For Immediate Release:
Monday, 15 June 2026

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Media Release

CGT Tax Reforms Will Require A National Valuation Framework

The Australian Government needs to recognise the critical role of professional asset valuation in the successful implementation of the proposed capital gains tax reforms currently before Parliament, according to the Auctioneers and Valuers Association of Australia (AVAA).

In a submission to the Senate Standing Committee on Economics reviewing the *Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 (Cth)*, AVAA argues that the reforms will create an unprecedented reliance on valuation evidence across a broad range of assets, including property, businesses, fine art, antiques, collectibles, motor vehicles, plant and equipment and cultural property.

"The reforms proposed in the legislation before parliament effectively create one of the largest valuation exercises ever undertaken in Australia," AVAA Chief Executive Troy Williams said.

The submission notes that the practical operation of the new regime depends upon distinguishing gains accrued before 1 July 2027 from gains that arise afterwards. This means that asset values established at or around the commencement date may remain relevant for decades into the future.

"While legislation determines what is taxable, valuation determines how much is taxable. The success of these reforms will depend not only on legislative design but also on the quality of the valuation framework supporting implementation," Mr Williams said.

AVAA warns that many taxpayers may not appreciate the importance of valuation evidence until a future disposal event occurs, potentially years after commencement. By that stage, records may be incomplete, market evidence more difficult to locate and retrospective analysis more complex.

"Valuations undertaken at or around 1 July 2027 provide the strongest evidentiary foundation because they allow direct inspection of assets, access to contemporary market evidence and the preservation of supporting records while they remain readily available," Mr Williams said.

The Association is encouraging Treasury and the Australian Taxation Office (ATO) to develop a formal *Capital Gains Tax Valuation Framework* before the reforms commence. The proposed framework would address valuation methodologies, evidentiary standards, record keeping obligations, retrospective valuations, specialist asset classes and professional competency requirements.

"Taxpayers need certainty about what evidence should be retained, when professional valuations should be obtained and the standards that will be expected if values are reviewed years into the future," Mr Williams said.

AVAA's submission also highlights that many affected assets operate within specialist or thin markets where valuation requires significant professional judgement and technical expertise. These assets often have limited transaction evidence and rely on methodologies that differ substantially from those used in residential property markets.

"Fine art and antiques, rare books and coins, memorabilia and collectibles and historic vehicles each present unique valuation challenges. A successful implementation framework must recognise that different asset classes require different approaches while maintaining consistent principles of independence, competence and evidentiary support," Mr Williams said.

AVAA has recommended that Treasury and the ATO work with professional valuers holding the respected **AVAA Certified Valuer** (CVAu) credential to develop guidance well before commencement, reducing compliance costs, minimising disputes and strengthening confidence in the administration of the reforms.

"Valuation is critical tax administration infrastructure. Investment in clear valuation guidance today will deliver better compliance outcomes, fewer disputes and greater certainty for taxpayers and government alike in the years ahead," Mr Williams said.

AVAA Introduction —

Established in 1952, the **Auctioneers and Valuers Association of Australia (AVAA)** is the national professional body representing auctioneers and valuers across Australia. AVAA members specialise in diverse asset classes including fine art and antiques, rare books and coins, memorabilia and collectibles, jewellery, motor vehicles, aviation and marine, and other assets. Through professional standards, certification, education and advocacy, AVAA supports excellence, accountability and public confidence in valuation and auction practice through the nationally respected **AVAA Certified Valuer** (CVAu) and **AVAA Certified Auctioneer** (CAAu) credentials.

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Submission

Australian Parliament
Senate Standing Committee On Economics

Treasury Laws Amendment (Tax Reform No. 1) Bill 2026

Auctioneers & Valuers Association of Australia
June 2026

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This submission examines the valuation implications of the proposed capital gains tax reforms and the practical challenges associated with their implementation. It addresses commencement valuations, pre-CGT assets, retrospective valuations, specialist asset classes and professional competency, and recommends a formal Capital Gains Tax Valuation Framework to improve compliance, reduce disputes and support effective tax administration.

AVAA Reference: 11.2.6 – 8 June 2026

Auctioneers and Valuers Association of Australia

Introduction

The Auctioneers and Valuers Association of Australia (AVAA) welcomes the opportunity to provide a submission on the proposed capital gains tax reforms and their practical implementation.

Public discussion of the reforms has understandably focused on broader policy objectives including housing affordability, investment behaviour and the taxation of capital gains. While these issues are important, AVAA's submission focuses on a critical implementation issue that will ultimately determine the reforms' effectiveness in practice, this being asset valuation.

The proposed reforms create a substantial new reliance on valuation evidence throughout Australia's capital gains tax system. The requirement to distinguish gains accruing before and after 1 July 2027, apply cost base indexation and establish commencement values for existing assets means that valuation will become a central component of tax administration rather than a supporting consideration. The success of the reforms will therefore depend not only on legislative design, but also on the existence of a robust valuation framework capable of delivering accurate, independent and supportable outcomes.

Importantly, the reforms affect far more than residential property. They apply across a diverse range of assets including businesses, plant and equipment, motor vehicles, fine art, antiques, collectibles, cultural property and specialised industrial assets. Many of these assets operate within markets that are characterised by limited transaction activity, specialist valuation methodologies and significant reliance on professional judgement. These practical realities create implementation challenges that require careful consideration before commencement.

This submission examines the valuation issues arising from the reforms, including the establishment of commencement values as at 1 July 2027, the treatment of pre-CGT assets, retrospective valuations, specialist assets and thin markets, professional competency requirements and opportunities to reduce taxpayer disputes and compliance costs. Throughout the submission, AVAA argues that valuation should be recognised as critical tax administration infrastructure and that clear guidance developed before commencement will materially improve compliance outcomes, administrative efficiency and public confidence.

AVAA's central recommendation is that Treasury and the Australian Taxation Office (ATO) jointly develop a formal Capital Gains Tax Valuation Framework. Such a framework would provide practical guidance on valuation methodologies, evidentiary standards, professional competence, dispute minimisation, and taxpayer education. In doing so, it would support the successful implementation of the reforms while reducing uncertainty for taxpayers and government alike.

