

# **RATING APPRAISAL IN FIJI ISLANDS – Comparative Study of Unimproved Value and Proposed Improved Capital Value Rating Systems**

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## **1.Abstract**

The present system of rating system is based on unimproved value. The Ministry of Local Government is in process of reviewing the unimproved value system. There were examined one hundred and forty properties. This study adopted the unimproved value and the rate revenue received by municipal councils. This rate revenue is compared with rate received by adopting improved capital value based on sales information obtained from Ministry of Lands. The decrease and increase in rate liability were observed. In conclusion, it is recommended in depth study of improved capital value bases of taxation to supplement the present unimproved value system in developed municipal councils.

**Key Words:** Rating, Appraisal, Municipal Council, Rate payers, Unimproved Value, Improved Capital Value and zone

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## **2.Introduction**

On 28<sup>th</sup> December 1999, I carried out a review of unimproved value rating system in Fiji Islands for the Ministry of Local Government. There was organized a half day workshop on 7<sup>th</sup> May 2001 with lord mayors, town clerks and officials of Local Government Department in Suva City Council chambers. Therefore, today in this conference, I wish to present the findings of the said review on comparison of rate liabilities under unimproved

value and improved capital value systems, recommendations and conclusions. The purpose of this paper is to share ideas, contribute to the existing body of knowledge and property taxation.

Appraisal refers to an analysis, opinion, or conclusion to the nature, quality value or utility of specified interests in, or aspects of identified real estate, C.P.E.A.I. In this usage, appraisal covers a variety of assignments, including valuation, consulting and review: the act or process of estimating value; an estimate of value, USPAP, 1992 edition.

### 3. Background

3.1. Land Tenure: Fiji Islands is an island nation consists of over 380 islands spread across 650,000 square kilometers of ocean situated 2,200 km. North of New Zealand and 3,500 North East of Australia. The two largest islands are Vitilevu and Vanualevu, both make up 87% of total land area. Vitilevu is the main land almost twice the size of Vualevu.

Table 1. Fiji Land Tenure Statistics

Type	%	Owner	Area in hectares
Native Land	83.29	Community owned land by Natives	1507568
		Extinct Mataqali	16556
Crown Land	8.41	Crown Freehold Land	67068
		Crown Schedule `A` Land	65501
		Crown Schedule `B` Land	26315
Freehold	8.06	General Public	147448
Rotuma	0.24	Rotuman People	4452
Total	100.00%		1829908

Source of Information: Ministry of Lands and Mineral Resources

### 3.2 Municipal Tenure

Levuka Town

Levuka 95	Crown Land	Freehold Land	Native Land
Number	44	211	1
Area (ha)	15.8640	50.1829	0.2529

With reference to 1996 Valuation Roll of Lami, the land tenure was as follows:

Lami 96	Crown Land	Freehold Land	Native Land
Number	129	340	666
Area	90.2997	189.6964	266.135

Hence, out of the total area, approximately 34% are freehold land, 18% is crown land and 48% is native land. For rest of municipal councils, paragraph seven.

### 3.3. Population

The total population of Fiji was 775,077 consist of 4939 Chinese, European 3103, Fijians 393,575, Indians 338,818, Part European 11,685, Rotumans 9727, Other Pacific Islanders 10,463 and all others 2767, Census 1996.

Table: 1 Population in urban centers is as tabulated hereunder (CES December 1999).

Council	Urban	Peri-urban	No. of Property	Tenure/Devlop't
Suva City	77,366	90,609	10,124	
Nasinu Town	-	-	-	
Nausori Town	5,744	15,873	1097	
Lami Town	10,556	8,372	-	
Lautoka City	36,083	7,191	7234	
Nadi Town	9,170	21,714	1376	
Sigatoka Town	1,597	6,265	-	
Ba Town	6,314	8,402	-	
Tavua Town	1,283	1,136	-	
Labasa Town	6,491	17,604	1341	
Savu Savu	2,652	2,318	494	
Levuka Town	1,096	2,650	-	
Total				

Sources: Current Economic Statistics December 1999

## **4.Appraisal Institutions**

There are five appraisal institutions that deal with valuation of real and personal estates in Fiji, namely, the Valuers Registration Act and Valuers Registration Board, the Office of Chief Valuer in the Department of Lands and Surveys, the Institute of Valuation and Estate Management of Fiji Islands, and Land Management Program at the University of the South Pacific.

4.1.Valuers Registration Act of Fiji Islands: This is an act ‘to provide for the registration of values and regulate the practice of valuing; and for related purposes with effect from 21/5/1986. Valuer is defined in the Act means a person who either as a principal or as an employee or agents, holds himself out ready to engage in professional valuations of land, or of estates or interest in land. The act provides for Valuers Registration Board, which consist of a Chairman and three other members who shall be valuers, all appointed by the Minister of Lands. One of the members is appointed from a penal of at least three names submitted to the Minister by the Institute of Valuation and Estate Management of Fiji Islands. The quorum shall be three members. This appointment is for three years. This act provides for appointment of Registrar and Secretary. The minister appoints an officer of Department of Government having responsibility for land valuation matters to be the registrar of valuers. The registrar is the secretary of the board and he is also a member.

The duties of the Board are: firstly, to determine the suitability of persons for registration of valuers, to authorize the registration of approved persons as valuers, to regulate the conduct of valuers and practice of valuing, and finally, to advise the Minister in relation to the practice and activities of values in Fiji Islands.

The registrar keeps a register of valuers in which is inserted the names, address and qualifications of all registered valuers. The legislation requires any person wishing to be registered as a valuer shall apply in writing to the registrar submitting evidence to support his application. The Board may require an applicant for registration to attend personally before the board.

As regards to qualification at the date of his application, the applicant should be the age of 21 years, and satisfies the board that he is of good character and reputation; and has acquired such qualification and experience, whether in Fiji or elsewhere, the Board may consider to adequate for the efficient practice of the work of a valuer; or passed examinations as may be set or approved by the Board; completed such period of practical training in the work of the valuer as the board may consider satisfactory. At present Bachelor of Arts degree in Land Management offered at Land Management Department is adequate for the efficient practice of the work of a valuer. Valuers annual registration fee is \$55.00 with the exception values who are public officers.

The board has prepared twenty codes of professional conduct, which is published in the Fiji Valuer July 1991, page 17-21. The board has prepared Valuation Fees By-Laws 1986. The fees payable is minimum fees payable to Registered Valuer in respect of work

done as a registered valuer from 1/1/1987. Basic charge means charge design to cover the cost of investigation of records, the collection of valuation data and the execution of all matters regarding the land title and the valuation. The basic charge is exclusive of transport and traveling charges and disbursements for accommodation, preparation of plans and copies of documents, search fees or similar expenses. Schedule a. and b. fees provide formula for assessment of fees for property and rental valuations. The fee payable for rating valuation under local government act is \$12.00 per assessment. For valuation of partial interest, full fees plus 10% is payable. Where valuation fee payable is not equitable, such as, to attend court, act as arbitrator or referee, the rate shall be \$30.00 per hour of part thereof. The transport cost payable is at 20c per kilometer for distance exceeding 20 kilometers. The traveling cost shall be \$25.00 per hour or part thereof.

4.2.Land Management Program: This degree offers the academic preparation for admission to corporate membership of the professional institutions dealing with the land and for registration under the Values Registration Act. The degree provides a course of study that examines the relationship of human societies to the land and is concerned in particular, with the management, tenure, use, valuation, development of land and building, and with the economic, legal and technical factors which affect the owner ships of land (both urban and rural) and buildings.

The discipline combines the study of land law and economics with certain basic technologies including agriculture, surveying and constructing. The degree specially prepares the graduate to be equipped to deal with problems relating to the following fields of activity.: land management, housing, valuation and taxation of land and buildings, land development and finance including total project management, land use, control and planning, land tenure and land reform, and land policies.

4.3.Institute:The Institute of Valuation and Estate Management is a professional body, the object of which is to secure the advancement of and to facilitate the acquisition of that knowledge which constitutes the profession the profession of valuation and estate management in Fiji, namely, the planning, management of land , development thereon, and the valuation of various interest therein. Secondly, to promote the general interests of the profession and to maintain and extend its usefulness for the public and national advantage. Thirdly, to establish good relations with other professional bodies in Fiji, to establish links with similar societies in other countries and to join and support any international bodies concerned with the work of the profession.

4.4.The Chief Valuer in the office of Director of Lands is responsible for carrying out valuation for the government and local authorities. The Lands Department has computer based land information system. The Chief Valuer publishes sales information monthly and it is available for \$55.00 per month. The information contained is: assessment number, address of property, description of property, names of vendor and purchaser, consideration and<sup>1</sup> date of sale/search. The genuine sales provide market and capital values. Thus, fulfils the third criteria that accuracy in valuation reports can be achieved through availability of comparable sales.

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In brief, there are adequate appraisal institutions in Fiji Islands, which could meet the criteria number 2 that the valuation should be capable of being readily checked and effectively challenged RICS,9/11/1964.

## 5. Methodology

The literature survey was carried out at University of the South Pacific and via internet search. There were forwarded questionnaires to rate payers, municipal councils and valuers. Also conducted were structured interviews with rate payers prominent citizens, educators, researchers and practitioners. The property sales information was purchased from Lands Department, which obtains the same from Commissioner of Stamp Duties. Necessary searches were carried out at the office of Registrar of Titles, Lands Department, Native Land Trust Board, Town and Country Planning Office.

