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Valuation guidelines for self-managed super funds

- https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-resources/Valuation-guidelines-for-self-managed-super-funds/
- Last modified: 04 Nov 2022
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Valuation guidelines for self-managed super funds

What SMSF trustees need to consider when valuing assets for superannuation purposes.

On this page

Overview

This guide is designed to help you as a self-managed super fund (SMSF) trustee when valuing assets for superannuation purposes. It is not a comprehensive handbook about valuations.

This guide does not remove your responsibility to manage investments prudently and in the best financial interests of all the members. You must ensure the fund's investment strategy is reviewed regularly and takes into account the retirement goals of its members.

Seek advice and assistance from a superannuation professional if you are unsure of your obligations and responsibilities.

This guide replaces *Superannuation Circular 2003/1*.

You should read this guide in conjunction with:

- Market valuation for tax purposes
- TR 2010/1 *Income tax: superannuation contributions* – this ruling includes the Commissioner's view on when a super provider acquires beneficial or legal ownership of an asset.

Our approach to valuations

- https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-resources/Valuation-guidelines-for-self-managed-super-funds/?page=2
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If you follow this guide, we'll generally accept the valuation provided.

We may review a valuation as part of our compliance processes. As part of this review, you may be asked to provide evidence of the valuation method that has been used to allow us to decide whether to accept the valuation or not. This evidence would include documentation of the valuation method used.

We'll generally accept your determination of an asset's value, as long as:

- it doesn't conflict with this guide or Market valuation for tax purposes
- there's no evidence that a different value was used for the corresponding capital gains tax event
- it was based on objective and supportable data.

If we conclude that the most appropriate valuation method has not been used for any of the assets, it will not be accepted and the most appropriate valuation method will be applied to determine an amended value.

Why assets need to be valued

- https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-resources/Valuation-guidelines-for-self-managed-super-funds/?page=3
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Asset valuation is a key component in preparing meaningful SMSF financial reports. It has an impact on the returns for members and ultimately, SMSF sector performance.

A valuation of assets is required to confirm your SMSF has complied with relevant super laws for:

- preparing the financial accounts and statements of the fund
- acquiring assets between SMSFs and related parties
- investments made and maintained on an arm's-length basis
- disposing of certain collectables and personal use assets to a related party of the fund
- determining the market value of an SMSF's in-house assets as a percentage of all assets in the fund
- determining the value of assets that support a member's super pension
- determining the value of existing retirement income streams at 1 July 2017 as they will be counted towards the transfer balance cap
- determining the value of new retirement income streams on or after 1 July 2017, when they will be counted towards the transfer balance cap
- determining the market value of assets that are eligible for transitional capital gains tax (CGT) relief in the 2016–17 income year
- determining the market value of assets supporting members' retirement phase and accumulation accounts for the purposes of calculating the members' total super balances
- managing your fund's investments in the best financial interests of fund members.

Summary of valuation requirements

Table 1: Summary of valuation requirements

Event	Requirement
Preparing the SMSF financial accounts and statements	An asset must be valued at its market value. The valuation should be based on objective and supportable data.
Collectables and personal use assets – acquired on or after 1 July 2011 Transfer or sale to a related party	Must be valued at market price as determined by a qualified independent valuer.
Collectables and personal use assets – acquired before 1 July 2011 Transfer or sale to a related party	For the period 1 July 2011 to 30 June 2016, transfers to related parties do not require valuation by a qualified independent valuer. However, these transfers should be made at an arm's length price that is based on objective and supportable data. From 1 July 2016, transfers to related party must be made at a market price determined by a qualified independent valuer.
Transfers between SMSFs and	Acquisitions of permitted assets must be

related parties (subject to collectables and personal use asset rules above)	made at market value. A valuation is not required when an asset is disposed of to a related party however it must occur on an arm's length basis.
Transfers between SMSFs and unrelated parties	A valuation is not required however the transfer must occur on an arm's length basis.
Determining the value of assets that support a super pension This includes for calculating amounts that count towards the transfer balance cap	The market value of the account balance needs to be determined on the day the pension commences or moves into retirement phase or, for ongoing pensions, on 1 July of the financial year in which the pension is paid. The valuation should be based on objective and supportable data. In some circumstances a reasonable estimate may need to be made.
Testing whether the market value of the SMSF's in-house assets exceed 5% of the value of total assets held by the fund	The value of a fund's total assets needs to be determined on 30 June of the financial year that the in-house assets are held. The valuation should be based on objective and supportable data.
Determining the market value of assets that are eligible for transitional CGT relief in the 2016–17 income year	The assets' market values need to be determined on the date that their cost bases are reset. The valuation should be based on objective and supportable data.
Determining the market value of assets supporting members' retirement phase and accumulation accounts for the purposes of calculating the members' total super balances	The value of these accounts needs to be determined on 30 June each financial year, as the total super balance is calculated at this time for a number of purposes. The valuation should be based on objective and supportable data.

