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Government of **Western Australia**
Department of **Treasury and Finance**

Land transfers within Western Australian public sector

Accounting Policy

December 2025

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Preface

The purpose of this Policy is to establish a consistent and transparent approach to the accounting treatment of land transferred between Western Australian public sector entities. It addresses complexities arising from differing accounting treatments and ensures that the total cost to Government for repurposing the use of land is accurately reflected.

By applying a uniform approach, the Policy promotes comparability, accountability, and integrity in financial reporting across all entities involved in land transfers.

Introduction

Background

Treasurer's instruction (TI) 8 *Financial Accounting and Reporting* Requirement 8.3 requires, subject to relevant Australian Accounting Standards and materiality, all distributions to owners and all contributions by owners be recognised at fair value by both the transferor and transferee, except for non-reciprocal transfers that occur as a consequence of a restructure of administrative arrangements.

Land assets should be transferred between public sector entities at fair value, allowing transparency of the financial return or loss from repurposing the use of land.

This Policy provides a uniform approach to ensure consistency and transparency in applying these principles across all agencies.

Scope

This Policy applies to non-discretionary, non-reciprocal transfers of freehold land between Western Australian public sector entities.

Crown land transfers are excluded from this Policy, as detailed guidance on these transactions can be found in Treasurer's Guidance (TG) 8 *Financial Accounting and Reporting* Chapter 6.10.1 *Transfers of Crown land*.

Application

This Policy comes into effect upon the Treasurer's approval.

Policy

Fair value is defined in AASB 13 *Fair Value Measurement* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

Fair value would not take into account a restriction that is specific to the entity holding the asset (e.g. implied restrictions on the use of land) but those that would transfer to market participants in a hypothetical sale transaction (e.g. legal restrictions on land dealings).

Implied restrictions refer to social or political expectations or other factors that requires the entity to use the land for a specific purpose. While it can be argued that implied restrictions would transfer to the transferee because the transferee is also subject to Government decisions, this Policy takes a view that such restrictions are not intrinsic to the land and could be removed by subsequent Government decisions.

Under this Policy, fair value should be assessed on the current use of land for transfer purposes. It should not take into account Government decisions on the future use of land before the transfer.

For land classified as Property, Plant and Equipment under AASB 116, TI 8 Requirement 7.2 requires them to be carried at fair value. As such, there is no material difference between their book value and fair value and it is appropriate to transfer those assets at book value. If fair value was not taken up in the last 12 months, the transferor must determine whether book value is materially different from fair value and take up the latest valuation available from Landgate (if required) before the transfer.

For land classified as Inventories under AASB 102, the Standard requires them to be carried at the lower of cost and net realisable value (NRV). As TI 8 Requirement 8.3 is not intended to apply to transfers of assets that are not allowed by relevant Australian Accounting Standards to be carried at fair value, inventories can be transferred at book value.

Discussion

Non-reciprocal transfers

TI 8 Requirement 8.2 requires non-reciprocal transfers of land to Government be accounted for by the transferor as distributions to owners. A non-reciprocal transfer is defined as a transfer in which the entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer. A non-reciprocal transfer is also considered to cover a transfer where the consideration for the land is significantly less than its fair value. Non-reciprocal transfers are generally given effect by Government decisions.

Government decisions may be identified through Cabinet decisions, Budget Papers, Machinery of Government changes, or ad-hoc designations signed by the Treasurer or the senior officers of Department of Treasury and Finance (DTF).

Even though non-reciprocal transfers of freehold land appear to be from one public sector entity to another, they are in substance transfers from the transferor to Government and from Government to the transferee. As such, the transferor must account for the transfers as distributions to owners.

Contributions by owners

TI 8 Requirement 8.1(iv) designates non-reciprocal transfers of land from Government to the transferee as contributions by owners. Also, for classification consistency, if the transferor has accounted for a non-reciprocal transfer as a distribution to owners, the transferee must recognise the transfer as a contribution by owners.

For non-reciprocal transfers of freehold land from one public sector entity to another, the transferee must measure the contributions by owners at the amount of the distributions to owners.

For freehold land that are transferred to the Department of Planning, Lands and Heritage (DPLH) under the *Land Administration Act 1997*, their value may be affected if the Minister revises the specified use of the land. Consequently, the land may enter into DPLH at a certain amount and be transferred out at a different amount, reflecting any change in their designated use.

Contaminated sites

In accordance with TG 8 Chapter 7 *Accounting for Contaminated Sites*, a provision for future remediation costs should be recognised in the Statement of Financial Position. Landgate generally does not factor these costs into its valuation. As these costs have been recognised as expenses in the Statement of Comprehensive Income, factoring these costs into valuation would result in double counting.

The transferor should determine whether there is a remediation provision attached to the land being transferred. The provision will not be transferred and should be reversed by the transferor after the transfer. As the transferee will undertake the remediation work, it should account these costs as expenses to reflect the full cost of delivering the project.

Disclosures

Under AASB 101 *Presentation of Financial Statements* (paragraph 106(c)), the amount of any increase or decrease in Contributed equity during a reporting period must be disclosed.

Relevant pronouncements/documents

1) Treasurer's instructions;
2) Treasurer's Guidance Handbook;
3) AASB 13 *Fair Valuation Measurement*;
4) AASB 101 *Presentation of Financial Statements*;
5) AASB 102 *Inventories*;
6) AASB 116 *Property, Plant and Equipment*;
7) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
8) AASB 1004 *Contributions*; and
9) Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Consultation

DTF consulted with a range of public sector entities involved in recent land transfers, the Office of the Auditor General, the State Solicitor's Office and Valuation Services (Landgate).