## 6. Literature Survey

6.1. Karl Marx advocated expropriating land because rising land rent would then be shared by the people through state, whereas, George advanced the idea to tax unearned income on land, Dakaica.2001 page 2. In UK taxation based on rates started in the year 1601 and the main purpose of the Act was to help poor, Poor Relief Act 1601,48 Eliz. There are several types of rates, namely, council tax, general rates, special rates, loan rates, local rates business rates, agricultural rates, concession rate for pensioners, rebate rate to existing user, minimum rate, domestic rates and nondomestic rates, LGA. Rate is also known as “local taxation to mean an annual tax on the use of occupation of land and or property usually levied at local level and the revenue of which contribute to the provision of local services, Brown 2001 pp13,

6.2. Criteria of Rating: They are: the cost of local services should be equitably shared between all the rate payers in those classes; that the process of valuation should be accurate and the valuation should be capable of being readily checked and effectively challenged; accuracy in valuation reports can be achieved through availability of comparable sales and clarity of definitions, freehold, if not based on different interest, administration and collection of rate would be difficult and valuation is complicated; collection and recovering of rates should be administratively economical; and stable form of income; and that all members of the community directly or indirectly benefit from the services provided by the municipal councils RICS,9/11/1964:14.

6.3. Rating appraisal system: There are three land based systems, namely, unimproved value, improved capital value and annual value all based on land. The property based tax is relatively simple and understandable; the property is visible and easily identifiable and it can not be shifted geographically in response to change in a rate or tax; the tied of tax is readily predictable and certain; evasion is extremely difficult; cost of maintaining rating

is not high in proportion, rates are perceptible tax and the demand expressed as a lump sum at yearly intervals to the notice of the rate payers; because deliberate decisions have been taken to raise rates in the dollar to meet increased costs, RICS, 9/11/1964:14.

6.4. Unimproved Value is defined as capital sum which the land, if it were held for an estate in fee simple unencumbered by any mortgage, or charge thereon might be expected to realize at the time of valuation or revaluation if offered for sale on such reasonable terms and conditions as bonafide seller might be expected to require and assuming that might be expected to require and assuming that improvements thereon or appertaining thereto had not been made, Sec. 63 LGA Fiji 1976.

AG Taifalo Vs VG Darwin model

(i)  $FH \text{ (Unimproved Value)} = (A+B)+C$

(A+B) is the States Interest

A = Present Value of States Annual rental for first period (to reassessment date) at the appropriate rate of interest.

B = is the present value of the rental for the second period in perpetuity differed for duration of the first period at the appropriate rate

C = the value of lessee's improved interest on land as revealed by sales.

(ii) Capitalisation Rate (CR)

The Capitalisation Rate shall be determined by dividing freehold sale values by rental of vacant land.

(iii) Other Method

Freehold Interest and the premium paid to the lease (Lessee's Interest) are both known or to make judgement on the expected rate of return by comparison with returns by comparison with return received in other sectors of the real estate market and related investment fields.

8. An example of Statistics Computer Adelaide Model of Unimproved Value is:

$$UV = \text{Area} \times \text{Area Factor} \times \text{Standard Rate} \times \text{Relative factor}$$

$$\text{Area Factor} = \frac{2 \times \text{Standard Area}}{\text{Lot Area} + \text{Standard Area}}$$

$$\text{Rate/sq metre} = \frac{\text{Sale Price}}{\text{Area} \times \text{Area Factor}}$$

$$\text{Relativity Factor} = \frac{\text{Current UV} \times (\text{Standard Area} + \text{Lot Area})}{2 \times \text{Standard Value} \times \text{Standard Area} \times \text{Lot Area}}$$

$$\text{Standard Area} = \frac{\text{Bench Mark Value (\$) for each Locality}}{\text{Bench Mark Area}}$$

6.5.Improved Capital Value: Improved Capital Value of the premises if sold freehold on the open market given a willing buyer and a willing seller provided the improved capital value is equal to the net annual value capitalized at the relevant rate of interest, it will provide a base for taxation equivalent to net annual value.

6.6.Annual Value: The valuers were required to assess annual value assuming the property was vacant and to let, based on occupation which comprise of actual, exclusive, beneficial and permanence of occupation, and that properties should be valued rebus sic stantibus, Ryde.1976 and Brown 2001.

## 7.Municipal Councils

There were studied eleven municipal councils tabulated as hereunder following which are the detailed review.

Table1: 140 properties were picked from Sales Information 1997-1999 are tabulated as hereunder following which are the detailed reviews:

Municipal Councils	Res A	Res B	Res C	Res D	Com A	Com B	Com C	Ind G	Oth ers	Tot.
1.Levuka		4				4		1		9
2.Lami	5	6				1		4		16
3.Tavua		5					9		1	15
4.Ba	4	4	4			4	1	2		19
5.Sigatoka		5				8		1		14
6.Savusavu		7	4			8		3		22
7.Nadi		6	5	1		7	1	4		24
8.Labasa		5	5	5		11	1	5		32
9.Nausori		5	5			5	5	5		25
10.Suva		5	3	7		6	3	7		31
11.Lautoka	5	6			8	7		7		33
<b>Total</b>	14	58	26	13	8	61	20	39		240

## **7.1 LEVUKA TOWN COUNCIL**

### **7.1.1 History**

Levuka was initially founded as a whaling settlement in 1860 that later expanded to become one of the largest trading settlements in the South Pacific. The system of rating valuation was Annual Value. The subject was the first capital of Fiji but however, the steep hills that surround the town made expansion for capital activities difficult. This forced the capital to be relocated in Suva in 1881. In addition the Canning Industry supports business activities in old capital. At present, the town is declared heritage town and developments are restricted to internal repairs and maintenance. On the 10<sup>th</sup> October 1874 the Deed of Cession was signed in Levuka and it was declared the capital of Fiji.

### **7.1.2 Zoning**

The properties within the declared Levuka Town Boundary are classified under different zonings - residential, commercial and industrial. Properties zoned as civic, community development, special use, public open space, education, and rural are designated under other zones". There are approximately 139 residential properties within the town boundary with a total UV of \$1,291,600.00. From these 139 properties, 125 are freehold land, 13 are crown land and 1 is native land. In accordance with the 1995 Valuation Roll of Levuka town there are approximately 44 commercial properties out of which 42 are freehold land and 2 are crown land properties. The UV of the commercial properties in 1995 was \$606,400.00. The commercial centre for Levuka is mainly the line of shops, offices, and restaurants that faces the sea. A majority of these commercial properties are more than 50 years old. There are about 20 industrial properties in the declared Levuka Town boundary. Out of these 20 properties, 9 are freehold land and 11 are crown land each covering an area of 2.2139 ha and 1.2750 ha respectively. The PAFCO sites on the southern end of the town are of importance under industrial zone.

The total unimproved value for the industrial properties was \$629,700.00 in 1995. The remaining areas are mainly designated for civic, community development, special use, public open space, education, and rural. The civic zone comprises of 12 freehold and 15 crown land properties. Community development has 3 properties out of which 2 are freehold and one is crown land. Seven freehold properties make up the public open space zone while education comprises of 2 freehold and 1 crown land property. There are 8 rural properties and from these 7 are freehold and one is crown land. The revenue earned from rates in 1998 was \$72,223.00. \$43,171.00 was collected from user payers and hence the total revenue was \$115,394.00 in 1998. The percentage yield from property-related rate revenue was about 65%.

### **7.1.3 Comparison of Rating Systems**

**a)Unimproved Value (UV)**

The Levuka Town Council struck a rate of \$0.0171 per dollar for the year 1998 on UV. It was assumed a sum of \$1,727.00 to be collected as rates from each of the rating systems (refer to Table 1, Appendix 6).

**Observation**

- ❖ Lots with similar area pay similar rates, for example assessment nos. 62 and 19 have areas 0.0244 ha and 0.0202 ha respectively which can be treated as approximately similar size and therefore rates paid are comparatively close. Assessment nos. 180 and 181 also support this.
- ❖ Most residential properties normally single storied wooden iron structures have a greater rate burden compared to industrial zoned properties which are big and/or multi storied buildings, for example rates payable for assessment nos. 180,181,216 are \$153.00, \$153.00, \$190.40 respectively. On the other hand assessment no. 19 which is an industrial property in the same area pays a rate of \$136.00.

**b)Improved Capital Value (ICV)****Observation**

- ❖ Similar size blocks pay significantly different rates according to the developments on the block. For example, assessment nos. 180 and 181 both were paying \$153.00 as rent on UV, but on ICV basis the rates payable will be \$67.12 and \$86.30 respectively. The percentage decrease is about 56% and 47% respectively.
- ❖ The rate burden for low-density residential properties has been reduced.
- ❖ There is an increase in the rate burden for commercial and industrial properties.

**c)Level Of Development**

(Refer to Table 1, Appendix 7).

According to Levuka Town Valuation Roll (1995), out of the 256 properties, 206 were developed and the remaining undeveloped. There are 191 single storied buildings and 47 multi-storied buildings. Hence approximately 80% of the total number of properties is developed.

