



ICCA NEWS

January 18 2012

ATO Places Valuation expectations on the table

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The issue of applying the term 'market value' for taxation purposes within the various taxing Acts is a source of ongoing debate between industry and the ATO. Apart from issuing Margin Scheme Valuations (MSV) for the GST property industry's specific valuation purposes, the ATO continues to lack a legislative definition of the term for application throughout the various Tax Acts that it administers.

On 17 January 2012 the ATO issued a document titled 'Valuation Issues Paper', published as having been prepared 'in collaboration with the Australian Property Institute and the Australian Valuation Office (AVO)', will I suggest become the perceived benchmark reference position for what the ATO considers is the procedural reasonableness valuers must adopt for determining market value.

Although the paper acknowledges 'The ATO accepts that valuations can, by their very nature, be a subjective assessment of a property's value and in many cases there are interpretive assessments of impacts on the property value... there is still an expectation that values will fall with-

in a 'reasonable range', it sets out there in the ATO's position on matters such as :

- Profit and risk ratios
- Market Interest rates
- Project time frames
- Contamination
- Assumptions (e.g. all assumptions be reasonable and supportable no matter how experienced the valuer)
- Pre sales
- Consideration of post valuation issues

as against what the industry position on the above might be.

Furthermore in the later part of the paper they provide 'guidance on valuation processes' on determining Market Value for:

- Real Property valuations
- Plant and Equipment valuations
- Business valuations
- Valuation reports
- Allocation of values to underlying assets – e.g. Goodwill Vs. Plant
- Elements of goodwill
- and the inclusion of various Consolidation appendix's for the Mining industry, Stock valuations, depreciable assets etc.

The link to this document can be found at [http://
www.ato.gov.au/
content/00304814.htm](http://www.ato.gov.au/content/00304814.htm)

In concluding the ATO makes the following closing comments 'where the AVO opinions are supported by evidence, and also align with the ATO's perception of reasonableness, these will be referred to the relevant valuer to enable these noted elements of the valuation to be reviewed. If there is sufficient merit in the valuer's adopted assumptions and conclusions, such that these can be considered reasonable, the valuation can be accepted as a complying valuation. Where the valuer's assumptions and conclusions are not sustainable based on evidence, or are not reasonable, the valuation cannot be considered a complying professional valuation'.

Valuations, by their sheer nature being the opinion of one valuer versus another, are a constant source of litigation space in our Courts. I believe that this document, unless dealt with by our various industry bodies, rather than solving the differences of opinion on valuations, it will lead to increased conflict and result in increased litigation.