

Statement of Adjustments: How they work

Adjustments are the exercise taken just before the settlement of a conveyancing transaction. Ownership of a property involves outgoings such as Council rates and water rates, and with some properties that are leased, regular income such as rent.

The outgoings and income are recurring in nature and usually relate to an ascertainable period such as yearly, quarterly or monthly. Settlement may occur at any time during that period so that the outgoings or income may be prepaid or owing at the time of settlement. For fairness to the parties, the outgoings and income are adjusted at the time of settlement so that neither party bears the expense or gains the benefit of the outgoings or income for a period when they were not the property owner.

Below is an explanation of how adjustments are made.

Payable by Purchaser

Purchase Price

The first figures to consider are the purchase price, less the deposit, which leaves a balance due and payable by the purchaser at settlement. For example, if the purchase price for the property inclusive of any GST is \$355,000, less a deposit of \$35,500, then a balance of \$319,500 is due at settlement.

	Payable by Purchaser
Purchase Price	\$355,000.00
Less Deposit	\$35,500.00
Balance	\$319,500.00

Council Rates

Council rates are for the period 1 July to 30 June each year. In the current council year (1 July 2024 to 30 June 2025), there are 365 days in the year. If the settlement is due on 28 October 2024, that leaves 245 days in the current council year. The council rates for the property for the year are \$1,777.55. Therefore, we take the yearly rate of \$1,777.55, divide it by 365 days in a year and then multiply it by 245 days, which equals \$1,193.15. This amount is the amount the purchaser will allow to the vendor as the new owner.

Current Council Rates	
For period 1 July 2024 to 30 June 2025 (365 days): \$1,777.55	
Adjusted as paid to 30 June 2025	
Purchaser allows 245 days	\$1,193.15

Water Rates

Water rates are for the current quarter. The quarters for each year are as follows:

- 1 July to 30 September
- 1 October to 31 December
- 1 January to 31 March
- 1 April to 30 June

In our example, the relevant quarter is from 1 October 2024 to 31 December 2024. There are 92 days in the quarter. The settlement is on 28 October 2024, which leaves 64 days in the current water rate

quarter. The water rates for the property for the quarter are \$177.91. Therefore, we take the quarterly rate of \$177.91, divide it by 92 days in the quarter, and multiply it by 64 days, which equals \$123.76. This amount is the amount the purchaser will allow to the vendor for water rates as the new owner.

Current Water	
For period 1 October 2024 to 31 December 2024	
92 days: \$177.91	
Adjusted as paid to 31 December 2024	
Purchaser allows 64 days	\$123.76

Vendor allowance for Discharge of Mortgage

If the vendor has a mortgage, it must be discharged (taken off) at settlement. The vendor allows an amount of \$122.10 (electronic lodgement fee) for this to occur.

Vendor allows for Discharge of Mortgage	\$122.10
---	----------

Finalisation of funds due to be paid

We have to add both columns to finalise the funds owing at settlement.

Payable by the purchaser: the balance of funds due at settlement is \$319,500, plus council rates allowance of \$1,193.15 and water rates allowance of \$123.76, which totals \$320,816.91.

Payable by the vendor: the Discharge of Mortgage fee of \$122.10.

To finalise the figures, we take the amount payable by the purchaser, \$320,816.91, and take away the amount payable by the vendor, \$122.10, which equals \$320,694.81. This is the amount due at settlement by the purchaser.

For further information on the Statement of Adjustments or to make an appointment, please contact us at 5303 0281 or property@ballaratlawyers.com.au.

For more information on our conveyancing arm, please visit hainesconvey.com.au.

Liability is limited by a scheme approved under Professional Standards Legislation.

The information on this website is general only. It is not legal advice, nor is it intended to be. You should consult a lawyer for individual advice about your particular circumstances.