**d) Conclusion**

It can be concluded that on UV basis, the residential properties in Levuka will have a greater rate burden while industrial properties will have an advantage, as the rate burden will be lesser for them. Adopting the ICV method of rating, residential properties with low development will be paying lower rates and hence the rate burden will be lesser for these types of properties. On ICV basis of rating, the rates payable will be proportionate to the level of development, which reveals that industrial and commercial properties will

be paying more rates. Since Levuka is a heritage town, development is restricted to a certain level which alterations to only the interior of the buildings. Therefore under these circumstances, for Levuka, the present system, that is, the rating system based on UV is the most appropriate method.

## **7.2. Lami Town Council**

**7.2.1. Introduction:** Lami was declared a town on the 17th of January in 1977. The boundary of the town was amended in 1988 to exclude some areas of land opposite to Suvavou village for village reserve purposes. Before its declaration as a town in 1977, Lami was part of Suva Rural town planning area and was under the Suva Rural Local Authority. According to legal notice number 74 of 1980, the town of Lami was divided into three wards, namely Eastern, Central and Western. Eastern Ward - comprising of all that portion of the town of Lami situated on the western side of Tamavua River up to the eastern side of Wailoku creek and Navesi River. Central ward - comprising of all that portion of the town of Lami situated between the western side of the Wailoku Creek and Navesi River and the eastern side of DP 1496, 4430, and 2736. Western ward - comprising of all that portion of the town of Lami situated between the western side of Nubulekeleka Bay and Lami River and includes the Vatuvia and Qeleya Roads subdivisions on the southern side of Queens Road. The wards established under this order are more particularly delineated on plan P.P 209.

**7.2.2. Zoning:** The properties within the declared Levuka Town Boundary are classified under different zonings namely residential, commercial and industrial. Properties zoned as civic, community development, special use, public and open space, education, and rural are designated under "other zones". Residential properties comprises of 708 residential B and 140 residential A properties. Of these residential properties, 35% are freehold, 6% are crown land, and 59% are native land properties. There are 36 commercial B properties of which 13 are freehold (1.2393 ha), 2 are crown Land (0.1156 ha) and 21 are native land (1.4265) properties. About 58% of the commercial properties are under native land compared to 36% freehold and 6% under crown land. Industrial properties are split up into three specific zonings namely industrial G, H and N. Industrial G comprises of 159 properties of which 5 are freehold, 53 are crown land and 101 are native land. Industrial H comprises of only 1 property, that is crown land. Industrial N consists of 2 properties: 1 crown and 1 native land. The industrial properties occupy a total area of 53.3728 ha. The remaining zones are pubos, civic, spec, recr, cdev and rural. Pubos consists of 18 properties - 7 freehold 6 crown and 5 native land. Civic consists of 33 properties - 2 freehold, 9 crown and 22 native land, Spec consists of 7 properties - 2 crown and 5 native land. Recr consists of only one native land, C dev consist of one freehold land, Rural consists of 29 properties; 19 freehold, 2 crown and 8 native land. For the year 1996, \$205,108.00 was derived from rates and \$255,633.00 was derived from other user payers. Therefore it can be noted that 44.5 % of the total revenue was collected from general rates.

## **7.2.3 Comparison of Rating Systems**

### **a) Unimproved Value (UV)**

For 1995 the general rate struck by the Lami Town Council was \$0.0186 per dollar on UV. It was assumed a sum of \$10,040.00 to be collected as rates from each of the rating systems (refer to Table 2, Appendix 6). The observations are: Assessment numbers 215 and 280 (both along Vetaia St) occupy almost similar areas and their rates payable on UV are reasonably close. This reveals that if the rates payable are based on UV, then similar size blocks within the same location will be paying similar rates and compared to the industrial properties, residential blocks have a greater rate burden.

### **b) Improved Capital Value (ICV)**

**Observation:** Generally, residential properties tend to be paying less rent when compared to the rates payable on the UV basis and the rate burden for industrial blocks increase with respect to the amount of improvements made. The arrears of rates are largely due to rates unpaid on in-alienated native land, estates and absentee owners.

### **c) Level Of Development**

(Refer to Table 2, Appendix 7).

The Town clerk advised that there is approximately 80% of developed properties and the rest is vacant or alienated land.

### **d) Conclusion**

Following the present system of rating will mean that residential B properties will have a greater rate burden. Residential A properties having comparatively high unimproved values, will benefit as they will have a lesser rate burden. Generally industrial and commercial properties will have a lesser rate burden on unimproved value basis. When rates are calculated on the ICV basis, residential A properties tend to be paying more when compared to the rate payable on UV. Rates payable will increase for industrial and commercial properties. For Lami town, the most appropriate system of rating would be collecting rates based on ICV. This will reduce the rate burden for the owners of residential B properties.

Since Lami town is about 80% developed, and contains quite a good number of commercial and industrial properties, collecting rates on improved value basis will not make a big difference to future developments. That is, an increase in the rates for well established industrial and/or commercial properties will not cease the developments in these areas.

## **7.3.TAVUA TOWN COUNCIL**

### **7.3.1 History**

Tavua was declared a town on the 27th of April in 1992 by the Minister for Housing and Urban Development, Ratu Ovini Bokini. One of the factors that determine the viability of the town is its proximity to Vatukoula Gold Mine. Due to the deteriorating status of Vaukoula commercial centers, the shoppers prefer to travel to Tavua Town to shop and also because of the services and facilities it offers.

**7.3.2 Land Tenure:** All the properties in the town of Tavua are classified as either crown land or native land. About 74% of the total area are crown land and the remaining 26% are native land.

**7.3.3 Zoning:** The properties within the declared town boundary are under different zonings namely, residential, commercial, industrial, and civic.

Properties zoned as rural, special and public open spaces are classified under “other zones”. There are a total of 112 residential properties within the declared town boundary with a total UV of \$1,213,020.00. However there are some lots such as assessment nos. 216, 220, 235 that fall outside the town boundary and hence are excluded from data analysis. Residential lots such as assessment nos. 218 and 219 are partially inside the town and therefore are considered in determining the level of development.

From the 112 properties, 68 and 44 lots are scheduled under crown land and native land respectively, and the rest are designated under freehold land. There are a total of 88 commercial properties in Tavua with a total UV of \$1,864,900.00 from which 81 lots are designated as crown land and 7 lots as native land. There is only one property industrially zoned and this lies partially inside the town boundary. The lot is a Freehold land. The other zone is Civic has a total of 25 lots of which 23 are crown and 2 are native land. Spec has a total of 3 properties of which 2 lots are crown lands and 1 is native Land, Pubos has 2 properties, both of which are crown land. Rural has a total of 11 properties of which 5 are crown and 6 are native Land. Revenue from the rates collected in 1997 was \$32,587.00 and \$123,805.00 was collected from other user payers. The yield from property related revenue is 26.32%.

### 7.3.4 Comparison of Rating Systems

#### a) Unimproved Value

The Tavua Town Council had struck a general rate at 1 cent and a special rate at 0.5 cent per dollar on UV with effect from 1/01/97. It was assumed a sum of \$2,693.00 to be collected as rates from each of the rating systems (refer to Table 3, Appendix 6)

#### b) Observation

- ❖ Lots with similar areas pay similar rates.  
For example, assessment nos. 78 and 52 have an area of 0.0822 ha and 0.0829 ha respectively and their rates payable are reasonably close.  
The rates on UV for both lots are \$110.00 since their areas are approximately same.
- ❖ Farms, vacant land and residential properties with greater area will pay more rates proportionally.
- ❖ Commercial properties pay low rates when compared to farms.

### c) Improved Capital Value (ICV)

#### Observations

- ❖ Similar size blocks pay significantly different rates according to the developments on the blocks.  
For example, assessment nos. 138 and 124 with relatively same area pay \$75.51 and \$565.71 respectively as their rates on ICV basis.
- ❖ There is a greater breadth of house rate levels.
- ❖ There is greater rate burden for low-density residential properties, vacant land and farms. Assessment number 188 that is vacant and classified under “Agri” however has lower rate burden.
- ❖ Valuable commercial properties will pay the most rate.

### d) Level Of Development

(Refer to Table 3, Appendix 7).

There are approximately 127 single storied buildings and 82 multi storied buildings within the Tavua Town boundary. Generally, approximately 202 properties are developed and 40 are undeveloped. The percentage developed is 83%. The major commercial business area is along Kings and Vatukoula Road. From the 112 residential properties, 95 are developed. The percentage development is about 85%. From the 86 commercial properties, 80 are developed. The percentage development is about 91%. There is only one industrial property and is undeveloped. The number of lands developed for the zones classified under “other zones” amounts to 41. The percentage development comes to about 66%.

