

# Conversion of Residential Leases to Freehold

October 2015

If you own a residential Western Lands Lease in town you can apply to purchase your lease under new arrangements approved by the Minister of the Department of Primary Industries – Lands (the Department). These have been designed to make the conversion process quicker, simpler and more affordable while 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 simple application form and return it together with the processing fee (pensioners exempt) to the address listed.

## Purchase price

The *Western Lands Act 1901* 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 (1 July to 30 June), your purchase price is the land value determined for the previous 1 July.

This value is also used by the government to determine land tax and western lands rent and is used by 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 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 (8% p.a. plus the 90-day Bank Accepted Bill rate) 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 (e.g. divorce order) or following the death of one member of a partnership if the lease had previously been in both names.

## What's 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 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 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

For current fees, please refer to the [Fee schedule](#) on the Department's website or contact the Department.

## Ad Valorem Stamp Duty

Costs are 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 (i.e. \$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.

## 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.

## More information

For more information, please contact the Department:

Department of Primary Industries - Lands

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DANGAR NSW 2309

T: 1300 886 235 (Australia wide)

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Published by the Department of Primary Industries - Lands