

# ***PS LA 2005/8 (Withdrawn) - Market Valuations***

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⚠ Refer to end of document for amendment history. Prior versions can be requested by emailing [TCNLawPublishingandPolicy@ato.gov.au](mailto:TCNLawPublishingandPolicy@ato.gov.au) if required.

⚠ This document has changed over time. This version was published on *5 May 2005*



Australian Government  
Australian Taxation Office

# Practice Statement Law Administration

**PS LA 2005/8**

Refer to end of document for amendment history. Prior versions can be obtained from the [Practice Statements mailbox](#) if required.

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**FOI status: may be released**

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*This Practice Statement is issued under the authority of the Commissioner and must be read in conjunction with Law Administration Practice Statement PS LA 1998/1. It must be followed by Tax officers unless doing so creates unintended consequences. Where this occurs officers must follow their Business Line's escalation process.*

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**SUBJECT: Market Valuations**

**PURPOSE: To advise tax officers about:**

- the extension of the consolidation market valuation guidelines to market valuations generally
- using the valuations website, and
- the purpose of the publication 'Market valuation for tax purposes'.

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## STATEMENT

### **General application of Part C4 of the *Consolidation reference manual* – Market Value Guidelines**

1. Where there is a requirement to work out a market value in relation to any of the laws administered by the Commissioner of Taxation, this Practice Statement extends the market valuation guidelines in Part C4 of the *Consolidation reference manual* (Part C4) to market valuations generally, subject to certain exceptions.

### **Instances when the guidelines do not apply**

2. The topics in Part C4 that are not to be applied in working out market values generally are:
  - 'Market valuation for consolidations'

- 'Valuation short cut options'
  - 'Advance Market Valuation Agreements (AMVAs)', and
  - 'Managing risk and compliance' to the extent that the guidelines are consolidation specific.
3. In addition, the guidelines in Part C4 do not apply in circumstances where:
- a valuation methodology or process is stipulated by legislation, ,eg subdivision F of Division 13A of the *Income Tax Assessment Act 1936*, or
  - the Commissioner has stipulated an acceptable valuation methodology or processes eg Goods and Services Tax margin scheme valuation requirement determinations, rulings or guidance notes.

### **Use of Valuation services website**

4. Tax officers should refer to the [ATO Valuation services website](#) when they encounter an issue on valuations in their work. This website will assist with the process of obtaining valuation services.

### **Use of appropriate methodology**

5. In working out a market value, there may be one or more methodologies which are appropriate in relation to the asset being valued. The proposition that *any* valuation methodology may be used is not to be accepted. The most appropriate methodology, based on valuation industry standards for that type of asset and the available data, must be used.

### **Arguments about special value**

6. On occasion, it is argued that an asset has special value to a particular taxpayer. This argument is generally not to be accepted. It is only in those cases where there is clear evidence that the special value is known or available to the wider market and would be reflected in an objective valuation of the asset that this argument can be accepted. If the special value is known and available only to the taxpayer and not known or available to the wider market then this will not be the case.

### **Purpose of the publication 'Market valuation for tax purposes'**

7. To provide guidance to taxpayers on the Tax Office's expectations in relation to valuations for tax purposes, we have released a publication titled 'Market valuation for tax purposes'. It is designed to reflect the market value guidelines contained in part C4 of the Consolidation reference manual and apply them to market value generally.

## EXPLANATION

### **Application of Market valuation guidelines of *Consolidation reference manual* generally**

8. Many of the laws administered by the Commissioner of Taxation require a market value to be worked out and it is not practicable to provide a comprehensive list within this Practice Statement. Some common instances where market value is likely to be encountered include:
  - transfers of assets and services between related parties
  - non-cash benefit transactions
  - certain deeming events
  - some threshold tests
  - many anti-avoidance provisions
  - some special classes of taxpayers, and
  - consolidation events.
  
9. The market valuation guidelines within Part C4 were the result of extensive consultation during the development of the Consolidation regime. These guidelines are considered to be broadly applicable, to the extent outlined in this Practice Statement, to other situations where it is necessary to work out a market value for the purposes of the laws administered by the Commissioner.

Subject references	Market value Special value Valuations Valuation methodologies
Legislative references	<i>A New Tax System (Goods &amp; Services Tax) Act 1999</i> <i>Income Tax Assessment Act 1936</i> <i>Income Tax Assessment Act 1997</i> <i>Taxation Administration Act 1953</i>
Related public rulings	
Related practice statements	
Case references	
Other references	<a href="#">ATO Valuation services website</a> (link available internally only)
File references	<b>05/4618</b>
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Other Business Lines consulted	<b>GST, SB, PT, OCTC</b>
Amendment history	<b>1 September 2008</b> Included references to 'Market valuations for tax purposes' and updated information on the valuation services website.