



## Taxable Value of Partially Exempt Land

This Commissioner's practice details how the taxable value of partially exempt land will be determined.

### Background

Section 18 of the Land Tax Assessment Act 2002 (LTA Act) provides that where the requirements of an exemption provision are met in relation to only a part of a lot or parcel of land (lot), then only part of the lot is exempt.

Section 18A of the LTA Act describes how to determine the taxable value of land that is partially exempt.

The taxable value of a lot is the unimproved value of the whole lot reduced by the unimproved value of the exempt area.<sup>1</sup> The unimproved value of the exempt area is the same proportion of the unimproved value of the whole lot, as determined by the Valuer-General, that the exempt area bears to the whole lot.<sup>2</sup>

Where there is a multi-storey building on the lot that is partially exempt, the Commissioner may determine:<sup>3</sup>

- the area that is to be treated as the exempt area and
- the area that is to be treated as the whole area.

The Commissioner may use any method appropriate to determine the exempt area taking into account the areas of the lot and the floor plan of the building being used for an exempt purpose.<sup>4</sup>

### Commissioner's Practice

1. The Commissioner will use the unimproved value for the whole lot as supplied by the Valuer-General.
2. To determine whether part of the land is used for an exempt purpose, the owner may be required to provide a detailed sketch outlining how the lot is used. Where the lot contains a multi-storey building or more than one building, the sketch should include a floor plan or details of the building(s) and lot, outlining the areas capable of being let and the areas used for a purpose eligible for exemption.

#### *Taxable value of a partially exempt lot*

3. To determine the taxable value of a partially exempt lot, the Commissioner will:
  - 3.1 calculate, as a percentage, the portion of the lot used for exempt purposes, having regard to the extent that the relevant requirements of the exemption provision are satisfied and

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<sup>1</sup> LTA Act s 18A(3).

<sup>2</sup> LTA Act s 18A(4).

<sup>3</sup> LTA Act s 18A(5).

<sup>4</sup> LTA Act s 18A(6).

- 3.2 multiply the unimproved value of the lot by the percentage to determine the unimproved value of the exempt area of the land then
- 3.3 subtract the unimproved value of the exempt area from the unimproved value of the lot.

#### *Example 1*

Peter and his brother Michael own a 10,000m<sup>2</sup> lot. Peter uses 6,000m<sup>2</sup> as his primary residence (the exempt portion) and the remainder for a convenience store. Michael uses another property as his primary residence. The unimproved value of the lot is \$1 million.

The portion of the lot used for Peter's residence qualifies for exemption under section 21 of the LTA Act. The remaining portion is taxable.

The exempt area of the whole lot (the area used as a primary residence) is 60% ((6,000m<sup>2</sup>/10,000m<sup>2</sup>) x 100). The unimproved value of the exempt area is \$600,000 (\$1 million x 60%). The unimproved value of the taxable portion of the lot (convenience store) is \$400,000 (\$1 million - \$600,000).

However, as only one of the owners uses the exempt area as their primary residence, a 50% exemption applies to the exempt area (\$600,000 x 50% = \$300,000).

The taxable value of the whole lot becomes \$700,000, being \$300,000 for the taxable portion of the exempt area plus \$400,000 for the taxable portion of the lot that is not exempt.

#### ***Taxable value of multi-storey buildings***

4. Where there is a multi-storey building that is partly used for an exempt purpose, the Commissioner will generally determine the exempt area of the lot based on the area of the land and building that is capable of being let. To do this, the Commissioner will take into account:
  - 4.1 the floor space above the ground
  - 4.2 the surface land area, including the ground floor and
  - 4.3 the area of the underground levels and basement.
5. The Commissioner will treat the total area of the land and building that is capable of being let as the whole area of the lot or parcel. The portion of this area that is used for an exempt purpose will be treated as the exempt area.

#### *Example 2*

A religious body owns a lot of land on which there is a multi-storey building that is not strata titled. The unimproved value of the lot as determined by the Valuer General is \$10 million.

The building contains five floors, not including the ground floor. Each of these floors comprises an area of 2,000m<sup>2</sup> (10,000m<sup>2</sup> in total). The surface area of the land capable of being let, which includes the ground floor, is 3,500m<sup>2</sup>. The area under the surface is used as a car park and comprises a lower ground level of 3,400m<sup>2</sup> and a basement level of 3,100m<sup>2</sup>.

The total lettable area is 20,000m<sup>2</sup>. This consists of the five floors (5 x 2000m<sup>2</sup> = 10,000m<sup>2</sup>), the surface area capable of being let (3,500m<sup>2</sup>), and the area of the lower ground level (3,400m<sup>2</sup>) and the basement level (3,100m<sup>2</sup>).

The religious body uses the top two floors (4,000m<sup>2</sup>) and 1,000m<sup>2</sup> of the lower ground level for religious purposes (total of 5,000m<sup>2</sup>). This area is exempt under section 32 of the LTA Act. The remaining lettable areas are leased to commercial tenants and are not exempt.

The exempt area is 25% (5,000m<sup>2</sup>/20,000m<sup>2</sup> x 100). The unimproved value of the exempt area is \$2.5 million (25% x \$10 million).

The taxable value of the lot is \$7.5 million (\$10 million - \$2.5 million).

## Date of effect

This Commissioner's practice takes effect from 1 July 2019.

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COMMISSIONER OF STATE REVENUE

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## Document history

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