
An update on the ATO Property Valuation Guidance for FY2024 and our audit approach.

The ATO Guidance focus expects that trustees determine the market value of the assets in the fund annually, based on a market value assessment using objective and supportable data. This does not require a valuation by an expert to be undertaken for all assets each year.

Unless the property has been recently purchased, the ATO Guidance provides that the trustee should consider a variety of recent sources to substantiate the market value of the property. A valuation can be undertaken by anyone with the precursor that it must be based on objective and supportable data.

An expert valuation of a property asset is prudent where the trustee believes:

- the valuation is materially inaccurate; or
- a significant event has occurred since it was last valued; or
- when the property value represents a significant proportion of the fund assets; or
- the nature of the property asset indicates that the asset valuation may be complex or difficult to determine.

The inclusion of comparable data within an expert valuation or appraisal report assists the trustees in ensuring the data point is in the relevant period and that it appropriately supports the estimated value in accordance with the ATO guidance.

PROPERTY MINUTE TEMPLATES

As an SMSF trustee, it is critical to document the fund's property valuation to support the SMSF trustee assessment of the market value at year end. This responsibility is clearly articulated within the ATO guidance ([ATO Link](#))

We have established example minute templates to support the trustee documented consideration of this process. The trustees **are required to minute** the property valuation basis at year end. This may be included in the annual minute of the fund.

The example templates have been developed to support the documentation of property valuation considerations at year-end as follows:

	(Example) Minute Template 1: ALL PROPERTY	(Example) Minute Template 2: RURAL & COMMERCIAL PROPERTY	(Example) Minute Template 3: RESIDENTIAL PROPERTY	(Example) Minute Template 4: INVESTMENT IN RELATED UNIT TRUST WITH PROPERTY
	Appraisal or Valuation as at 30/06/20CY	Appraisal or Valuation not current at 30/06/20CY	Appraisal or valuation not current at 30/06/20CY	Appraisal or Valuation as at 30/06/20CY
Residential	Yes	N/A	Yes	Yes
Commercial	Yes	Yes	N/A	Yes
Rural	Yes	Yes	N/A	Yes

RESIDENTIAL PROPERTY

Valuation information is readily available in most geographical locations to provide supportable data on an annual basis. Please refer to our detailed [guidance](#).

Where the trustee has obtained a supporting valuation or appraisal for the property in the prior year, and direct comparable sales data is not currently available, the market data movement for the district or suburb may be considered to determine whether there has been a material movement in the market value.

Should this indicate a material movement in market value, a valuation, appraisal or other objective and supportable data should be obtained to support the market value at or within 6 months of 30/06/2024.

RURAL (FARMLAND) PROPERTY

The [Australian Farmland Values 2024 report](#) indicates a material movement in market value for the period with few exceptions. This data is applicable for rural property over 30 hectares.

A valuation, appraisal or other objective and supportable data should be obtained to support the market value for **30/06/2024** where the last appraisal obtained was dated prior **to 01/07/2023**.

The exception to this relates to those **areas impacted by drought** or other events **where the data supports values have not materially changed from 01/07/2022**. These regions are as follows. For these regions, a valuation, appraisal or other objective and supportable data should be obtained to support the market value for **30/06/2024** where the last appraisal obtained was dated prior **to 01/07/2022**.

State	Region
NSW	Central West and Far West, South East
NT	Whole of State
Queensland	Central Highlands, South East
Tas	Whole of State
SA	Yorke & Mid North
Victoria	Central, East Gippsland and South West
WA	No exceptions

COMMERCIAL PROPERTY

Commercial property often represents a significant proportion of the assets of the fund.

The commercial property market is opaque, and it is not always easy for trustees to obtain relevant objective and supportable data.

For the FY2023 audit we requested valuation data or reports dated post 01/01/2022, to support the property market value in a fund as at 30/06/2023.

The Evolv team has been examining the available market data for the 2023 and 2024 calendar year to date as available. Where reports are available, this indicates across varying commercial sectors and regions, a material movement in rental yield has occurred in most instances, since 01/01/2022. This rental yield material variance may not always correlate to a material movement in property market values for the report period. Relevant generalised sales data is not generally available due to the nature of commercial property market. We are unable to evidence based on the generalized data that there is not a resulting material market value change in commercial properties generally.

For audit purposes, for FY2024, we are therefore requesting that a valuation, or appraisal be provided within the 18 months to 30/06/2024 to materially support the market value of property within the fund. Materiality being assessed based on total asset value.

A valuation, appraisal or other objective and supportable data is therefore required to be obtained to support the market value for 30/06/2024 where the last information obtained is dated prior to 01/01/2023.

RURAL AND COMMERCIAL VALUATION CONSIDERATION OF VALUATION OVER A 3 YEAR CYCLE FOR FY2024

Year 1: Recent valuation report at or around year end including comparable properties.

Year 2 & 3: Review of Recent valuation report obtained in Year 1

- Question 1 - Are the comparable properties relevant for year 2 or 3?
- Question 2 –

Date of report at Year 1 is recent:

Rural; refer above, report date is 01/07/2023 or subsequent if not in drought effected areas; or

Rural; refer above report date is 01/07/2022 or subsequent if IN drought effected areas; or

Commercial; refer above report date is 01/01/2023 or subsequent; and

No macro event has occurred that may impact on the market value post the date of the report.

If YES to either Question 1 or 2 – see [\(Example\) Minute Template 2: RURAL & COMMERCIAL PROPERTY](#).

If NO to both Question 1 and 2, obtain supplementary support for the valuation.

This could be any one of the following or other objective and supportable data:

- I. Valuation or Appraisal – obtain confirmation from agent no change to estimated market value from the original valuation; **or**
- II. New Valuation or Appraisal; **or**
- III. Supplemental Comparable sales data to evidence no material change in property at or around year end; **or**
- IV. General Sales Market data for geographical location – to evidence no material change in property.

See [\(Example\) Minute Template 2: RURAL & COMMERCIAL PROPERTY](#) for Supplementary information.