Asset valuation and the annual SMSF audit

Approved SMSF auditors are responsible for checking the valuation of fund assets as part of the annual SMSF audit. This includes making sure that:

- you have valued all fund assets at 'market value' when preparing the fund's accounts and statements
- the valuation is based on objective and supportable data.

The role of your auditor is not to value fund assets, or to determine their market value. Their role is to apply their professional judgment in:

- checking that assets have been valued correctly
- assessing and documenting whether the basis for the valuation is appropriate

given the nature of the asset.

It's your responsibility to provide objective and supportable evidence to your auditor to support the valuation of a fund asset. This includes providing all relevant documents specifically requested by your auditor.

Valuer

It's usually the valuation process undertaken rather than who conducted it that governs the acceptability of a valuation.

In all cases, the person who conducts the valuation must base their valuation on objective and supportable data.

Depending on the situation, a valuation may be undertaken by a:

- registered valuer
- professional valuation service provider
- member of a recognised professional valuation body
- person without formal valuation qualifications but who has specific experience or knowledge in a particular area.

In certain instances, the law requires valuations be undertaken by a qualified, independent valuer.

Qualified independent valuer

A valuer will be qualified either through holding formal valuation qualifications or by being considered to have specific knowledge, experience and judgment by their particular professional community. This may be demonstrated by being a current member of a relevant professional body or trade association.

The valuer must also be independent. This means that the valuer should not be a member of the fund or a related party of the fund (for example, they should not be a relative). They should be impartial and unbiased and not be influenced or appear to be influenced by others.

When you need a qualified independent valuer

The super laws only require a valuation by a qualified independent valuer in the following circumstances:

- from 1 July 2011 for any collectables and personal use assets that were acquired on or after 1 July 2011 and disposed of to a related party
- from 1 July 2016 for any collectables or personal use assets that were acquired by the SMSF before 1 July 2011 and disposed of to a related party after 30 June 2016.

However, you should also consider using a qualified independent valuer if:

- the value of the asset represents a significant proportion of the fund's value, or
- the nature of the asset indicates that the valuation is likely to be complex or difficult.

You should no longer rely on an independent valuation if it:

- has become materially inaccurate, or
- the asset's value has changed significantly since it was last valued.

In this circumstance we recommend you obtain a new valuation or use other forms of evidence to support your determination of the asset's market value.

An approved SMSF auditor can also seek an independent valuation of the fund's investments, as part of their audit and assurance engagement.

General valuation principles

You must be able to demonstrate that the valuation has been arrived at using a 'fair and reasonable' process. Generally, a valuation is considered fair and reasonable where it meets all the following:

- it takes into account all relevant factors and considerations likely to affect the value of the asset
- it has been undertaken in good faith
- it uses a rational and reasoned process
- it is capable of explanation to a third party.

In addition, some classes of assets must be valued and reported in a specific way.

Checklist for obtaining valuations

Some assets must be valued in a particular way – these are summarised in Table 2.

Table 2: Events and valuations requirements

Event	Valuation requirement
Preparation of SMSF financial accounts and statements.	Based on objective and supportable data
Collectables and personal use assets – acquired on or after 1 July 2011 and transferred or sold to a related party after that date.	Qualified independent valuer
Collectables and personal use assets – acquired before 1 July 2011 and transferred or sold to a related party before 1 July 2016.	Transfer made at arm's length price that is based on objective and supportable data
Collectables and personal use assets – acquired before 1 July 2011 and transferred or sold to a related party after 30 June 2016.	Qualified independent valuer
Acquisition of an asset from a related party of the	Acquired at market

fund.	value that is based on objective and supportable data
Disposal of an asset to a related party of the fund.	Sale price should reflect a true market rate of return
Testing whether the market value of the SMSF's in-house assets exceeds 5% of the value of its total assets.	Based on objective and supportable data
Determining the value of assets that support a super pension or income stream and from 1 July 2017, count towards the transfer balance cap.	Based on objective and supportable data In some circumstances a reasonable estimate may need to be made.
Determining market values of assets that are eligible for transitional CGT relief.	Based on objective and supportable data
Determining the market value of assets supporting members' retirement income streams and accumulation accounts for the purposes of calculating the members' total super balances.	Based on objective and supportable data

We recommend the use of a qualified independent valuer where the value of the asset represents a significant proportion of the fund's value, or the nature of the asset indicates that the valuation is likely to be complex.