### e) Conclusion

The present UV method of rating results in farms, vacant and residential properties having a greater rate burden. Commercial C properties pay similar rates as residential B properties despite the unimproved values of each zone. Also similar size lots pay similar rates. According to the ratings based on the ICV method, the rate burden for residential properties, vacant land and agricultural land has been reduced. Most commercial properties have a lesser rate burden with the exception of some valuable properties. There is no freehold land in Tavua. Therefore, there are no freehold sales for comparison. The development is not intensified. The unimproved values with modification could be introduced in order to levy additional rates for additional services provided to certain categories of land. There is no change as unimproved values are assessed on zoning bases and commercial sector already pay higher rates based on UV in commercial zone. To overcome the problems of valuation of UV where there are no freehold land or sales, a rider clause should be added to the definition of UV in the Act as follows.

$$FH = \text{Lessors Interest} + \text{Lessees Interest}$$

## **7.4.BA TOWN COUNCIL**

**7.4.1.Introduction** Ba in comparison to Suva City and Lautoka City is fairly small and less developed. It is more comparable to Nadi and Nausori in terms of size. The main source of revenue generated is mainly from Rarawai Sugar Mill. Apart from this, there are a few industries within the town that also provides means of employment. The commercial sector depends entirely on the two major sources, that is, sugar mill and industries. Ba town is divided into five wards–Varadoli, Central, Rarawai and Namosau. Proclamation numbers of 6 of 1939, 2 of 1941, 4 of 1960, 25 of 1963, Local Government notices number 11 of 1968, 17 of 1973. According to the analysis on Level of Development of Ba town prepared using the Ba Valuation Roll (1996), there were altogether 1188 properties. With reference to the Valuation Roll, the total UV was found to be \$37,768,150.00. From the 1188 properties, crown land owns about 413 and covers an area of approximately 167 ha. Native Land Trust Board has 103 native leases covering a total area of about 22 hectares, and the remaining 613 are freehold properties occupying an area of about 164 hectares. Overall by property, there are approximately 52% freehold lots, 40% crown land and 8% native land properties within the town boundary.

7.4.2. The zoning of the properties within the town boundary are classified as residential, commercial, industrial, and “other zones” which constitutes zones such as civic, capk, cdev, pubos, recr, rural, spec and educ. There are about 870 residential properties within the town boundary, which are zoned into residential A, B, and C. Most residential properties are found at the Varadoli Ward which command large areas, good outlooks and elevated sites. From these 870 properties, 390 are freehold, 397 belong to crown land and 83 to native land. There are about 187 properties within the town area, which are sub-zoned into commercial B and C. The bulk of the commercial sites are found in the main town area with only a few scattered within the town boundary. From these 187 properties 153 are freehold, 16 belong to crown land and 18 belong to native land. Towards the Tavua end of Ba Town, there are a number of vacant premises that shows business is not very much flourished. Industrial properties in Ba area fall into two categories that is industrial G and H. A majority of the properties are confined to one location at Nabeka street and Veitau street. These are mostly industrial G. There are about 60 properties catergorised as industrial G and only one as industrial H which is the Rarawai Sugar Mill. From the 61 properties, 42 are freehold and 19 belong to crown land. None of the properties are scheduled under native land. Civic accounts for 21 properties out of which 4 are freehold and 17 are crown land. Capk accounts for 5 properties of which all are freehold land, Cdev accounts for 13 properties out of which 7 are freehold, 5 are crown land and 1 is native land. Pubos accounts for 22 properties, out of which 8 are freehold, 13 are crown land and 1 is native land, Recr accounts for 3 properties out of which 2 are freehold and 1 is crown land. Rural accounts for 3 properties out of which 2 are freehold and 1 is crown land, Spec accounts for 5 properties of which all are crown land, Educ accounts for only 1 property that is registered under crown land.

**7.4.3 Level Of Development:** (Refer to Table 4, Appendix 7). There are about 1188 properties of which 1055 are developed. This reflects an overall percentage development of about 89%. From 870 residential properties, 789 properties are developed that

indicates a development of approximately 91%. From 187 commercial properties 160 are developed. This reflects approximately 89% development. From the 61 industrial properties, 39 are developed. This reflects 64% development. The number of lands developed for zones classified under “other zones” amounts to 60. There is about 86% development.

#### **7.4.4 Revenue**

According to the 1996 accounts Statement, the revenue earned from general rates in that year was \$151,771.00. The rate received from other user payers was \$569,813.00. Thus, the total revenue collected was \$721,584.00. The percentage yield from property-related revenue was 21%.

#### **7.4.5 Comparison of Rating Appraisal**

##### **a) Unimproved Value (UV)**

The Ba Town Council struck a general rate of \$0.0056 per every dollar on UV. It was assumed a sum of \$3,358.00 to be collected as rates from each of the rating systems (refer to Table 4, Appendix 6).

**b)Observation:** Comparable size blocks within the same location pay comparable rates. For example, assessment nos. 981, 950 and 856 each with an area of 0.0102 ha pay \$142.00, \$142.00 \$166.00 respectively. Assessment nos. 106, 95 and 592 also with similar areas pay similar rates. Vacant land have a greater rate burden for example assessment nos. 981, 906 and 702 pay rates up to \$142.00, \$91.00 and \$371.00 respectively. This is quite high when compared to rates paid by developed properties in their respective zones. With respect to the UV, industrial and commercial properties have a lesser rate burden.

**c) Improved Capital Value (ICV):** Similar size lots pay significantly different rates. For example, assessment no. 856 which has a double storied concrete structure, pays a rate on improved value basis that is 19% less than the rate payable on UV basis. On the other hand, assessment no. 981, which is vacant and is of same area as assessment no. 856, has a rate payable on ICV basis, which is about 70% less than the rate payable on UV basis. The rate burden on most residential properties decreases whereas the rate burden on commercial properties increases with respect to their level of development.

**d) Conclusion :** The present UV method of determining rates payable, despite the level of development, allows differently zoned properties but of similar sizes to pay similar rates. Vacant lands have a greater rate burden but industrial and commercial properties have a lesser rate burden. The adoption of ICV method to determine rates payable allows an increase in the rate burden of commercial and a decrease in the rates payable for residential properties. The level of development of both residential and commercial properties is approximately the same, that is 90%. Therefore, imposing the ICV method of calculating rates will enable a greater proportion of rate revenue to be collected from commercial properties who can afford and which also corresponds to their greater use of

council services, than the proportion of rate revenue to be collected from residential properties.

## **7.5.SIGATOKA TOWN COUNCIL**

**7.5.1 Introduction:** Sigatoka has a number of hotels and resort's which attracts tourists. The main source of income for most of the people of Sigatoka is sugar cane farming. It is also the salad bowl of Fiji. The town of Sigatoka is divided into 3 wards namely: Laselase Ward - comprising all that portion of the town of Sigatoka situated to the east of the Sigatoka River. Vunisalu Ward - comprising all that portion of the town of Sigatoka situated to the west of the Sigatoka River between the northern boundary of the town and Lawaqa Creek. Lawaqa Ward - comprising all that portion of the town of Sigatoka situated to the west of the Sigatoka River between the southern boundary of the town and Lawaqa Creek. Proclamation numbers of 11 of 1959, 13 of 1966. Local Government Notices numbers 1 of 1970, 22 of 1973. Legal Government Notices number 144 of 1980.

**7.5.2 Location:** Sigatoka is situated at the west of General Post Office, Suva between Navua and Nadi towns hectares, and the remaining 124 are freehold properties occupying an area of about 124 hectares. Overall by property, there are approximately 52% freehold lots, 40% crown land and 8% native land properties within the town boundary.

**7.5.3 Zoning:** The properties within the town boundary are classified as residential, commercial, industrial, and "other zones" which constitutes zones such as civic, capk, cdev, pubos, recr, rural, spec and educ. There are about 132 residential properties within the town boundary which are sub-zoned into residential A, B and C. The total UV of the residential sites is \$2,430.00 in 1999. From these 132 properties, 46 are freehold, 86 are native land. There are 103 properties within the town area, which are sub-zoned into commercial B and C and had a total UV of \$599,700.00. Of these 153 properties, 31 are native land and 72 are freehold sites. The total area occupied is approximately 7 hectares. There are 18 industrial properties with a total UV of \$601,201.00. All of the properties are scheduled under native land. Others- Civic accounts for 14 properties out of which 2 are freehold and 2 are crown land and 10 are native land, Capk accounts for only 1 freehold lot, Cdev accounts for 7 properties out of which 2 are crown land and 5 are native land, Pubos accounts for 3 properties, out of which 1 is freehold and 2 are native land, Recr accounts for only 1 freehold, Spec accounts for 2 properties of which 1 is freehold and 1 is native Land, Pres accounts for only 1 property that is registered under native land.

**7.5.4 Level of Development:** (Refer to Table 5, Appendix 7). There are a total of 282 properties within the town boundary out of which 224 are developed. The percentage development is about 79%. From the 132 residential properties, 138 are developed. The percentage development is about 82%. From the 103 commercial properties, 96 are developed. The percentage development is about 96%. Out of the 18 industrial properties,

14 are developed. The percentage development is about 78%. The number of lands developed for zones under “other zones” amounts to 29. This gives a percentage development of about 62%. The revenue collected from general rates in 1997 was \$375,619.00. The revenue raised from other user payers was \$108,677.00. The yield of property related revenue was about 76%.

### **7.5.5 Comparison of Rating Systems**

**a) Unimproved Value:** The Sigatoka Town Council struck a general rate of \$0.0108 per dollar on UV. It was assumed a sum of \$4,975.00 to be collected as rates from each of the rating systems (refer to Table 5, Appendix 6).

**b)Observation:** Similar size blocks within the same location pay similar rates. For example, assessment nos. 46 and 44 with areas of 0.06852 ha and 0.0615 ha respectively pay \$124.20. However, most similar size residential properties pay significantly higher rates. Residential properties generally have a lesser rate burden. With respect to the unimproved values, industrial and commercial properties have a greater rate burden.