Troy Williams
AVAA Chief Executive

June 2026

Executive Summary

Public discussion surrounding the capital gains tax reforms has focused largely on housing affordability, investment behaviour and broader taxation policy. Those are legitimate matters for government consideration. However, AVAA's submission addresses a different but equally important issue: the practical implementation of the reforms and the critical role that valuation will play in determining whether the new regime operates effectively, efficiently and fairly.

The reforms fundamentally alter the relationship between capital gains tax and valuation. Historically, valuation has been an important but relatively limited component of the capital gains tax framework, typically arising in specific circumstances such as related party transactions, gifts, restructures and market value substitution provisions. Under the proposed reforms, valuation becomes a central element of tax administration. The distinction between gains accruing before and after 1 July 2027, the treatment of pre-CGT assets and the application of cost base indexation all depend upon reliable valuation evidence.

In practical terms, the reforms create a substantial new reliance upon value. Taxpayers, advisers and the ATO will increasingly need to establish, support and defend values that directly influence taxation outcomes. While legislation determines what is taxable, valuation determines how much is taxable. The success of the reforms will therefore depend not only on legislative design but also on the quality of the valuation framework that supports implementation.

AVAA submits that valuation should be recognised as critical tax administration infrastructure. Just as accounting standards, auditing frameworks and taxation guidance assist in the administration of the tax system, valuation standards and valuation guidance will be essential to the effective operation of the proposed reforms.

A key challenge arises from the breadth of assets affected. While public debate has centred on residential property, the reforms apply across a diverse range of capital assets including businesses, plant and equipment, motor vehicles, fine art, antiques, collectibles, cultural property, intellectual property and specialised industrial assets. Many of these asset classes operate within markets that differ significantly from residential property markets. Transaction volumes may be low, market evidence may be fragmented and valuation often requires specialist expertise and professional judgement.

The diversity of assets affected means there can be no single valuation methodology capable of addressing every circumstance. Guidance developed primarily with residential property in mind may be inappropriate for specialist assets. AVAA therefore submits that implementation guidance should be principles-based, focusing on independence, competence, transparency, evidentiary support and professional judgement while allowing flexibility to accommodate different asset classes and market conditions.

The most significant practical implementation issue created by the reforms is the establishment of a valuation baseline as at 1 July 2027. The Government's policy objective is to preserve the existing treatment of gains accrued before commencement while subjecting gains arising afterwards to the new framework. Achieving that objective requires a reliable mechanism for distinguishing value that existed immediately before commencement from value that arises afterwards.

This effectively creates a national valuation exercise affecting millions of taxpayers and a vast range of assets. Many assets have been held for decades. Some have been inherited. Others have been accumulated gradually over time without any previous need for formal valuation evidence. The commencement value established as at 1 July 2027 may become a critical taxation reference point for many years, and potentially decades, into the future.

AVAA strongly supports the establishment of contemporaneous valuation evidence wherever practical. Valuations prepared at or around the commencement date benefit from direct inspection, readily available records and current market evidence. They provide a stronger evidentiary foundation than valuations reconstructed many years later. At the same time, AVAA recognises that many taxpayers will not obtain valuations in 2027 and that retrospective valuations will therefore become an unavoidable feature of the system.

Retrospective valuation is a well-established professional discipline. Courts, tribunals, government agencies and private parties routinely rely upon retrospective valuations in taxation, deceased estate, family law and commercial dispute contexts. The reforms should recognise retrospective valuation as a legitimate form of evidence where prepared using recognised methodologies, supported by appropriate evidence and undertaken by suitably qualified professionals.

Particular attention should also be given to pre-CGT assets and other long-held property. These assets present unique challenges because they have historically existed outside the capital gains tax system. Many are characterised by incomplete records, changing conditions, changing uses and limited historical documentation. The implementation framework must recognise that these evidentiary limitations are often a consequence of long-term ownership rather than taxpayer conduct. Practical and flexible evidentiary standards will therefore be essential.

The reforms also raise important issues concerning professional competency. As valuation assumes a more central role within tax administration, confidence in valuation outcomes will increasingly depend upon confidence in the professionals preparing them. Competency, independence, ethical conduct, continuing professional development, professional indemnity insurance and specialist expertise all contribute to the reliability of valuation evidence.

AVAA submits that the implementation framework should recognise the importance of professional standards and professional accountability. Taxpayers, advisers and regulators should be encouraged to rely upon appropriately qualified professionals operating within recognised professional frameworks. The AVAA Certified Valuer (CVAu) credential and *AVAA Professional Standards* provide one example of a framework designed to promote competency, independence and accountability across a diverse range of asset classes.

A well-designed valuation framework will also reduce compliance costs and disputes. Uncertainty regarding valuation expectations inevitably leads to inconsistent outcomes, unnecessary expenditure on advice and increased administrative burden for both taxpayers and government. Clear guidance regarding valuation methodologies, evidentiary requirements, record keeping expectations and professional standards will improve consistency, reduce review activity and minimise the likelihood of costly disputes progressing to tribunals or courts.

For these reasons, AVAA's principal recommendation is that Treasury and the ATO jointly develop and publish a formal Capital Gains Tax Valuation Framework before 1 July 2027. The framework should address commencement valuations, evidentiary requirements, record keeping expectations, retrospective valuations, pre-CGT assets, specialist asset classes, professional competency, compliance obligations and verification processes.

Importantly, the framework should be developed in consultation with valuation professionals, taxpayer representatives, industry groups and relevant government agencies. Early consultation will improve implementation outcomes and provide taxpayers with sufficient time to prepare for commencement.

The proposed reforms represent one of the most significant changes to Australia's capital gains tax framework in decades. Their long-term success will depend not only upon legislative design but also upon the integrity, consistency and practicality of the valuation framework supporting implementation.

