

Conversion of Residential Leases to Freehold

If you own a Residential Western Lands Lease in town you can apply to purchase your lease under new arrangements approved by the Minister for Department of Natural Resources. These have been designed to make the 'Conversion' process quicker, simpler, and more affordable whilst still conforming to Government legislation and policies.

The New Program

There are several elements that make the new program more affordable and efficient.

Application Form

Complete the attached simple application and return it together with the processing fee (pensioners exempt), to the address listed.

Purchase Price

The Western Lands Act specifies that the purchase price must be the value of the land at the date of application.

For practical purposes and to allow a number of concessions to be implemented, the purchase price will be the land value determined by the Valuer General and recorded on your current financial year Western Lands lease rent notice. Thus, if your application is received any time during one financial year (1st July to 30th June), your purchase price is the land value determined for the previous 1st July.

This value is also used by the Government to determine land tax and Western Lands rent and is referred to Local Government for their rating purposes.

As an alternative to the recorded land value, the Minister may accept the current market value of the land, at the date of application, as provided in writing by a registered valuer, (with the leaseholder paying the valuer's costs), as the agreed purchase price.



Annual Instalments and Additional Payments

The annual instalment for conversion to freehold is the same as the annual rent payable on the lease at the date of application.

This amount will not alter for that owner during the term of the repayment period. Payment in full of the balance of purchase monies, or additional payments, can be made at any time without penalty.

Pensioner Rebate on Instalments

If you are in receipt of a pensioner rebate on your rent, your annual conversion instalment will be the same as your rebated rent, currently capped at a maximum of \$200. This may mean it will take longer to totally freehold your lease.

The pensioner rebate will be applied automatically, provided you have informed the Department of Natural Resources of your pensioner status, and the Department has acknowledged this information.

Interest

No interest will be charged on the outstanding balance of the purchase price. However, if an annual instalment is not paid by the annual due date, interest, currently 13.68%, is charged on the instalment that is in arrears.

Minimum Payment

If you are paying the minimum rent of \$100 per annum this is all you have to pay as your annual instalment.

What if your lease changes hands

Once action has been initiated to convert a lease to freehold, with payment by instalment, payment in full of the outstanding balance is required within three months of the land being later transferred to another person. You may wish to discuss the implications of this with your Solicitor or real estate agent, prior to converting your lease.

There are a small number of exceptions to this rule, and it is also appropriate for you to check whether your situation is eligible for an exemption before starting a sale or other transfer.

Examples of exceptions that may apply are: if there has been a court order (eg Divorce Order) or following the death of one member of a partnership if the lease had previously been in both names.

Enquires can be made to Department of Natural Resources, at Dubbo.

What is new

It has been possible for holders of residential leases to convert their land to freehold for over 100 years, and numerous people have made use of this option. However, a number of new concessions are now available for any applications received since 1st July 2005 including:

- Significantly reduced level of annual instalments so they are now only the same as the rent payment, with the amount locked in at the year your application is received.
- Pensioners are not required to make payments greater than their rebated rent payments.
- The interest of 8% previously charged on the outstanding principal has been waived.
- No individual assessments of the land, avoiding the need for either a field inspection (previously approx \$100-\$300) or the individual valuation (previously approx. \$250 - \$400).
- Waiving the \$210 processing fee for pensioner applications.

By 'locking in' your purchase price to the value as recorded on your current financial year's rental account, your purchase price and annual repayment instalment both immediately become protected from any future increases in land values. If by chance the land value drops, (other than by successful appeal to the Valuer General for the initial year) you are not able to adopt the lower value.

Cost

Whilst a number of costs have been waived, the processing fee of \$210 still applies. This offsets:

- Some of the processing costs incurred by the Department of Natural Resources. This fee will be waived for pensioners

Dealing Lodgement Fee \$77.25

- The standard fee of \$77.25 charged by the Department of Lands (Land and Property Information) for issuing a new certificate of title for your land

Ad Valorem Stamp Duty

- Based on the purchase price of the land, as charged by the office of State Revenue on every land sale in NSW. This is \$1.25 per \$100 or part thereof (ie \$12.50 per \$1000) of purchase price up to a value of \$14,000, then \$1.50 per \$100 up to \$30,000, then \$1.75 per \$100 up to \$80,000, then \$3.50 per \$100 up to \$300,000.

Please note that the above costs are applicable as at May2006, but may be varied by the Government from time to time.

Residential Leases that are NOT eligible under this Program:

- Western Lands Leases that are in the Unincorporated Area are not yet eligible for this program.
- Once development controls are in place through a Regional Environmental Plan, these leases may be added to the program.
- Western Lands Term Leases granted over former Residential Mineral Claims at Lightning Ridge are not available for purchase and will not be included in this program.

Dual purpose leases, such as "Residence and Orchard" or "Residence and Accommodation Paddock" may be eligible for some of the concessions available under this program, but each application must be assessed on a case-by-case basis.

For more information

For more information on Western Division issues contact your local Department of Natural Resources office.

Far West Region Offices

Dubbo	Ph: (02) 6883 3000
Bourke	Ph: (02) 6872 2144
Broken Hill	Ph: (08) 8082 5200
Buronga	Ph: (03) 5051 6200
Cobar	Ph: (02) 6836 1575
Condobolin	Ph: (02) 6895 2033
Walgett	Ph: (02) 6828 1272

Visit the website: www.naturalresources.nsw.gov.au

Note: This information does not constitute formal legal advice.

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