**c)Improved Capital Value Observation:** Similar size lots pay significantly different rates on ICV according to their developments. For example, assessment number 106/8, which is vacant, pays \$76.33 on ICV, which reflects a reduction of 47% of rates payable on UV basis. The rate burden on most industrial and commercial properties decreases while the rate burden on residential properties’ increases. There is a greater breadth of house rate levels.

### **d)Conclusion**

The present UV method of rating allows similar size blocks within the location and/or different zones to pay similar rates. Most industrial and commercial properties pay higher rates. Vacant properties also pay higher rates. Using the ICV method to determine the rates payable allows similar size blocks to pay rates according to their level of development. The rate burden for vacant land and commercial properties are reduced. Commercial and residential properties that have an increase in rates are the ones that are more developed. The industrial properties will have a slight increase in the rates. The level of development in residential, commercial and industrial properties is 82%, 93% and 78% respectively. The analysis shows that a lot of residential properties are developed, and that there is potential for more development. The industrial and commercial lots are also quite well developed. Therefore, it can be concluded that using the I.C.V method to calculate rates is an ideal method in Sigatoka Town as industrial and commercial properties will be paying less rates, thus encouraging development and improvement of land. The only residential properties having increase in rates on the I.C.V method will be the ones that are more developed and therefore have the ability to contribute more towards the rate revenue.

## **7.6.SAVUSAVU TOWN COUNCIL**

**7.6.1.Introduction:** Savusavu is a copra producing area. It was declared the port of entry for Vanua Levu. The town is located southeast of Labasa town. Government Notice numbers 26 of 1969, 16 of 1971 and 23 of 1973. From the 494 properties, crown land owns 112 and covers an area of approximately 34 ha. Native Land Trust Board has 13 native leases covering a total area of about 26 ha, and the remaining 369 are freehold properties occupying an area of about 189 hectares. Overall by property, there are approximately 76% freehold lots, 14% crown land and 10% native land properties within the town boundary.

**7.6.2. Zoning:** The properties within the town boundary are classified as residential, commercial, industrial, and “other zones” which constitutes zones such as civic, capk, cdev, pubos, recr, rural, spec and educ. There are about 312 residential properties within the town boundary with a total UV of \$4,178,700.00. From these 312 properties, 261 are freehold and 51 are crown land. There are 79 commercial B properties within the town area. Of these 179 properties, 4 are crown land, 2 are native land and 7 are freehold sites. The total UV of commercial zone was \$3,886,000.00. There are 48 industrial properties with a total UV of \$1,667,500.00. Of these, 18 are freehold and 30 are crown land. Other: Civic accounts for 21 properties out of which 6 are freehold and 5 are crown land and 10 are native land, Capk accounts for only 1 crown land lot, Pubos accounts for 1 freehold property, Recr accounts for only 2 freehold, Spec accounts for 8 properties of which 3 are freehold and 5 are crown land, Hotel accounts for 3 properties of which 3 are freehold and 2 are crown land, Duse comprises of 2 freehold properties.

**7.6.3. Level of Development:**(Refer to Table 6, Appendix 7).There are altogether 494 properties. From these, 367 are developed. The percentage development comes to about 74%. From the 312 residential properties, 243 are developed. The percentage development is about 78%. From the 92 commercial properties, 66 are developed. This reflects a development of about 72%. From the 48 industrial properties, 27 are developed. The development is about 56%. The number of properties for special uses grouped under “other zones” amounts to 42. From these, 31 properties are developed. The percentage development comes to about 74%.

**7.6.4. Revenue:** According to the 1997 Accounts Statement, the revenue earned from general rates in that year was \$32,257.00. The rate received from other user payers was \$118,641.00. Thus, the total revenue collected was \$155,895.00 in 1997. The percentage yield from property-related revenue was 21%.

**7.6.5.Comparison of Rating Systems:** There were variations in rates calculated using the UV, ICV and the annual value (A.V.) method. It was noted that the variation in rates calculated on UV and annual value was same as the variation between UV and ICV. Thus, the ICV and AV rates were the same and therefore it was decided that rate comparison should be done between UV and ICV for the rest of the towns.

**7.6.6. Unimproved Value:** The Savusavu Town Council struck a general rate of \$0.0145 per dollar on UV. It was assumed a sum of \$8,231.00 to be collected as rates from each of the rating systems (refer to Table 6, Appendix 6).

**a)Observation:** Vacant lands have a greater rate burden, for example assessment nos. 265, 43, 105 and 68. Most residential properties have a greater rate burden. For example, assessment nos. 229/6, 224/42, 224/23, 224/24 and 224/28. Similar size blocks within the same location pay similar rates. For example, assessment nos. 105, 68, and 110 with areas of 0.0617 ha, 0.0615 ha and 0.0617 respectively pay similar rates. Assessment nos. 229/6, 210, 206, 224/3 and 224/28 also pay similar rates. With respect to the unimproved values, industrial and commercial properties have a greater rate burden when compared to residential properties.

**7.6.7.Improved Capital Value Observation:** Similar size lots pay significantly different rates on ICV basis according to their developments. For example, assessment nos. 229/6, 210 and 206 pay \$63.00 and \$353.00 and \$141.00 respectively on ICV basis depending on their level of development. The rate burden for most residential and vacant lots decreases.

**7.6.8.Conclusion:** The present UV method of rating allows vacant land and residential properties to pay higher rates. Similar size blocks within the same area pay similar rates. Most commercial and industrial properties have a lesser rate burden. The adoption of ICV method to determine rates payable allows most residential and vacant land a reduction in the rates payable. Well-developed residential, commercial and industrial properties have a greater rate burden. The level of development of residential, commercial and industrial properties is 78%, 72% and 56% respectively and this analysis shows that not much development has taken place. If ICV is used to calculate rate in this town, then most probably this will discourage development and improvements of land/buildings and investment/opportunities despite the low rates it offers to the residential lots. A retired banker and property developer stated that present system on UV is suitable for Savusavu because of level of development in the town and the valuers have six years to examine the property market before UVs are fixed by them. Therefore it can be concluded that the unimproved values based method is more suitable to calculate rates in Savusavu Town.

## **7.7.NADI TOWN COUNCIL**

**7.7.1.Introduction:** Nadi Town is situated northwest of Suva City and is the home for Fiji's only International Airport. Nadi is considered to be the fastest developing town in Fiji going through a "boom" period, the main factors are the relocation of the Air Pacific from Suva to Nadi and also the fact that Nadi is considered a "tourist town". Therefore the growth and prosperity of the town depends on tourism. The total land area of Nadi Town is approximately 576.47 ha (1424 acres). The town of Nadi is divided into four wards- Nadi, Namaka, Martintar and Narewa. Proclamation numbers 13 of 1946, 2 of 1959, 13 of 1962, 42 of 1966. Local Government Notice number 16 of 1973, Legal Notice number 188 of 1979, Legal Notice number 45 of 1981.

**7.7.2 Zonings:** All the properties within the Nadi Town Boundary are zoned under residential, commercial, industrial and “other zones”, which includes civic, public open space and other zones for special uses. Residential zoned lands at Nadi are classified under A, B, C and D. With reference to the analysis prepared using the 1995 valuation roll, there are approximately 1376 residential properties. The Town Council’s valuation report (1995) stated that there were 1391 residential properties. The difference is because of the cancellation (subdivision) of some of the properties. From these 1376 properties, about 79% are freehold, 5% are crown land and the remaining 16% are native land. The main commercial zone areas are centered on the southern portion of the town and totals about 124 properties. These are areas mainly along Main Street, Clay Street, Sahu Khan Street and market area. There are zero commercial A properties within the town boundary; only commercial B and C properties. The commercial B areas are mainly situated along the main Nadi Town and along Martintar and Namaka areas. There are some properties scattered in the town area, which are commercial C. The main street commercial areas are mainly of leasehold tenure, that is, native and state leases. The total commercial lots in 1995 were 216, with a UV of about 30 million dollars. The industrial properties are classified as “G”. The main industrial areas are located around the Namaka area. There were 126 properties with a UV of about 5 million dollars. From these properties, 1 is freehold, 115 are crown land and 10 are native land. Other Zones: In this category, there are 115 properties that are zoned either as civic, recreation, community development, public open space, car park, rural, hotel, education, religion or any other special use. In 1995, the revenue derived from rates was \$378,591.00 and this is approximately 30% of the total revenue, which was \$1,243,813.00.

**7.7.3. Level of Development:** (Refer to Table 7, Appendix 7). According to the Rates Officer, Suresh Chandra, about 80% of the total properties within the Nadi Town boundary are developed with single and multi storied buildings. About 599 lots are vacant.

#### **7.7.4. Comparison of Rating Systems**

**a) Unimproved Value:** The Nadi Town Council struck a general rate of \$0.0052 per dollar to be levied for the year 2000. It was assumed a sum of \$6,777.00 to be collected as rates from each of the rating systems (refer to table 7, Appendix 6).

**a) Observation:** Comparable size blocks within the same location pay comparable rates. For example, commercial B properties such as assessments 262, 259 and 271, all situated along Narewa Street have areas that are similar to a residential B property (assessment 260), and all of these four properties pay similar rates. Vacant properties have a greater rate burden. For example, assessments 461, 1276, 1293, 45/25 and 45/22 pay approximately the same rates as the other developed properties. Blocks of similar UV pay similar rates. For example, both assessment nos. 778 (residential B) and 446 (commercial

B) have an UV of \$30,000.00 and each pay a rate of about \$156.00 regardless of the level of development in each property.

