

DLK ADVISORY

MARKET VALUATION FOR TAX PURPOSES



The ATO has released an updated version of its online Guide - Market valuation for tax purposes. The purpose of the Guide is to assist taxpayers in understanding the ATO's general expectations on market valuation for tax purposes. It includes information on what market value means for tax purposes and the evidence and processes the ATO generally expect to see to support a valuation.

Market value definition for tax purposes

The Guide notes that the definition of "market value" in the income tax legislation does not provide a meaning to be applied in all contexts. Unless market value is specially defined or qualified in a particular provision, it has its ordinary meaning - the principles in case law and the International Valuation Standards Council (IVSC) are "principally relevant".

If taxpayers want advice tailored to a particular set of facts to provide more certainty, they can apply for a private ruling on an asset's market value providing it is relevant to a question about the tax law. However, the ATO cannot provide a private ruling to determine or confirm the appropriateness of a valuation methodology or the market value applicable for a future event.

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to achieve your objectives*

Who can determine market value?

For tax purposes, the acceptability of a valuation usually depends on the valuation process undertaken rather than who conducted it. However, the Guide provides where exceptions may apply.

Valuation fundamentals

The Guide states that a valuation should be specific to the tax and superannuation provision that it is being applied to and consider any requirements of the relevant provisions, having considered case law and relevant ATO guidance. The Guide sets out in some detail the information that the ATO expects to be in a report for tax purposes.

The process of valuation requires the valuer to make impartial judgments as to the reliability of inputs and assumptions. For a valuation to be credible, it is important that those judgments are made in a way that promote transparency (eg, state the inputs and any assumptions made) and minimise the influence of any subjective factors on the process.

The valuer should adopt the most relevant and appropriate valuation methodology based on industry standards and practice assemble and record evidence by means such as inspection (as required), enquiry, computation and analysis to ensure that the valuation is properly supported.

Want to find out more?

Talk to us if you need assistance in understanding the ATO's general expectations on market valuation for tax purposes.

CONTACT

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