For more information visit Event-based reporting for SMSFs.

Valuing fund assets for financial statements and accounts

SMSF trustees are required to value all fund assets at market value when preparing their fund's financial accounts and statements.

When valuing assets for the purpose of preparing the fund's financial accounts and statements, the valuation may be undertaken by anyone as long as it is based on objective and supportable data.

Evidence should be maintained of how the valuation has been determined so that it can be provided to the fund’s SMSF auditor when the fund’s annual audit is undertaken.

You are not required to obtain a valuation by a qualified independent valuer of the fund's assets for the purposes of preparing the fund's accounts and statements.

However, you should consider using a qualified independent valuer if:

- the value of a fund asset represents a significant proportion of the fund's value
- the nature of the asset indicates that the valuation is likely to be complex or difficult.

If you choose to obtain a valuation by a qualified independent valuer for a fund asset, you do not need to have a valuation completed by the qualified independent valuer each year.

However, you must still consider whether a previous valuation which has been provided by a qualified independent valuer can be used to support your valuation of the asset each year.

It is up to you to assess the value reported for all assets when preparing financial statements, and if you are relying on a valuation from a qualified independent valuer, you should assess whether it is still appropriate, and document how you came to this conclusion.

If a valuation by a qualified independent valuer has become materially inaccurate, or the value of an asset has changed significantly since it was last valued, you should no longer rely on it. You should obtain a new valuation or use other forms of evidence to support your determination of the asset's market value.

Specific requirements for asset classes

Some assets must or should be valued in a particular way.

Listed securities

For the end of financial year reporting of listed securities, for example, listed shares and managed units, use the closing price on each listed security's approved stock exchange or licensed market at 30 June as the market value of the security.

For more information see Market valuation for tax purposes.

Real property

When valuing real property, you may wish to consider using a qualified independent valuer, especially where the value of the property represents a significant proportion of the fund's value.

When valuing real property, relevant factors and considerations may include:

- the value of similar properties and recent comparable sales results
- the amount that was paid for the property in an arm's length market – if the purchase was recent and no events have materially affected its value since the purchase
- an independent appraisal from a real estate agent (kerbside)
- whether the property has undergone improvements since it was last valued
- a rates notice (if consistent with other valuation evidence)
- for commercial properties, net income yields (not sufficient evidence on their own and only appropriate where tenants are unrelated).

Unless the property has been recently purchased by the fund, you should consider a variety of sources to substantiate the market value of real property. Generally, it is not sufficient for valuations to be based on only one item of evidence in the above list.

When valuing real property assets for the purpose of preparing the fund's financial accounts and statements, the valuation may be undertaken by anyone as long as it is based on objective and supportable data.

A valuation undertaken by a property valuation service provider, including online services or a real estate agent, would be acceptable. However, the valuation should stipulate the supportable data if it is the sole source of evidence being relied upon to substantiate the valuation. For example, in the case of a real estate agent appraisal or online report, the valuation should list the comparable sales it relied on.

Related party transactions

The following related-party transactions require assets to be valued in a specific way.

Acquisitions of assets from related parties

SMSF trustees and investment managers are prohibited from intentionally acquiring assets from related parties.

However, there are exceptions, such as listed securities, business real property and certain in-house assets. Permitted assets must be acquired at market value.

You should determine the market value of the acquired asset based on objective and supportable data.

Consider using a qualified independent valuer if either the:

- value of the asset represents a significant proportion of the fund's value
- nature of the asset indicates that the valuation is likely to be complex or difficult.

An approved SMSF auditor can seek an independent valuation of the fund's investments, as part of their audit and assurance engagement.

Investments made and maintained on an arm's length basis

Investments by SMSFs must be made and maintained on an arm's length basis.