AVAA submits that valuation should be recognised as essential tax administration infrastructure. Investment in valuation guidance, professional standards and evidentiary frameworks before commencement will reduce compliance costs, improve taxpayer certainty, minimise disputes and strengthen confidence in the administration of the new regime. In doing so, Government can ensure that the policy objectives of the reforms are supported by a practical and sustainable implementation framework capable of operating effectively across the full diversity of assets held by Australian taxpayers.

Section 1 —
Recommendations

Recommendation 1 —
Recognise Valuation as Critical Infrastructure

Treasury and the ATO should formally recognise valuation as critical tax administration infrastructure and ensure that valuation guidance, evidentiary standards and professional frameworks are developed alongside the legislative implementation of the reforms.

Recommendation 2 —
Develop a National Valuation Framework

Treasury and the ATO should jointly develop and publish a comprehensive Capital Gains Tax Valuation Framework before 1 July 2027 to support consistent administration, taxpayer compliance and effective dispute minimisation.

Recommendation 3 —
Recognise Diverse Valuation Methodologies

The Capital Gains Tax Valuation Framework should establish clear principles regarding valuation methodologies while recognising that different asset classes require different approaches, evidence sources and levels of professional judgement.

Recommendation 4 —
Clarify Taxpayer Evidence Requirements

Government should publish detailed guidance outlining the evidence taxpayers should retain to support commencement values, including records relevant to ownership, condition, provenance, market evidence and future taxation compliance.

Recommendation 5 —
Encourage Contemporaneous Commencement Valuations

Taxpayers holding significant, specialised or higher-value assets should be encouraged to obtain contemporaneous valuations at or around 1 July 2027 to strengthen evidentiary support and reduce future compliance uncertainty.

Recommendation 6 —
Provide Retrospective Valuation Guidance

The implementation framework should include detailed guidance regarding retrospective valuations, including acceptable methodologies, evidentiary requirements, historical market analysis and the circumstances in which retrospective valuations will be accepted.

Recommendation 7 —
Address Challenges for Pre-CGT Assets

Treasury and the ATO should develop specific guidance addressing pre-CGT assets and long-held property, recognising the practical challenges associated with incomplete records, changing conditions and limited historical evidence.

Recommendation 8 —
Recognise Diversity of Affected Assets

Government guidance should explicitly recognise that the reforms affect a diverse range of assets beyond residential property and that implementation measures must accommodate differing market structures and valuation methodologies.

Recommendation 9 —
Develop Asset-Specific Valuation Guidance

The valuation framework should include dedicated guidance addressing fine art, antiques, collectibles, motor vehicles, plant and equipment, business interests, cultural property and other specialist asset classes affected by the reforms.

Recommendation 10 —
Recognise Challenges in Thin Markets

Treasury and the ATO should recognise that thin markets and infrequent transactions increase the importance of specialist valuation expertise and professional judgement rather than reducing valuation reliability.

Recommendation 11 —
Encourage Appropriate Specialist Expertise

Government guidance should encourage taxpayers to engage appropriately qualified valuation professionals whose expertise aligns with the asset class being valued and the complexity of the assignment.

Recommendation 12 —
Support Professional Standards Frameworks

The implementation framework should recognise the importance of professional standards, continuing professional development, professional indemnity insurance, ethical obligations and independence in supporting reliable valuation outcomes.

Recommendation 13 —
Recognise Professional Competency Requirements

Valuations relied upon for significant taxation purposes should be prepared by professionals operating within recognised competency and accountability frameworks that promote consistency, transparency and professional responsibility.

Recommendation 14 —
Adopt Risk-Based Verification Processes

The ATO should adopt a risk-based and proportionate approach to valuation verification that focuses on evidence quality, methodology, professional competency and material taxation risk.

Recommendation 15 —
Introduce Practical Safe Harbour Arrangements

Treasury should consider safe harbour arrangements for lower-risk circumstances where taxpayers rely upon recognised methodologies, prescribed evidence or appropriately qualified professional valuation advice.

Recommendation 16 —
Reduce Valuation Disputes and Costs

The implementation framework should incorporate practical dispute minimisation measures that encourage early resolution of valuation disagreements and reduce reliance on formal objection, tribunal and court processes.

Recommendation 17 —
Strengthen Taxpayer Education and Guidance

Treasury and the ATO should undertake a coordinated taxpayer education program explaining commencement valuations, record keeping obligations, evidentiary expectations and circumstances where professional advice may be appropriate.

Recommendation 18 —
Consult Stakeholders During Development

The Capital Gains Tax Valuation Framework should be developed through consultation with professional valuation bodies, taxpayer representatives, industry organisations and other stakeholders possessing relevant technical expertise.

Recommendation 19—
Publish Guidance Before Commencement

Government should ensure that valuation guidance and implementation materials are published sufficiently in advance of commencement to allow taxpayers adequate time to prepare and obtain valuation advice.

Recommendation 20 —
Engage Professional Valuation Organisations

Treasury and the ATO should engage with AVAA and other relevant professional bodies in developing valuation guidance, competency frameworks and implementation measures supporting the reforms.

Section 2 —
Valuation as Critical Tax Administration Infrastructure

AVAA submits that valuation should be recognised as critical tax administration infrastructure. The effectiveness of the proposed reforms will depend not only upon legislative design, but also upon the existence of a robust valuation framework capable of delivering accurate, independent and supportable evidence across a broad range of assets and taxpayer circumstances.

Historically, valuation has generally operated as a supporting component of the capital gains tax system. In most cases, taxpayers have relied upon known acquisition costs, disposal proceeds and legislated concessions to determine their tax liability. While valuation issues have periodically arisen in relation to deceased estates, related party transactions, market value substitution rules, gifts, transfers and certain restructuring arrangements, valuation has not generally been central to the operation of the broader regime.

The proposed reforms alter that position.