**b) Improved Capital Value Observation:** The rate burden for most residential properties is reduced significantly on ICV basis. Residential zones used for commercial purposes for example, assessment nos. 498,260 and 778 (hotel operation) will have higher rates. A few commercial properties will experience an increase in the rate burden. Most commercial and industrial zoned properties will have a lesser rate burden, especially when compared to rates payable on UV basis. Vacant properties will have a significant reduction in rates on ICV basis when compared to the rates payable on UV basis.

**c) Conclusion:** From the observation of the analysis, it can be noted that residential property owners will be in support of rates based on improved values since for them, the rate burden will be significantly reduced. Since there are two residential (B) properties, which operate as hotels, the contribution to the rate revenue for the residential B properties on the ICV basis increases, as these are more developed properties. Most commercial and industrial, and residential properties with lower level of development will have reduced rates on ICV basis, which will encourage development and improvement on land. The growth and prosperity of the town heavily depends on tourism and sugar industry. Therefore, it can be concluded that using the ICV method to calculate the rates payable would be more equitable than calculated by the present.

## **7.8.LABASA TOWN COUNCIL**

**7.8.1 Proclamation:** Labasa was declared a town on the 29<sup>th</sup> of April, 1939 and its boundaries were proclaimed on the same date (Proclamation no. 7 of 1939, Local Government Notice no. 4 of 1971). The prosperity and growth of the town is dependent on sugar. The town of Labasa is divided into three wards – Qawa, Nasea and Naseakula.

All the properties in Labasa, with the exception of a few properties, are held as leasehold while the unimproved values are based on the fee simple as required by the Local Government Act. In view of this, all leasehold sales have to be converted to freehold values before they are used in the valuation. According to the new Valuation Roll, there are altogether 1,341 properties, which are valued at \$56,457,900.00. Of the 1,341 properties, the state owns 544. The remaining are leased to private owners and Housing Authority who in turn have sub-leased to their own tenants. There are only 8 freehold properties in this town.

**7.8.2.Zonings:** Properties are classified under different zones - residential, commercial, industrial and “other zones” which include properties for special uses. There are altogether 920 residential properties within the town. boundary, which have modern and old designed buildings. The total UV was assessed as \$18,963,400.00. Most of the residential properties has rented flats to accommodate the working population of the central area. Commercial zoned sites account for 232 properties. These are classified either as B or C and have a total UV of \$25,664,800.00. Commercial sites are situated along both sides of Naseakula Road mainly in the eastern side towards Labasa market

end. Other sites are located at busy centers of Namara, Bulovi and Vaturekuka. There are altogether 102 industrial properties and the total UV assessed for these properties is \$7,871,200.00. Other Zones. In this zone there are 187 properties which are zoned either as car park, civic, recreation, education or any other special use and are valued at \$3,958,500.00. Level of Development - Residential properties are about 87% developed while the development of the commercial properties is approximately 95%. Industrial properties also reflect a development level of approximately 90%. For the total properties classified as "other zones," the development is about 89%. Revenue - The revenue derived from rates for the year 1997 was \$242,502.00, which approximately is 28% of the total revenue. The balance was collected from other user payers.

### **8.8.3. Comparison of Rating Systems**

#### **a) Unimproved Value (UV)**

The general rate struck by Labasa Town Council for the year 1995 on UV was \$0.0074 per dollar. It was assumed a sum of \$21,698.00 to be collected as rates from each of the rating systems (refer to Table 8, Appendix 6).

**b) Observation:** Similar size blocks within the same location pay similar rates. For example, residential properties of assessment numbers 105/6 and 105/1 with areas of 0.0430 ha and 0.0455 ha respectively, pay about \$160.00 each. Assessment numbers 511 and 485, both industrial properties, also pay similar rates. Vacant properties have a greater rate burden. For example, assessment numbers 412/45, 714 and 713. Commercial and industrial properties, having high unimproved values, have a greater rate burden. Most residential properties, due to similar unimproved values, pay similar rates.

**c) Improved Capital Value Observation:** Similar size blocks pay significantly different rates. For example, assessment numbers 511 and 485 pay rates approximately 6% and 59% less than the rates payable on UV basis. The rates charged on ICV basis is according to the development each property has. Most residential "D" and a few residential "C" properties have a lesser rate burden. The increase and decrease in rates is subject to the level of development. The higher the level of development, the greater the rate burden. The rate burden for vacant properties is reduced. For example, assessment numbers 412/45, 714 and 713 have their rates reduced by 65.7%, 66% and 69% respectively on ICV basis. Residential properties categorized as B have an increase in the rates payable on ICV basis compared to the rates payable on the UV basis. For example, commercial properties of assessment numbers 383 and 323, due to their level of development, pay rates approximately 52% less and 30% more respectively than the rates payable on UV basis. Most industrial and commercial properties have a lesser rate burden. Those that register an increase in the rates on the IV basis are properties that are very well developed. For example assessment numbers 26 (a bulk) 348/1 (a supermarket) and 370 (offices)

**d) Conclusion:** The present UV method of rating allows comparable size blocks within the same location and/or of development of different zones pay comparable rates. Most industrial and commercial properties pay higher rates. Vacant land also pays higher rates. Using the IV method to determine the rates payable allows similar size blocks to pay rates according to their level of development. The rate burden for vacant land, most industrial and commercial properties are reduced. Significantly, commercial and residential properties that have an increase in rates are the ones that are very well developed. The percentage development in each of the different zones indicates that each zone is quite well developed and the ICV method of rating will be an effective one for Labasa Town to determine the rates payable since a majority of properties, regardless of zoning, will pay lesser rates. The properties that are very well developed will have a greater but yet an affordable rate burden. The Town Clerk provided hand-outs on rating systems in Knox City Victoria and strongly recommended introduction of Improved Capital system of rating in Labasa.

## **7.9.NAUSORI TOWN COUNCIL**

**7.9.1.Introduction:** The history of Nausori town plays an important part in the history of Fiji. Within and around the Town area are valuable sites of fortified villages dating back to the Fijian wars of the early 19<sup>th</sup> century, buildings constructed by the first Methodist Missionaries in Fiji and buildings built by the Colonial Sugar Refining Company associated with the first sugar mill in Fiji. The monument of Siria ship is erected next to the Rewa Bridge, Proclamation nos. 17 of 1954, 16 of 1961, Local Government Notice no. 24 of 1973, Local Notice no. 143 of 1979. Nausori Town is divided into two wards namely: The Nausori Ward comprising all that portion of the town of Nausori situated on the northern-eastern side of the Rewa River. The Davuilevu Ward comprising all that portion of the town of Nausori situated on the southern-western side of the Rewa River. According to the Nausori Town Valuation Roll (1995) there are 1,097 properties. Although a proportion of land is crown and native land, the greater part is held under freehold title. From the 1,097 properties, 713 are freehold, 233 are crown land while 151 are native land. Overall by area, about 66% are freehold, 26% are crown and 8% are native land.

### **7.9.2. Zonings**

Properties within the Nausori Town boundary are classified into four different zones - residential, commercial, industrial and “other zones” which include zones with properties for special uses. Residential lots are categorized as A, B, C and D. There are altogether 828 residential properties from which, 27 are classified as A, 690 as B, 110 as C and one as D. About 75% of the residential properties are freehold, 13% are crown land and the remaining 2% are native land. Commercial properties are categorized as B and C. There are approximately 114 commercial sites of which 77 are classified as B and 37 as C. The main commercial areas in Nausori Town are along N.G.Patel Street, Nausori market and the premises opposite the Nausori Bus Stand. There are a total of 70 Industrial G properties of which 3 are freehold and 67 are crown land. Most of the industrial

properties are situated at Manoca while a few are on N.G.Patel Street and Waila, off Princess Road. **Other Zones:** In this zone there are 85 properties, which are zoned as civic, car park, or other zones for special uses. **Revenue** -The revenue derived from general rates for 1997 was \$181,269.00, which was approximately 22% of the total revenue. The balance \$654,263.00 was collected from other rate user payers.

Level of Development -(Refer to Table 8, Appendix 7). From 1,097 properties, about 988 were developed and the remaining 109 were vacant. It was found that there were 808 single storied and 165 multi storied buildings. It can be said that about 90% of the properties within the town boundary have at least some level of development. From the 828 residential properties, 768 are developed. The development is about 93%. From the 114 commercial properties, 102 are developed. The development is about 89%. From the 70 industrial properties, 60 are developed. The development comes to about 86%. The number of lands developed for zones classified under “other zones” amounts to 58. The development comes to about 68%.

### 7.9.3 Comparison of Rating Systems

**a) Unimproved Value:** The Nausori Town Council struck a general rate of \$0.0069 per every dollar on UV. It was assumed a sum of \$5,063.00 to be collected as rates from each of the rating systems (refer to Table 9, Appendix 6)

**b) Observation:** Similar size blocks within the same area pay similar rates for example, residential C property of assessment numbers 614 and 613 pay a rate of about \$13.00 each. Most residential B properties having a high UV have a greater rate burden. Most industrial properties have a lesser rate burden. Residential and commercial properties of similar UV pay similar rates for example, assessment number 15 (commercial B) and a residential B property (assessment number unknown), both having a UV of \$35000.00, pay the same rate, that is, \$241.05.