The purchase and sale price of assets should always reflect a true market rate of return.

The value must be based on objective and supportable data.

Consider using a qualified independent valuer if either the:

- value of the asset represents a significant proportion of the fund's value
- nature of the asset indicates that the valuation is likely to be complex.

An approved SMSF auditor can seek an independent valuation of the fund's investments, as part of their audit and assurance engagement.

Collectables and personal use assets

If an SMSF is disposing of a collectable or personal use asset to a related party of the fund, and the asset was acquired on or after 1 July 2011, the transaction must be conducted at market price as determined by a qualified independent valuer.

The assets should be valued as at the date of the transaction.

If the collectable or personal use asset was acquired before 1 July 2011 and disposed of after 30 June 2016, the disposal must be at market price as determined by a qualified independent valuer.

If the collectable or personal use asset was acquired before 1 July 2011 and disposed of before 1 July 2016 to a related party of the fund, a valuation by a qualified independent valuer was not required. However, the transfer should have been made at an arm's length price based on objective and supportable data. This transitional period existed to provide you with time to comply with the regulations.

Table 3: Valuation requirement depends on date asset was acquired and disposed of

Date	Disposal occurs before 1 July 2016	Disposal occurs on or after 1 July 2016
Acquired before 1 July 2011	No need for valuation by a qualified independent valuer	Qualified independent valuer determines market price
Acquired on or after 1 July 2011	Qualified independent valuer determines market price	Qualified independent valuer determines market price

In-house assets

Where the SMSF holds an in-house asset the value of all its assets need to be determined at the end of a year of income. The valuation enables you to test whether the market value of in-house assets exceeds 5% of its total assets at the end of a year of income.

The valuation can be undertaken by anyone as long as it is based on objective and supportable data. Where the nature of the asset indicates that the valuation is likely to be complex, the use of an external valuer should also be considered.

We expect you to know the value of the assets in your fund. This does not mean that an external valuation needs to be performed for all assets each year. However, an external valuation of an asset such as real property may be prudent if you expect the valuation is now materially inaccurate or a significant event has occurred since it was last valued.

Other assets, including cash, managed funds and listed securities are easily valued and should therefore be valued at the end of each financial year.

The valuation of units in widely held trusts and managed funds should be based on the published exit price from the fund or trust manager.

Determining the value of the assets that support a pension

The market value of the assets that support a pension or super income stream needs to be determined on either:

- the commencement day of a pension
- for on-going pensions, 1 July of the financial year in which the pension is paid.

Similar to valuing assets for the purpose of financial reports, the valuation can be undertaken by anyone as long as it is based on objective and supportable data. Where the nature of the asset indicates that the valuation is likely to be complex, you may also consider the use of a qualified independent valuer.

It's expected that you would know the value of the assets in your fund. This doesn't mean that an external valuation needs to be performed for all assets each year. However, an external valuation of an asset such as real property may be prudent if you expect the valuation is now materially inaccurate or a significant event has occurred since it was last valued.

Other assets including cash, managed funds and listed securities are easily valued and should therefore be valued at the end of each financial year.

It's accepted that a reasonable estimate of the value of the account balance can be used when a pension is commenced part way through the year.

It's also accepted that a reasonable estimate value of the account balance can be used when calculating the value of a pension for transfer balance cap purposes when the member commences a pension on 1 July, but a full valuation of the assets supporting the pension is not possible by 28 October. For example, they may include private company shares or commence a pension part way through a year and the SMSF:

- has an obligation to report events no later than 28 days after the end of the quarter
- does not have an obligation to report events until they lodge the self-managed super fund annual return (SAR) for the year but choose to report the event to us no later than 28 days after the end of the quarter.

Note: Although a reasonable estimate of the value of a pension can be used in the circumstances described above, you cannot rely on this reasonable estimate when preparing the SMSF's financial accounts and calculating the SMSF's entitlement to exempt current pension income (ECPI).

Unlisted securities and unit trusts

When valuing an unlisted security, for example, a share in a private company, or a unit in an unlisted unit trust, we expect you to take into account a number of factors that may affect its value, including both the:

- value of the assets in the entity
- consideration paid on acquisition of the unlisted securities or units.

Evidence to support your valuation of an unlisted security may include:

- an independent expert valuation of assets held in the company or unit trust
- a property valuation where property is the only asset of the company or unit trust
- the date and price of the most recent sale and purchase of a share or unit between unrelated parties.