The Explanatory Memorandum makes clear that the new arrangements will apply prospectively to gains accruing after 1 July 2027, including gains associated with assets acquired before that date. Gains accruing prior to commencement will continue to be treated under existing arrangements, while gains accruing after commencement will be subject to the new regime. In addition, assets that have historically been treated as pre-CGT assets will become subject to capital gains tax in relation to gains accruing after 1 July 2027.

The practical consequence of these changes is that value becomes increasingly important. Taxpayers, advisers and the ATO will frequently need to identify, support and defend values that form the basis of taxation outcomes. In effect, valuation becomes a core element of the tax calculation process rather than a peripheral consideration.

This shift should not be underestimated. Tax legislation determines the circumstances in which gains are taxable. Valuation determines the amount of those gains. Where the measurement of value becomes more important, the quality of the valuation framework becomes correspondingly more important.

The Relationship Between Tax Policy and Valuation Evidence

Tax policy and valuation are closely connected, although they perform different functions within the taxation system.

Parliament determines what is taxable, who is liable and how tax is calculated. Valuation provides the evidence necessary to quantify those outcomes in circumstances where market value is relevant. Regardless of the policy objectives underpinning the reforms, the practical operation of the legislation depends upon the availability of reliable valuation evidence.

This principle is reflected throughout the proposed reforms. The Government's stated objective is to ensure that only real gains are subject to taxation by replacing the current discount system with cost base indexation. The legislation therefore relies upon distinguishing gains accruing before and after 1 July 2027 and applying different taxation outcomes to those gains.

The success of this approach depends upon the ability of taxpayers and regulators to accurately identify and measure value. If values are inconsistent, unsupported or disputed, the integrity of the broader taxation framework may be compromised.

For this reason, valuation should not be regarded as an administrative detail arising from the reforms. It is one of the mechanisms through which the reforms are implemented. In practical terms, the effectiveness of the legislation will depend substantially upon the quality of the valuation evidence that supports it.

The Expansion of Valuation Across Asset Classes

Public discussion of the reforms has focused largely on residential property. This focus is understandable given the Government's stated objective of improving housing affordability and encouraging home ownership. However, the legislation extends well beyond the housing market.

The proposed arrangements apply across a diverse range of capital assets. These include shares, business assets, stamps and coins, collectibles, firearms, artworks, antiques, vehicles, machinery, plant and equipment, intellectual property, cultural assets and many other forms of property. The Treasurer's Second Reading Speech specifically notes that the reforms are intended to operate across asset classes in order to avoid creating new distortions within the taxation system.

This diversity of assets creates important valuation challenges.

Residential property markets generally benefit from significant transaction volumes, substantial publicly available sales evidence and well-established valuation methodologies. Many specialist asset classes do not enjoy the same characteristics. A rare painting, historic motor vehicle, significant collection, antique object or specialised industrial asset may have few directly comparable transactions. Market activity may be intermittent and information may be fragmented across different jurisdictions and sales channels.

As a result, valuation methodologies often vary considerably between asset classes. Determining market value may require detailed consideration of condition, provenance, rarity, authenticity, functionality, obsolescence, replacement cost, market demand and broader economic conditions.

Government guidance supporting implementation of the reforms should acknowledge these differences and avoid assuming that valuation approaches developed for one asset class can necessarily be applied to another.

The Emergence of a National Valuation Challenge

The reforms effectively create a national valuation challenge affecting millions of taxpayers and a vast range of assets. Many Australians hold assets acquired years or decades ago. Some assets have been inherited. Others have been accumulated gradually over long periods. Many have never been professionally valued because there has previously been no practical reason to do so.

Following commencement of the reforms, however, taxpayers may require supportable valuation evidence to establish taxation outcomes. This challenge is particularly significant for long-held assets and assets for which historical records may be incomplete or unavailable.

The Explanatory Memorandum confirms that gains accruing after 1 July 2027 on assets previously treated as pre-CGT assets will become subject to capital gains tax. While gains accruing before that date remain exempt, taxpayers and regulators will require a practical mechanism for distinguishing gains arising before and after commencement.

For many assets, professional valuation may represent the most reliable and practical means of establishing that distinction.

The scale of this challenge should not be underestimated. It extends far beyond high-value property holdings. It affects family businesses, inherited collections, machinery, vehicles, artworks and a wide range of other assets commonly held by Australian taxpayers.

Valuation and Taxpayer Compliance

A fundamental principle of effective tax administration is that taxpayers should be able to understand and comply with their obligations.

The Explanatory Memorandum acknowledges that the reforms will generate transitional and ongoing compliance costs and notes that guidance, calculators and tools will be provided to assist taxpayers. Treasury estimates that the reforms will increase average regulatory costs by approximately $88.4 million per year over a ten-year period.

While educational resources will undoubtedly assist taxpayers, they cannot resolve questions regarding market value. A calculator can apply a formula once a value has been determined. It cannot determine the value itself.

Taxpayers require certainty regarding the evidence they should retain, the circumstances in which professional valuations should be obtained, the standards expected of valuation reports and the methodologies likely to be accepted by the ATO.

The absence of clear guidance may lead to inconsistent practices, unnecessary compliance costs and uncertainty regarding taxpayer obligations. Conversely, clear valuation guidance can improve compliance outcomes, encourage appropriate record keeping and reduce the likelihood of future disputes.

Valuation and the Administration of the Tax System

Valuation is equally important from the perspective of government administration. The ATO must be able to assess compliance, review transactions and resolve disagreements in a manner that is fair, efficient and consistent. Reliable valuation evidence assists regulators by providing an objective basis upon which taxation outcomes can be assessed.

Where valuation methodologies vary significantly or evidentiary requirements are unclear, administrative complexity increases. Taxpayers may adopt inconsistent approaches. ATO reviews may become more resource intensive. Disputes may become more common.

A well-developed valuation framework benefits both taxpayers and government. It provides a common reference point for determining value and assists decision-makers in evaluating the reliability of evidence presented to them. In this sense, valuation infrastructure performs a similar role to accounting standards and auditing frameworks. It provides a common language through which economic value can be assessed and communicated.

