed utilising the in force CIV prior to the rezoning event, known as CIV 1 and then completing a supplementary valuation when the property has been rezoned, which is known as CIV2. This change in valuation will be reflected in the following year’s council rates notice, however Council may choose to adopt the revised valuation earlier upon certification of the supplementary valuation following the rezoning event.

## Q. Do I have to pay a windfall gains tax?

## A. The owner at the time of the land that is subject to a rezoning uplift event is liable for the windfall gains tax. A number of exemptions and exclusions apply to the windfall gains tax. A windfall gains tax liability can be deferred for up to 30 years. Further information on who is liable for windfall gains tax can be found online at the SRO (https://www.sro.vic.gov.au/windfall-gains-tax).

## Q. How can I object to valuation in a Windfall Gains Tax assessment notice?

## A. If you do not agree with the valuations in your Windfall Gains Tax assessment notice you may object by lodging your objection in writing to the Commissioner of State Revenue. Your objection must:

## set out the grounds for the objection,

* specify which valuation you are objecting to, or if you are objecting to both valuations, and

## be received within 2 months of the date you received your windfall gains tax assessment.

Further information can be found online (<https://www.sro.vic.gov.au/windfall-gains-tax>) or by contacting the SRO during business hours on 13 21 61.