

# VALUATION OF LAND AMENDMENT BILL 2015

## EXPLANATORY MEMORANDUM

The *Valuation of Land Act 1978* (VLA) provides for the valuation of land for use by authorities legally entitled to assess rates or taxes on land.

Section 4 of the VLA defines the terms used in the Act including ***unimproved value***. When determining the unimproved value of some categories of land which include less than freehold interests in land, the VLA prescribes the application of formulae to ensure consistency and fairness. This includes interests in land commonly described as mining, petroleum and geothermal tenements where the unimproved value is determined by applying a multiplier to the annual rent or annual fee charged for the tenement under the *Mining Act 1978* and *Petroleum and Geothermal Energy Resources Act 1967*. This approach was introduced in 1995 and until recently has provided equitable, fair and consistent valuations for rating purposes.

In 2006 the annual rent and fee structure charged for Exploration Licences under the *Mining Act 1978* was changed to introduce rentals that progressively increased over the life of the licence leading to more than three-fold increases in annual rent over eight years. Similarly annual fees charged for Petroleum and Geothermal Exploration Permits and Drilling Reservations under the *Petroleum and Geothermal Energy Resources Act 1967* increased eight-fold over two years from 2012 until 2014. The increases were designed to reflect cost recovery principles and also to discourage the long term retention of the licence and permit areas.

The annual rentals and fees charged for Mining Leases and Petroleum and Geothermal Production Leases and Retention Leases remained stable aside from annual adjustments to largely reflect movement in the consumer price index. The consequence is that the long established relativities between the unimproved values of the different categories of tenements have broken down, with those of applying to many Exploration Licences and all Petroleum and Geothermal Exploration Permits and Drilling Reservations being too high when compared to Mining Leases, Petroleum and Geothermal Production Licences and Retention Leases.

The Bill will address the inequities now present in the unimproved valuations of mining, petroleum and geothermal tenements by restoring the relativities previously existing, by amending in section 4 the definition of ***unimproved value***:

### Clause 1 – Short Title

This is the formal Clause titling the Act – *Valuation of Land Amendment Act 2015*.

## **Clause 2 - Commencement**

Subclause (a) provides that sections 1 and 2 come into operation on the day on which the *Valuation of Land Amendment Act 2015* receives Royal Assent.

Subclause (b) provides that the rest of the Act comes into operation on 30 June 2015.

## **Clause 3**

Confirms that this Bill amends the *Valuation of Land Act 1978*.

## **Clause 4 – Section 4 Amended**

### **Sub-Clause 4 (a)**

In section 4(1) in the definition of ***unimproved value*** at paragraph b)(ii)(I) the phrase “rent that would be payable” is replaced by “annual rent that would be used to calculate unimproved value under item (II) or (III)”.

This ensures that the determination of unimproved value of mining tenements scheduled to State Agreement Acts will continue to be valued consistently using the annual rentals that would be payable if the mining tenement was held under the *Mining Act 1978*.

### **Sub-Clause 4 (b)**

Inserts “or” after paragraph (b)(ii)(I).

### **Sub-Clause 4 (c)**

In section 4(1) in the definition of ***unimproved value*** paragraphs (b)(ii)(II),(III) and (IV) are deleted and new paragraphs inserted.

Paragraph (b)(ii)(II) currently requires that the unimproved value of an exploration licence held under the *Mining Act 1978* is assessed at 2.5 times the rent payable under the Act. This means that the unimproved values of exploration licences increase each time the tiered annual rent increases, to the extent that at the commencement of year 8 the unimproved value of an exploration licence has increased more than three-fold and by example, is three times higher than a neighbouring year one exploration licence having the same area.

The new paragraph (b)(ii)(II) means that when assessing the unimproved value of exploration licences whether at year one or year eight they will be assessed consistently based on the annual rental that would be payable for the licence as if it was the first year of the term of the licence. This reinstates previous relativities and also restores fairness and equity.

Paragraph (b)(ii)(III) currently requires that the unimproved value of a petroleum production licence or geothermal production licence held under the *Petroleum and Geothermal Energy Resources Act 1967* is based on 2.5 times the annual fee payable for the licence or lease under the Act.

The new paragraph (b)(ii)(IV) removes the reference to “a petroleum production licence or geothermal production licence” and replaces them with “licence or lease” otherwise the basis of valuation remains the same at 2.5 times the annual fee payable for the licence.

Paragraph (b)(ii)(IV) currently requires that the unimproved values of other leases or licences held under the *Mining Act 1978* and exploration permits held under the *Petroleum and Geothermal Energy Resources Act 1967* are based on 5 times the rent that would be payable for the leases, licences or permits under the relevant Act.

New paragraphs (b)(ii)(III) and (b)(ii)(VA) separate leases and licences held under the *Mining Act 1978* and exploration permits held under the *Petroleum and Geothermal Energy Resources Act 1967* to provide for the different valuation methodology to apply. New Paragraph (b)(ii)(III) continues to provide for the unimproved value of a licence or lease held under the *Mining Act 1978* to be 5 times the annual rent payable.

New paragraph (b)(ii)(VA) introduces the term “drilling reservations” in addition to “permits” issued under the *Petroleum and Geothermal Energy Resources Act 1967* and provides for the unimproved value of both categories to be the annual fee payable for each under the Act instead of the previous method whereby 5 times the annual fee applied. This remedies the substantial increase in unimproved value that resulted from the eight-fold increase in annual fees.