Independence, Reliability and Public Confidence

Public confidence in the tax system depends upon confidence in the evidence used to determine tax liabilities. Independent valuation plays an important role in maintaining that confidence. Professional valuers are expected to provide objective assessments based upon evidence and professional judgement rather than advocacy for a particular outcome. Concepts such as independence, transparency, competence and professional accountability are therefore fundamental to valuation practice.

These principles become particularly important where valuation outcomes directly affect taxation liabilities.

A taxation system that relies upon value-based determinations requires confidence that those determinations are supported by reliable evidence. Professional valuation standards provide an established framework for achieving this objective. They promote consistency, transparency and accountability while assisting taxpayers, regulators and courts in assessing the reliability of valuation evidence.

Government should therefore recognise that professional valuation standards are not merely industry requirements. They form part of the broader public infrastructure supporting fair and effective tax administration.

Reducing Future Disputes Through Better Valuation Frameworks

One of the most significant benefits of a robust valuation framework is its capacity to reduce future disputes. Valuation disputes are often expensive, time consuming and resource intensive. They impose costs on taxpayers, advisers, regulators and the court system. In many cases, disputes arise not because valuation is inherently uncertain, but because the parties involved have adopted different assumptions, methodologies or evidentiary standards.

Clear guidance developed before commencement of the reforms can significantly reduce these risks. Taxpayers who understand what evidence is expected are more likely to obtain appropriate advice and maintain appropriate records. Regulators benefit from having consistent standards against which evidence can be assessed.

Investment in valuation infrastructure should therefore be viewed as a preventative measure rather than a compliance burden. The cost of developing robust frameworks is likely to be substantially lower than the cost of managing widespread disputes after implementation.

The proposed capital gains tax reforms substantially increase the importance of valuation within Australia's taxation system. The reforms rely upon the accurate measurement of gains across different periods, asset classes and taxpayer circumstances. As a consequence, valuation becomes an essential component of tax administration rather than a secondary consideration.

The success of the reforms will depend not only upon legislative design, but also upon the quality, consistency and integrity of the valuation framework supporting their implementation. Accurate and independent valuation evidence is fundamental to taxpayer compliance, regulatory administration and public confidence in the tax system.

AVAA submits that valuation should be recognised as critical tax administration infrastructure. Government should ensure that the development of valuation frameworks, evidentiary standards and professional guidance receives the same level of attention as the legislative framework itself. Doing so will improve compliance outcomes, reduce disputes and strengthen the long-term effectiveness of the reforms.

Section 3 —

The Scope of Assets Affected by the Reforms

Public discussion surrounding the proposed capital gains tax reforms has focused overwhelmingly on residential property. This is understandable given the Government's stated objective of improving housing affordability and reducing distortions that encourage investment in existing housing stock. Both the Second Reading Speech and Explanatory Memorandum identify housing affordability, home ownership and investment behaviour as key policy drivers underpinning the reforms.

However, while residential property has dominated public debate, the legislation itself extends considerably further. The reforms apply across a broad range of capital assets and are specifically intended to operate across asset classes to avoid creating new distortions within the taxation system. The Treasurer stated that returning to indexation "across all asset classes ensures investments are treated in a neutral way and that we don't create a new distortion". This distinction is important.

The practical challenges associated with implementing the reforms extend well beyond the residential property market. They affect taxpayers holding fine art, antiques, collectibles, motor vehicles, plant and equipment, business assets, cultural property, specialist industrial assets and numerous other forms of property. In many cases these assets are characterised by markets that are less transparent, less liquid and more dependent upon specialist expertise than residential real estate markets.

Accordingly, implementation guidance that focuses primarily upon residential property risks overlooking significant practical issues affecting other asset classes.

Diversity of Asset Classes Creates Diversity of Valuation Challenges

One of the central challenges arising from the reforms is that there is no single methodology capable of accurately valuing every category of asset captured by the legislation.

The market for residential property is relatively well understood. Large transaction volumes, publicly available sales evidence, established valuation methodologies and widespread access to market information allow values to be determined with a comparatively high degree of confidence. While disputes certainly occur, the underlying evidence base is generally substantial. Many other asset classes do not enjoy these characteristics.

A significant artwork may sell only once every several decades. A rare antique may have no directly comparable sales within Australia. A collection of sporting memorabilia may derive value from provenance and scarcity rather than utility. A specialised piece of industrial machinery may have value determined by replacement cost, remaining useful life and operational suitability rather than open market transactions.

The practical consequence is that valuation methodologies vary significantly between asset classes. Different forms of evidence may be required, different assumptions may be appropriate and different forms of professional expertise may be necessary.

Government guidance supporting implementation of the reforms should acknowledge this diversity and avoid assumptions that market value can be determined in a uniform manner across all asset classes.

Fine Art, Antiques and Collectibles

The Australian market for fine art, antiques and collectibles provides a useful illustration of the challenges associated with specialist asset classes. Unlike residential property, these markets are often characterised by infrequent transactions, substantial variation in quality and condition, and strong reliance upon specialist knowledge. The value of an artwork may be influenced by provenance, exhibition history, literature references, authenticity, condition, rarity and the broader reputation of the artist. Similar considerations may apply to antiques, decorative arts and historical objects.

In many cases there may be no directly comparable transaction available. Professional valuers are therefore required to analyse a range of market indicators and apply informed judgement when determining value.

These challenges become more pronounced for high-value works, unique objects and culturally significant material. Market evidence may be drawn from multiple jurisdictions, different auction houses, dealer transactions and private treaty sales. The process often requires detailed analysis that extends beyond the simple identification of comparable sales.

The reforms may require taxpayers holding such assets to establish supportable values as at specific dates or to distinguish gains arising before and after 1 July 2027. Guidance should recognise the practical realities of these markets and acknowledge the role of specialist valuation expertise.

Motor Vehicles and Transport Assets

Historic motor vehicles, classic vehicles, motorcycles, commercial vehicles and specialised transport assets present a different set of valuation challenges. Value is often influenced by factors including originality, condition, restoration quality, provenance, rarity, documentation and market demand. Two vehicles of the same make and model may have substantially different values depending upon their history and condition.

