Contemporary challenges to statutory valuation system – the Australian experience

This presentation...

1) context of this research
2) why taxation based on an ad valorem assessment has proved so resilient
3) diversity (even under current arrangements)
4) the new ‘threats’
5) some positives
6) conclusion
(1) Context of this research

- ad valorem-based taxation remains an important component of government revenue raising in Australia (esp. at state and local government levels)
- several crises over recent years have seen significant changes to legislation/procedures
- in Queensland, this included an entirely new innovative Act that was established in 2010
- since that time, this researcher have been commissioned by the State Government to annually review this Act
- these investigations have also identified emerging threats to ad valorem taxation system methodology
1. Context (cont.)

- structured brief, full access to records/statistical analysis (QA)

- pro-forma questions, face-to-face interviews with
  - public and private sector practitioners
  - representative groups of key stakeholders
  - Key informants – experts, judiciary, etc.

- longitudinal study – third annual review

- comprehensive report to Minister/Valuer General and presentation to wide reference group. (Implementation based on a ‘continuous improvement’ strategy)
(2) Why ad valorem assessment has proved so resilient

[Continuous for over 3000 years; across both developed and developing countries; still an important component of the ‘taxation mix’ in practically all capitalist countries.]

Why?

It exhibits the key elements of a ‘good tax’

• simple and easy to understand
• seen as fair, equitable and progressive
• easy to collect (and to identify taxpayers)
• few exceptions
• ‘convenient to pay’ and purpose clear

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(3) Diversity

Even with those characteristics, the application of ad valorum is diverse.... in part because it is applied at state/local authority level for example (in Australia) some assessments are:

- on the basis of unimproved value
- on the basis of site value
- on the basis of improved value

..... and with significant differences in assessment methodologies, objection and appeal and local council policy
(4) The new threats

- urbanisation/densification and multiple-integrated uses creates difficulties in assessing ‘generic’ highest and best use
- less prescriptive town planning encourages a wider range of possible uses
Growing complexity of land uses: Kelvin Grove Urban Village
(4) The new threats

- Urbanisation/densification and multiple-integrated uses creates difficulties in assessing ‘generic’ highest and best use. Less prescriptive town planning encourages a wider range of possible uses.

- Ownership, relevance and value of development approvals etc.

- Protracted and expensive litigation.

- Use of differential rating by local authorities eroding fundamental principles.

- (For assessment) issues of an aging workforce, limited professional development – especially in certain sub sections (e.g. pastoral/rural).
Pastoral Australia....
(5) Some positives

- improved information sharing/availability especially GIS and related
- improved professional behaviour by experts, advocates, valuers
- wider use of Alternative Dispute Resolution (ADR) ... more opportunities
- political and economic imperative – to maintain the tax base
- recognition of issues – ability to respond toward a more uniform/consistent approach by Valuers-General, governments, professional associations.
(6) Conclusion

the ad valorem basis for property taxes remain relevant and important across most countries (developed and developing)

it is however, now faced with contemporary challenges which may well erode its positive characteristics into the future

there are positive as well as some negative issues that need to be addressed but a consistent approach to dealing with them now appears essential
Further comments, comparisons, linkages welcome …..

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