**c) Improved Capital Value Observation:** Most residential B and commercial C properties have a lesser rate burden. Most industrial G properties have a greater rate burden. Residential properties pay lesser rate on ICV basis when compared to commercial properties of similar UV. For example, assessment 15 (commercial B) and a residential B property (assessment number unknown). The rate payable for the residential property is reduced by 25% on ICV basis whereas there is an increase in the rates for the commercial property by 38%. Most residential C properties will have a greater rate burden. The probability for commercial B properties having an increase in the rates payable is 0.5.

**d) Conclusion:** The present UV method of rating, despite the level of development, allows differently zoned properties of similar sizes to pay similar rates. Most residential properties have a high rate burden but most industrial lots pay lesser rates mainly because of their less UV. The adoption of ICV method to determine rating allows a decrease in rates for residential B and commercial properties. Residential C properties have an increase in rates payable. Most industrial properties have an increase in their rate burden.

The level of development of residential, commercial and industrial properties is approximately 93%, 89% and 86% respectively. The results suggests that a lot of properties are well developed and there is potential for more developments to take place. Although, by using the I.C.V method the contribution towards the rate revenue by industrial properties will be more, the level of development are sufficient enough to cater for the rates payable on the I.C.V basis. Commercial B will not be very much affected and commercial C properties will have a lesser rate burden on I.C.V basis. Residential C properties seem to be quite valuable properties because of their level of development and so would be able to afford the rates when calculated on I.C.V basis.

### **7.10.SUVA CITY COUNCIL – SAMABULA WARD**

**7.10.1.Introduction:** Suva City Boundary is divided into five wards – Central, Muanikau, Samabula, Tamavua and the Extension wards. The Suva City is about 90% developed. Altogether there are 10,124 properties from all the wards. The Samabula Ward has 2,330 properties. The Central Ward is predominantly commercial and fairly well developed. The Tamavua Ward is mostly residential and the Muanikau Ward is predominantly industrial and residential. The Samabula Ward contains a fairly good composition of the types of properties in all categories. Therefore it was decided that for assessing the level of development and comparing rating systems, Samabula Ward would be the most appropriate. The land forming part of the township of Suva was purchased from the people of Suva by the early settlers in 1859 and was eventually acquired in the 1870`s by two Melbourne merchants – William Thomson and Samuel Renwick. With the realisation that business activities would be enhanced if Suva were to be they capital, they offered government a title to every alternative lots in the subdivision of the town and a site for government offices. The early development of Suva was promoted by the keen participation of both the Government and private individuals in land development projects to overcome physical constraints. The projects involved reclamation of land with the view of increasing area of flat land for development purposes. Plans for Suva Township were drawn up which included designs of streets and building development. Proclamation number 28 of 1953. Suva gained its City status in 1953 but was declared a township in 1881. According to the analysis on the level of development of Samabula Ward prepared using the Samabula Valuation Roll (1999), there were about 2,330 properties. Approximately freehold owns 1541, crown owns 603 and the remaining 186 properties belong to the native land. Overall by property, there are approximately 56% freehold, 41% crown land and 3% native land properties within the city boundaries.

**7.10.2 Zonings:** The properties within the Samabula Ward are classified under different zones –residential, commercial, industrial and “other zones”, which includes zones with properties for special uses. There are about 1,869 residential properties within the Samabula Ward that are categorized into B, C and D. The residential properties’ dominate the Samabula Ward and has modern and old design buildings. From 1,869 properties, 1,304 are freehold (70%), 389 are crown land (21%) and 176 are native land (9%). There are about 175 commercial properties within the Sambula Ward. These are classified into B, C and D. Commercial sites in this ward are situated along both sides of

the Ratu Mara Road, Vatuwaqa, Raiwaqa and places where the need exists. From the 175 properties, 95 are freehold (54%), 74 are crown land (42%), and 6 are native land (4%). There are about 217 industrial properties and all are categorised as G. Most industrial properties are situated at the Vatuwaqa area, while a few along the Grantham Road in Raiwaqa and at Nabua 3 miles. From the 217 properties 115 are freehold (53%) and 102 are crown land (47%). **Other Zones:** There is a total of 69 properties, which are zoned either as car park, recreation, education, civic or any other special use.

**7.10.3 Level Of Development,**(Refer to Table 9, Appendix 7),The demand for residential, commercial and industrial properties is very high in this ward. As a result more subdivisions have come up to cater for the need for example, the Bhindi Subdivision at Vatuwaqa. The high demand in this ward is due to the fact that it adjoins the central commercial area. Consequently, most of the residential properties have rented flats to accommodate the working population of the central, commercial and industrial areas in this ward. In general, according to the Town Clerk, Mr. Patrick Garguilo, there are about 10,124 properties within the Suva City boundary, and about 90% of the properties are developed. **Revenue** -According to the 1998 Account Statement, the revenue earned from general rates was \$6,699,199.00. The revenue collected from other services was \$4,924,557.00. The percentage yield from property-related revenue was approximately 58%.

### **7.10.3 Comparison of Rating Systems**

**a) Unimproved Value:** Suva City Council struck a general rate of \$ 0.0095 per dollar on UV. It was assumed a sum of \$10,490.00 to be collected as rates from each of the rating systems (refer to Table 10, Appendix 6). **Observation:** Similar size blocks within the same location pay similar rates. For example, assessment numbers 3657/38 and 3657/47, having areas of 0.0134 and 0.0137 ha respectively pay a rate of about \$ 34.00 each. Similarly, residential properties of assessment numbers 2759, 2795, and 2777 also pay same rates. Industrial properties of assessment numbers 3713/56 and 3713/51 also pay similar rates. Most industrial properties have a lesser rate burden. On the other hand, most commercial properties have a greater rate burden on UV basis. Differently zoned properties with similar UV pay similar rates. For example, assessment numbers 3150 (residential) and 2875/19 (industrial) have UV of \$50,000.00, and pay a rate of \$476.30 and \$466.77 respectively. Similarly, assessment numbers 3227 (residential) and 2875/27 (industrial) pay about \$619.00 and \$626.00 respectively. Residential properties, categorized as B have a greater rate burden whereas most properties, categorized as C and D have a lesser rate burden on UV basis.

**b) Improved Capital Value Observation:** Residential properties, categorized as B have significant reduction in rates payable on ICV basis. Most residential properties, categorized as C and D pay higher rates. Similar size blocks within the same location pay significantly different rates. For example, assessment numbers 3657/38 and 3657/47, despite paying same rates on UV basis, will pay about 143% more and 24% less respectively on ICV basis. Similarly, rates payable by most residential C properties will also differ significantly, depending on their level of development. Most industrial

properties will experience a greater rate burden on ICV basis. Differently zoned properties will pay rates according to the level of development despite having similar UV. For example, assessment numbers 3227 (residential) and 2875/27 (industrial) on ICV basis pay rates approximately 49% less and 20% more respectively, when compared to the rates payable on UV basis.

**c) Conclusion:** The present UV method of determining the rates payable, despite the level of development, allows similar size blocks within the same location and/or of different zones to pay similar rates. Most industrial, residential C and D properties have a lesser rate burden. On the other hand, commercial properties and residential B properties have a great rate burden. The adoption of ICV method to determine rates payable allows an increase in the rate burden for most industrial, residential C and D properties, and decrease in the rates payable for residential B properties. There is not much difference in the amount of rates paid by commercial properties on either rating system. The exceptions are those properties that have high level of developments and therefore pay higher rates accordingly. Thus for Samabula Ward, the analysis has shown that ICV method, which reflects the market value discourages industrial development because of their contribution towards the rate revenue but the level of development is sufficient enough to cater for the rates payable on the ICV basis. Considering the yield from property related rates of 58%, the level of development as being 80% according to the Town Clerk, and the other wards being fully developed, it can be concluded that ICV method of rating would be quite appropriate for the City of Suva. The former Lord Mayor and the Town Clerk expressed his views that ICV system is suitable to Suva City (The Fiji Times 1998).

## **7.11.LAUTOKA CITY COUNCIL**

**7.11.1 Introduction:** It was proposed to declare Lautoka a township in 1911 by a committee appointed by the Governor of Fiji. However, it was not until 1924 that the township boundaries were proclaimed. In 1936, the boundaries were extended to an area of 256 acres and Lautoka was proclaimed a town in 1943. The towns area was increased in 1953 to 1500 acres and the sugar mill and the CSR (now FSC) being the prosperity and growth were incorporated in the town boundary. In 1971 the town area was again increased to 2494 acres. With recent extensions, the total area is 1607 hectares. On 25<sup>th</sup> February 1977, Lautoka became Fiji`s second city. The City of Lautoka is divided into four wards – Veitari, Waiyavi, Simla and Tavakubu. **Proclamation** Legal Notice number 30 of 1977. The land area allocated for the new city boundary comprises of approximately 1,607 ha. Lautoka City comprises of approximately 7,234 properties. The main forms of land ownership are freehold, crown land, FSC land, crown freehold and native land.