The Australian market for collectible vehicles is increasingly connected to international markets. Significant transactions may occur through specialist auctions, private sales and international platforms. Market evidence therefore often requires analysis of both domestic and international transactions.

For owners of significant vehicle collections, the reforms may create circumstances where valuation evidence becomes essential for taxation purposes. Government guidance should recognise that valuation of such assets requires specialist expertise and cannot necessarily be undertaken using methodologies commonly associated with residential property.

Plant, Equipment and Industrial Assets

Plant and equipment assets present another distinct valuation environment. Unlike many collectible assets, value is frequently linked to utility, productivity and remaining economic life. Factors such as age, condition, technological obsolescence, maintenance history and replacement cost can all significantly influence value.

Specialised industrial equipment may operate within highly limited markets. Comparable sales may be scarce and assets may be bought and sold internationally rather than within Australia. In some sectors there may be few market participants capable of purchasing or operating the equipment.

Valuation methodologies commonly applied to plant and equipment include market approaches, cost approaches and income approaches depending upon the nature of the asset and the availability of evidence.

These considerations demonstrate why implementation guidance must remain sufficiently flexible to accommodate different forms of valuation evidence and methodology.

Business Assets and Going Concern Interests

Business assets present some of the most complex valuation challenges likely to arise under the reforms. A business may derive value from physical assets, intellectual property, customer relationships, contracts, goodwill, brand recognition and future earning capacity. In many cases the value of the business as a whole exceeds the aggregate value of its individual assets.

Valuation of business interests often requires consideration of future cash flows, industry conditions, competitive position, management capability and broader economic factors. Different methodologies may produce different outcomes depending upon the circumstances of the business and the purpose of the valuation.

Although existing small business CGT concessions remain unchanged under the reforms, the broader valuation issues associated with business assets remain relevant.

Implementation guidance should recognise that business valuation is a specialised discipline requiring expertise that differs substantially from the valuation of residential property or other tangible assets.

Cultural Property and Heritage Assets

Particular challenges arise in relation to cultural property and heritage assets. These assets may possess significance extending beyond purely commercial considerations. They may be subject to export controls, heritage restrictions or other regulatory requirements that affect marketability and value. In some cases there may be very limited market evidence available.

The valuation of cultural property frequently requires consideration of historical significance, provenance, rarity and broader cultural importance. Market evidence may be fragmented or international in nature.

The reforms may therefore create circumstances in which taxpayers, advisers and regulators require specialist valuation expertise to establish supportable values for culturally significant assets.

The Australian Government guidance should acknowledge these complexities and avoid adopting approaches that assume all assets trade within deep and transparent markets.

Why Asset Class Differences Matter

The diversity of assets affected by the reforms is not simply an academic observation. It has direct implications for administration, compliance and dispute resolution. Where different asset classes require different methodologies, evidentiary standards and professional expertise, a single prescriptive approach may create unintended consequences. Guidance that is suitable for residential property may be impractical for fine art. Approaches designed for listed securities may be inappropriate for specialised machinery. Assumptions relevant to business valuation may not apply to cultural property.

A successful implementation framework should therefore focus on valuation principles rather than rigid methodologies. Concepts such as independence, professional competence, transparency, evidentiary support and reasoned judgement can be applied consistently across asset classes while still allowing appropriate flexibility for different markets and asset types.

This approach would provide taxpayers and the ATO with greater certainty while recognising the practical realities of specialist valuation practice.

The proposed capital gains tax reforms apply across a far broader range of assets than is commonly recognised in public discussion. While housing policy considerations have driven much of the debate, the legislation affects a diverse range of property including fine art, antiques, collectibles, motor vehicles, plant and equipment, business assets, cultural property and specialised industrial assets.

These assets operate within markets that differ significantly in terms of liquidity, transparency, available evidence and valuation methodology. As a consequence, implementation guidance developed for the reforms must recognise that market value cannot be determined using a single approach across all asset classes.

AVAA submits that successful implementation of the reforms will require a valuation framework that accommodates the diversity of assets affected by the legislation while maintaining consistent principles of independence, competence, transparency and evidentiary support. Recognition of these differences at the outset will improve compliance outcomes, reduce disputes and strengthen confidence in the administration of the new regime.

Section 4 —
Establishing the 1 July 2027 Baseline

The proposed capital gains tax reforms rely upon a fundamental distinction between gains that accrue before 1 July 2027 and gains that accrue after that date. The Government has stated that the reforms are intended to apply prospectively, preserving existing treatment for gains accrued before commencement while subjecting gains accruing thereafter to the new arrangements. The Treasurer's Second Reading Speech, the Bill and the Explanatory Memorandum consistently emphasise that gains arising before 1 July 2027 are to remain subject to existing treatment, while gains arising after that date are to be taxed under the new framework.

While the legislative principle is straightforward, its implementation is considerably more complex. The reforms create a practical requirement to distinguish value that existed immediately before commencement from value that arises afterwards. This effectively requires the establishment of a valuation baseline across a vast range of assets held by Australian taxpayers. Without a supportable commencement value, taxpayers cannot accurately determine post-commencement gains, advisers cannot provide reliable guidance, and the ATO cannot effectively administer the legislation.

For this reason, AVAA considers the establishment of the 1 July 2027 baseline to be the most significant practical implementation issue arising from the reforms. Regardless of the policy objectives underpinning the legislation, the distinction between pre and post commencement gains can only operate effectively where there is confidence in the values used to establish that distinction.

Establishing a National Valuation Baseline

The practical effect of the reforms is the creation of what may be one of the largest valuation exercises undertaken in Australia since the introduction of capital gains tax itself. Millions of assets currently held by Australian taxpayers will potentially require a value to be established, supported or defended as at 1 July 2027. Those assets span a remarkably diverse range of categories, including residential and commercial property, private businesses, shares, plant and equipment, fine art, antiques, collectibles, cultural property, motor vehicles and specialised industrial assets.