If an independent expert valuation is not available, provide:

- evidence of how the market valuation was substantiated by the directors or trustees, including objective and supportable data on which they relied
- the valuation method they used, and any assumptions made.

You should consider using a qualified independent valuer if:

- the nature of the asset indicates the valuation is likely to be complex, or
- the value of the asset (or assets) represents a significant proportion of the fund's value.

Company or unit trust financial statements that are signed and audited are unlikely to be sufficient evidence on their own, where the purpose is to establish whether the fund's investment is reported at market value if the assets have been valued at cost.

There is more information available about:

- Valuing unlisted shares
- Market valuation for tax purposes
- Verifying the market value of fund assets

Investments without a ready market

When making investment decisions on behalf of the fund, you have certain duties and responsibilities which are designed to protect and increase a member's benefits for retirement. It is expected that you would be aware of the value of an asset at the time of acquisition, its potential for capital growth and its capacity to produce income.

It's unlikely that an asset with no known value or potential for capital or income growth would be considered a prudent investment to support members' retirement goals.

It's acknowledged that there may be instances where investments fail and there is neither a current value nor a ready market. This may mean the asset is held and recorded in the financial reports and statements at a nil or nominal amount.

A significant event affects the value of an asset

Where there has been a significant event that affects the value of an asset, and you are preparing SMSF financial accounts and statements, you should:

- obtain a new valuation of that asset
- use a valuation obtained after the significant event occurred, or
- obtain alternative evidence to support the value of the fund asset.

Use this valuation when determining the value of the assets that support a pension or when valuing assets for the in-house asset test.

These significant events may include:

- a natural disaster
- global pandemic (for example, COVID-19)
- macro-economic events
- market volatility
- changes to the character of the asset.

Terms we use

- https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/SMSF-resources/Valuation-guidelines-for-self-managed-super-funds/?page=4
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Term	Meaning
Arm's length	Investments must be made and maintained on a commercial basis. A test would be whether a prudent person, acting with due regard to his or her own commercial interests, would have agreed to the terms.
Collectables and personal use assets	A collectable or personal use asset is an investment in: • artwork • jewellery • antiques • artefacts • coins, medallions or bank notes • postage stamps or first day covers • rare folios, manuscripts or books • memorabilia • wine or spirits • motor vehicles • recreational boats • memberships of sporting or social clubs.

In-house asset	An in-house asset of an SMSF, after 11 August 1999, is either: • a loan to, or an investment in, a related party of a fund • an investment in a related trust of a fund • an asset of a fund, other than business real property, that is subject to a lease or lease arrangement between the trustees of an SMSF and a related party of the fund.
Market value	It is the amount that a willing buyer of the asset could reasonably be expected pay to acquire the asset from a willing seller if all the following assumptions were made – that the: • buyer and the seller dealt with each other at arm's length in relation to the sale • sale occurred after proper marketing of the asset • buyer and the seller acted knowledgeably and prudentially in relation to the sale.
Part 8 associate of an individual	A Part 8 associate of an individual (whether or not the individual is in the capacity of trustee) includes, but is not limited to: • a relative of the individual • other members of the SMSF • if the member is a partner in a partnership, other partners in the partnership and the partnership itself • if the partnership mentioned above contains other individuals, the spouse or child of those individuals • a company that is sufficiently influenced by, or in which a majority voting interest is held by, an individual and/or their Part 8 associates.
Related party	A related party of an SMSF includes: • member of the fund • standard employer-sponsor of the fund • Part 8 associate of a member or standard employer sponsor of the fund.
Relative	A relative of an individual means a: • parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendant or adopted child of the individual or of their spouse • spouse of the individual or of any other individual referred to above.
Total super balance	The value of all of an individual's superannuation interests.
Transfer	Includes: • acquisition of an asset by way of a contribution to or purchase by the SMSF

	• disposal of an asset by way of a payment of a super benefit or a sale by the SMSF.
Transfer balance cap	The maximum amount of capital that can be transferred into the tax-free retirement phase of super.
Transitional CGT relief	Provisions that provide relief from the tax consequences for capital gains accumulated before 1 July 2017, where they would have been exempt if realised prior to a fund taking action to comply with the transfer balance cap or changes to the treatment of transition-to-retirement income streams that take effect from 1 July 2017.

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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