**7.11.1 Zoning:** The properties within the town boundary are classified as residential, commercial, industrial and “other zones” sites which consists of zones such as pres, prd, pubos, recr, spec, capk, cdev and civic. **Residential** There are about 6,252 residential properties within the city area, which are categorised into residential A, B, C and D. The total area occupied by the residential properties is about 670 ha and this reflects about

42% of the total area of Lautoka Town boundary. **Commercial** There are about 314 commercial properties within the city boundary, which are categorised as commercial A, B and C. Commercial properties occupy about 25.7 ha of the land area and this reflects about 2% of the total area. **Industrial** Industrial properties in Lautoka fall into three categories, that is, industrial G, H and N. There are about 361 properties found as industrial G, 19 as industrial H, and 3 as industrial N. Industrial properties occupy about 337 ha of the land area and this reflects about 21% of the city boundary area. **Other Zones:** Altogether there are about 285 properties that fall under this category. The properties occupy about 577 ha of the land area and this reflects about 36% of the total area.

### 7.11.2. Level of Development

Lautoka City has become a more industrialised town with the development of Navatu and Namoli for industrial purposes. The City of Lautoka has also grown into a major commercial centre. Due to having quite large population growth, there is high demand for residential properties and so extensions have been made for residential zoning. Overall, there seems to be a high level of development in each zone. Urban expansion and development seems to be unavoidable and cane productive flat lands is expected to be lost to such developments.

### 7.11.3. Revenue

According to the account statement for 1997, the revenue earned from general rates in that year was \$1,255,778.00. The rate collected from other sources was \$1,300,512.00. The percentage yield from property related revenue was approximately 49%.

### 7.11.4. Comparison of Rating Systems

#### a) Unimproved Value (UV)

The Lautoka City Council struck a general rate of \$0.00763 per dollar on the UV. It was assumed a sum of \$19,325.00 to be collected as rates from each of the rating systems (refer to Table 11, Appendix 6).

**b) Observation:** Similar size blocks within the same location pay similar rates. For example, residential properties of assessment numbers 528 and 531 both of the same area pay similar rates. Commercial and industrial properties having higher unimproved values seem to have a greater rate burden compared to the residential properties.

**c) Improved Capital Value Observation:** Despite having the same area, properties pay significantly different rates according to their level of development. For example, assessment numbers 570 and 580 both of similar size pay about \$630 and \$418 respectively on ICV basis. For this City, the rate burden for most of the commercial and industrial properties reduces on ICV basis, whereas for residential A and B properties the rate burden increases.

**d) Conclusion:** From the analysis of Lautoka City Council comparing UV and ICV rating method, it can be said that using ICV to calculate rates will benefit owners with industrial, commercial and residential blocks. The ICV method shows significant reduction in rate burden for most of the properties thus, giving an accurate measure of the value of the assets of the owners and the ability to pay. Some residential A properties will contribute more to the rate revenue but then looking at the significant improvements done, the ability to pay is not questionable. In the meeting, the municipal strongly favoured UV system in place of ICV. The reason given is that if ICV was introduced in municipal councils, than there is nothing to stop the landlords to use the same system for assessing rent on agricultural land. In general, Chapter Four concluded that under UV system comparable properties, within the same area and/or the same location, pay comparable rates. There is a greater rate burden on vacant properties and low residential properties. Under the ICV system, block owners pay significantly different rates depending on the level of development and improvements made on the level of land. The rate of vacant properties therefore, is reduced. Rate burden on highly density residential and commercial properties had increase. Development of growth in all municipal councils at present depends on its location for example, growth in Nadi Town is “Booming” due to Tourism industry and Levuka Town with nil growth because of heritage status. Under AV the manipulation data in Savusavu revealed that the variation in rates (%) on UV and Annual Value was similar to variation between UV and ICV. Therefore rate comparison study was done only between the UV and ICV. As a result, Annual Value was not considered for the rest of the towns. With the exception of Savusavu Municipal Council, the level of development in other municipal council, approximately range from 75%-90%, with most of the municipals falling to the right of the development continuum.

There are two towns where the extent of development is low and as such that they cannot adopt the ICV system and therefore, remain with the UV system.

## **22.CONCLUSION**

The basic problem is the choice of method of assessment of different system of rating with the view of selecting a system of assessment suitable to the requirements of Fiji, that will be appropriate to meet the accepted principles and criteria of rating system.

Literature review in order to have understanding of criteria of rating systems and study different systems of rating in Commonwealth countries.

The system of valuation does not determine total rates but determines the distribution of the rate burden and valuation.

Review the land tenure system in municipal councils, and sales data on different types of land from 1995 to October 1999 for assessment of different systems of rating valuation.

The system of valuation is regarded morally and lawfully the fairest distribution method, that is, it reflects the “ability to pay” criteria of rating systems.

Comparison of rates based on different systems of valuation method.

The present system of rating and its merits and demerits compared to improved Value and Annual Value, and their merits and demerits

The study recognizes the absolute and efficient local government system as the catalyst for sustainable growth and development as they are administrative part of the Government. In the case study, the values of sample properties were analyzed by using the three systems of rating, namely, Unimproved Value, Capital Value and Annual Value.

In Unimproved Value system, comparable size parcel of land within same area pay comparable rates; the residential buildings, vacant land and farm properties generally have a greater rate burden, and multi residential dwellings, flats, units, industrial and commercial properties generally have a lesser rate burden.

In Improved Capital Value, the comparable size parcel of lots next door to each other can pay significantly different rates. There is greater spread of residential rate levels, the rate burden for residential buildings, vacant land and farm properties will reduce; and rate burden for flats, multi units, apartments, motel, hotels, commercial and industrial properties will increase, which will be passed on to the consumers. The Improved Capital Value on fee simple for first year could be used for Stamp Duties purposes by the government.

Annual Value is a function of Improved Capital Value and has same characteristics to Improved Capital Value if it is fixed on percentage basis, or else it will be slightly better as rental value is the best measure of value of a property worth. It would confuse and affect private residential properties occupied by the owners.

## **22. Suggestions**

22.1. That municipal councils adopt Unimproved Value system based on LGA NSW model as follows:

- (i) Unimproved Value, or
- (ii) Fixed Charge up to 50% and *ad valorem* Charge, both based on Unimproved Value; or
- (iii) Both (i) and (ii)

The (ii) and (iii) above are new reform of the present system. These reforms shall allow Municipal Councils to strike one rate for property-related charges and another based on people. All the properties are categorised or sub-categorised in the following groups

- a. Residential,

- b. Business (Commercial/Industrial)
- c. Rural/Agricultural
- d. Others.

The rates payable on residential properties (excluding multi unit strata, hotels, etc) shall be determined in two parts.

- (i) Fixed component X payable by residences derived by 60% of the amount of rates to be collected by the council from residential properties by the number of residences and its benefits from the rates.
- (ii) In addition, an *ad valorem* is fixed as follows:

$$\frac{X-Y}{Z} \times V$$

where,

X is the amount of rate to be raised by the council from residential properties.

Y is the rates to be collected by fixed charge component in the residential category.

Z is the land value of all the residential properties

V is the unimproved value of all the residential properties on which the residences are located.

X is the amount of rate to be raised by the council from residential properties.

Y is the rates to be collected by fixed charge component in the residential category.

Z is the land value of all the residential properties

V is the unimproved value of all the residential properties on which the residences are located.

Business properties shall be assessed in accordance to Improved Capital Value System.

Residences on the farm will be rated as (i) above and for the rest of the residential land, the council shall decide the reduced amount payable.

For the other categories that do not fall in i, ii and iii above, public utilities, corporate bodies etc, the council shall fix an annual sum.

22.2.Existing Legislation- it is recommended that Recommendation 2 and 3 above dealing with options and different categories of land respectively should be included in the present legislation. The definition of “Unimproved Value” shall include a rider similar to adopted in AG Taifalos v AG’s case commonly known as Darwin’s case as follows:

22. 3 Any increase in rates due to implementation of new system should not increase rate liability by not exceeding ten percent on the present system.

- 22.4. That five developed municipal councils, namely, Suva City Council, Lautoka City Council, Nadi Town Council, Lami Town Council and Labasa Town Council should adapt Improved Capital Value (ICV) system of valuation. It is easier to understand and value as there are sufficient comparable sales available. The increased rate liability could be passed onto consumers.
- 22.5 The government shall implement the new system of rating valuation by amending the existing legislation by including the definition of Improved Capital Value immediately after section 63 of Local Government.
- 22.6. The Improved Capital Value shall be defined as “ Improved Capital Value of the premises if sold freehold on the open market given a willing buyer and willing seller provided the Improved Capital Value is equal to the net Annual Value capitalized at the relevant rate of interest, it will provide a base for taxation equivalent to net annual value”.
- 22.7. The amendment to the Act should require the municipal councils to monitor and advise the Chief Valuer on developments carried out in their respective municipal councils. This includes the costs, development plans and owners of all developments, alteration, extensions in municipal councils, and for the solicitors to advise consideration and date on transfers.
- 22.8. New Legislation
- At present, there are several legislations dealing with the system of valuation. The office of Chief Valuer comes under State Lands Act and Regulations made there under, the registration of Valuers is conducted under Valuer’s Registration Act and rating valuation comes under Local Government Act.
- 22.9. That the Government enact Land Valuation Act of Fiji Islands. The act shall provide for valuation and related matters, and incorporate Chief Valuer’s Office as an independent Department; Valuers Registration Act and relevant sections dealing with systems of rating valuation, namely, unimproved value, improved capital value and annual value, and their definitions.

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