The scale of this challenge should not be underestimated. Many assets have been held for years or decades. Some have been inherited through deceased estates. Others have been acquired through private transactions where limited documentation exists. In many cases, there has never been a commercial or regulatory need to obtain a formal valuation because the asset has not been offered for sale, used as security or subjected to a taxation event requiring an assessment of market value.

The reforms fundamentally change this position. A value established at or around 1 July 2027 may become a critical piece of evidence supporting a taxpayer's position many years into the future. A family business sold in 2045 may depend upon evidence created in 2027. A significant artwork sold in 2055 may require reference to market conditions that existed almost three decades earlier. The commencement value therefore becomes more than a transitional calculation. It becomes a permanent reference point within the capital gains tax system.

The challenge is magnified by the diversity of assets affected. Residential property markets generally benefit from substantial transaction volumes and readily accessible market evidence. Other asset classes do not. Specialist machinery, private businesses, antiques, rare collectibles and cultural property often trade within smaller and less transparent markets. Establishing reliable values for such assets requires specialised expertise and often involves professional judgement rather than straightforward comparison to recent transactions.

The success of the reforms will therefore depend not only upon legislative design but also upon the existence of a valuation framework capable of accommodating this diversity.

The Importance of Contemporaneous Valuation Evidence

A central question arising from the reforms is whether taxpayers should be encouraged to establish values at or around the commencement date rather than relying upon retrospective valuation exercises undertaken years later.

From a valuation perspective, there are compelling reasons to favour contemporaneous evidence. A valuation prepared close to the valuation date allows the asset to be inspected, market conditions to be observed directly and supporting evidence to be collected while it remains readily available. Condition can be documented, ownership details verified and market transactions analysed within their proper context.

By contrast, retrospective valuation often becomes progressively more difficult as time passes. Records may be lost. Photographs may no longer exist. Businesses may cease trading. Auction records may become unavailable. Individuals with knowledge of the asset may no longer be accessible. While retrospective valuation can often be undertaken successfully, it generally involves greater uncertainty and a higher risk of dispute.

The distinction is particularly important for specialist assets. A residential investment property in a metropolitan market may be capable of retrospective valuation using extensive historical sales evidence. A rare artwork, historic motor vehicle or specialist industrial machine may not. In those cases, evidence available in 2027 may be significantly more reliable than evidence available ten or twenty years later.

AVAA submits that Treasury and the ATO should actively encourage taxpayers holding significant, specialised or higher-value assets to obtain valuations close to the commencement date. Such guidance would not require every taxpayer to obtain a valuation. Rather, it would establish a clear benchmark of best practice and reduce uncertainty regarding future compliance obligations.

Evidence and Record Keeping Requirements

One of the most important practical questions arising from the reforms concerns the evidence taxpayers should retain to support commencement values.

The Explanatory Memorandum acknowledges that the reforms will create both transitional and ongoing compliance costs and indicates that guidance, calculators and tools will be provided to assist taxpayers. However, guidance relating specifically to valuation evidence will be equally important.

A taxpayer who obtains a valuation in 2027 requires certainty regarding the records that should be retained to support that valuation. Similarly, a taxpayer who elects not to obtain a formal valuation requires guidance regarding alternative forms of evidence that may be considered acceptable.

The appropriate records will vary according to the nature of the asset. For real property, relevant material may include contracts, photographs, plans, rental records and market evidence. For businesses, financial statements, management reports and operational data may be relevant. For fine art, antiques and collectibles, provenance documentation, authenticity records, condition reports and auction histories may be critical. For machinery and equipment, maintenance records, service histories and technical specifications may be important.

The key issue is certainty. Taxpayers should not be left to speculate about what evidence may be required twenty years into the future. A clear record keeping framework would improve compliance outcomes and reduce future disputes.

AVAA therefore submits that Treasury and the ATO should publish comprehensive guidance outlining the categories of records that taxpayers should retain in support of commencement values. Such guidance should be tailored to different asset classes and recognise the practical realities associated with specialist markets.

Pre-CGT Assets and Legacy Assets

One of the most significant valuation issues created by the reforms arises from the treatment of pre-CGT assets. The Bill and Explanatory Memorandum provide that gains accrued before 1 July 2027 on pre-CGT assets remain exempt from capital gains tax, while gains accruing after that date become subject to the new regime. In effect, assets that have historically sat outside the capital gains tax system become subject to capital gains tax in relation to future appreciation. From a valuation perspective, this creates substantial challenges.

Many pre-CGT assets have been held for decades. Some have remained within the same family for generations. In many cases, there are limited acquisition records and no previous need to establish market value. Yet from 1 July 2027 onwards, taxpayers may need to demonstrate the distinction between value accrued before commencement and value accrued afterwards.

The challenge is particularly significant for assets that operate within specialist markets. Historic collections, cultural property, antiques, machinery and family businesses may have experienced substantial changes in value over extended periods. Determining the appropriate baseline from which future gains are measured is therefore critical.

The Government's policy objective of preserving the exemption for gains accrued before commencement can only be achieved if taxpayers are able to establish reliable commencement values. Without a clear framework, disputes regarding the treatment of pre-CGT assets may become one of the most significant areas of contention arising from the reforms.

AVAA submits that Treasury should develop specific guidance dealing with pre-CGT assets and other legacy holdings. Given the unique challenges associated with these assets, a generic valuation framework may not be sufficient.

Apportioning Gains Between Periods

The legislation effectively requires gains to be separated into those arising before 1 July 2027 and those arising afterwards. This principle sits at the heart of the transitional arrangements. From an administrative perspective, the most practical means of achieving this objective is the establishment of a reliable commencement value as at 1 July 2027. Once that value has been established, gains arising afterwards can be measured relative to that baseline.

Alternative approaches would introduce significant complexity. Attempting to reconstruct historical values at the time of disposal would increase uncertainty and create opportunities for inconsistent outcomes. Different taxpayers may adopt different methodologies, rely upon different evidence and reach materially different conclusions despite holding similar assets.

