

MSV 2000/1 -

COMMONWEALTH OF AUSTRALIA

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) ACT 1999

**A NEW TAX SYSTEM (GOODS AND SERVICES TAX) MARGIN SCHEME
VALUATION REQUIREMENTS DETERMINATION (NO. 1) 2000**

Under paragraph 75-10(3)(b) of the *A New Tax System (Goods and Services Tax) Act 1999* and subsection 4(1) of the *Acts Interpretation Act 1901*, I make the following determination:

Citation

1. This determination may be cited as the *A New Tax System (Goods and Services Tax) Margin Scheme Valuation Requirements Determination (No. 1) 2000*.

Commencement

2. This determination commences on the date the *A New Tax System (Goods and Services Tax) Act 1999* commences.

Circumstances in which the Determination will apply

3. This determination will apply where you acquired the freehold interest in land, stratum unit or long-term lease before 1 July 2000 and you:
 - (a) make a taxable supply of real property by :
 - (i) selling a freehold interest in land; or
 - (ii) selling a stratum unit; or
 - (iii) granting or selling a long-term lease; and
 - (b) choose to apply the margin scheme in working out the amount of GST on the supply for completed premises and subdivisions as at the valuation date.

Requirements for making valuations for the purposes of Division 75

4. The valuation of a freehold interest, stratum unit or long-term lease mentioned in paragraph 75-10(3)(b) can be determined in accordance with any of these three methods:

Method 1: the market value of the property determined in writing by a professional valuer; or

Method 2: the value of the consideration provided by a purchaser in a contract for the sale and purchase of real property executed or exchanged prior to 1 July 2000 by parties dealing at arm's length; or

Method 3: the most recent value as determined by the State Government or Territory Government Department as the unimproved value, the site value, or the capital value of the land made prior to 1 July 2000.

Method 1: Value as determined by a professional valuer

5. (1) This clause applies to the valuation of a freehold interest, stratum unit or long-term lease that consists of subdivided allotments, or land and buildings, that have been completed at the valuation date.
- (2) The valuation must be provided by a professional valuer.
- (3) The valuation must include a valuation of the allotments, the building, or individual stratum units within the building having regard to comparable sales data.
- (4) However, if, having regard to the particular nature of the property, it is the expert opinion of the valuer that the use of comparable sales data is inappropriate, the valuation must be made using another acceptable method.

Examples

Summation, capitalization or discounted cash flow.

6. (1) This clause applies to the valuation of a freehold interest, stratum unit or long-term lease if:
- (a) the interest, unit or lease has been supplied by the Commonwealth, a State or Territory; and
 - (b) the supplier has held the interest, unit or lease since before 1 July 2000;
 - (c) there were no improvements on the land in question as at 1 July 2000; and
 - (d) there are improvements on the land in question on the day on which the taxable supply takes place
- (2) The valuation must be provided by a professional valuer.
- (3) The valuer must have regard to what the market value of the land would be had the improvements not been made as at the date of the supply, and should be based on comparable sales data.
- (4) However, if, having regard to the particular nature of the property, it is the expert opinion of the valuer that the use of comparable sales data is inappropriate, the valuation must be made using another acceptable method.

Examples

Summation, capitalization or discounted cash flow.

Method 2: Value is the consideration provided by a purchaser in a contract for the sale and purchase of real property.

7. The value is the consideration provided by a purchaser in a contract for the sale and purchase of real property executed or exchanged prior to 1 July 2000 by parties dealing at arm's length.

Method 3: Value as determined by the State Government or Territory Government.

8. The value is the most recent unimproved value, the site value or the capital value as determined by a State Government or Territory Government department or undertaken by a professional valuer on behalf of a State Government or Territory Government department for rating or taxing purposes made prior to 1 July 2000.

Definitions

9. (1) The following expressions are defined for the purposes of this determination:

professional valuer means a

- (a) a person registered or licensed to carry out property valuations under a Commonwealth, State or Territory law; or
- (b) a person who carries business as a valuer in a State or Territory where that person is not required to be licensed or registered to carry on a business as a valuer; or
- (c) a member of the Australian Property Institute and is accredited as a Certified Practising Valuer.

(2) Other expressions in this determination have the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999*.

Dated this 23rd day of June 2000
Lawrie Hill
Assistant Commissioner
Rulings
Goods and Services Tax Program
Delegate of the Commissioner