A clearly documented commencement value provides a simpler and more transparent approach. It creates a common reference point and aligns with the Government's stated objective of separating gains arising under the previous framework from gains arising under the new regime.

For this reason, AVAA considers the commencement valuation approach to be the most effective mechanism for implementing the policy intent of the reforms.

Compliance and Verification

The reforms create important questions regarding compliance and verification. Taxpayers require certainty regarding how commencement values will be assessed and what level of documentation will be expected. Similarly, the ATO requires a practical framework for reviewing values and identifying circumstances where further scrutiny may be warranted.

A successful framework should be risk-based and proportionate. Not every valuation requires intensive review. At the same time, the integrity of the system requires confidence that significant values can be supported by appropriate evidence.

The existence of a recognised valuation framework would benefit both taxpayers and regulators. Taxpayers would have a clearer understanding of expectations, while ATO officers would have a more consistent basis upon which to assess evidence.

Importantly, verification should focus on the quality of the evidence and methodology rather than solely on the outcome. A valuation that is prepared using recognised methodologies, supported by appropriate evidence and undertaken by a suitably qualified professional should generally attract a higher degree of confidence than an unsupported estimate prepared many years after commencement.

AVAA believes that guidance addressing verification expectations should be published well before commencement so that taxpayers have sufficient time to prepare.

Safe Harbour Provisions and Proportionality

Given the scale of the valuation challenge, Treasury should also consider whether safe harbour arrangements may be appropriate for certain categories of assets. The reforms affect a broad range of taxpayers and asset classes. Requiring formal valuations for every asset would impose significant compliance costs and may create practical capacity constraints within the valuation profession.

A more proportionate approach may involve recognising different evidentiary requirements depending upon the nature and value of the asset. Lower-value assets or assets supported by readily available market evidence may warrant simplified treatment. More significant, complex or specialised assets may justify a higher evidentiary standard. Such an approach would allow resources to be directed towards areas where valuation risk is greatest while reducing unnecessary compliance costs for taxpayers whose circumstances present limited risk.

AVAA encourages Treasury to explore options for proportional compliance measures as part of the implementation framework.

The Need for a CGT Commencement Valuation Framework

The reforms create a substantial reliance upon valuation evidence. They affect a diverse range of assets, introduce new compliance obligations and require gains to be distinguished between different taxation regimes. These outcomes cannot be achieved effectively through legislation alone.

AVAA therefore submits that Treasury and the ATO should develop a formal CGT Commencement Valuation Framework before 1 July 2027. Such a framework should address the circumstances in which valuations are recommended, acceptable valuation methodologies, evidentiary requirements, record keeping expectations, treatment of specialist assets, treatment of pre-CGT assets, compliance obligations and verification processes.

Importantly, the framework should be developed in consultation with valuation professionals, industry groups, taxpayer representatives and relevant government agencies. Early consultation will improve implementation outcomes and provide taxpayers with sufficient time to prepare.

The establishment of reliable values as at 1 July 2027 is the cornerstone upon which the practical operation of the new capital gains tax regime will depend. The reforms require gains accrued before commencement to be distinguished from gains accrued afterwards, and that distinction can only be achieved where there is confidence in the values used to establish the commencement baseline.

The challenge extends across millions of assets and raises complex questions relating to valuation methodology, evidentiary standards, record keeping, compliance and verification. It is likely to remain relevant for decades after implementation as taxpayers dispose of assets acquired long before commencement.

AVAA submits that the Government should recognise the establishment of the 1 July 2027 baseline as critical tax administration infrastructure. Comprehensive guidance, supported by a formal CGT Commencement Valuation Framework, should be developed and published well before commencement. Doing so will reduce compliance costs, improve consistency, minimise disputes and strengthen confidence in the long-term administration of the reforms.

Section 5 —
Retrospective Valuations & Historical Evidence

The proposed capital gains tax reforms create a substantial reliance upon valuation evidence as at 1 July 2027. While it would be desirable for taxpayers to establish contemporaneous values at or around commencement, the practical reality is that many taxpayers will not do so. Some may be unaware of the importance of obtaining a valuation. Others may conclude that the cost is unnecessary at the time, particularly where there is no immediate intention to dispose of an asset. In many cases, taxpayers may not recognise the significance of a commencement value until years or even decades later when a capital gains tax event ultimately occurs.

As a result, retrospective valuations are likely to become an important feature of the administration of the new regime. For many taxpayers, a retrospective valuation prepared years after 1 July 2027 may be the only practical means of establishing a commencement value capable of supporting a future taxation position. The ability of taxpayers to rely upon retrospective valuation evidence, and the circumstances in which such evidence will be accepted, therefore represent important implementation issues that should be addressed before commencement.

Retrospective valuation is not a novel or unusual concept. Professional valuers routinely undertake retrospective assignments for taxation matters, deceased estates, family law proceedings, commercial disputes, compulsory acquisitions, insurance claims and court proceedings. The discipline is well established and supported by recognised valuation methodologies. However, retrospective valuation inevitably presents challenges that differ from those associated with contemporaneous valuation. Those challenges should be recognised within the implementation framework supporting the reforms.

The Nature of Retrospective Valuation

A retrospective valuation is an assessment of market value as at a date in the past. Unlike a contemporaneous valuation, which relies upon information available at the valuation date and often involves direct inspection of the asset, a retrospective valuation requires the valuer to reconstruct the market circumstances that existed at the relevant historical date and form an opinion based upon evidence that remains available.

The objective of a retrospective valuation is not to determine what an asset is worth today. Rather, it is to determine what a willing buyer and willing seller would reasonably have agreed upon at the specified historical date, having regard to the information available at that time. This distinction is critical. A properly prepared retrospective valuation excludes the influence of events and information that became known after the valuation date, even where those events may appear relevant with the benefit of hindsight.

Retrospective valuation is therefore an exercise in historical analysis rather than contemporary market assessment. It requires the valuer to reconstruct the market environment, identify relevant evidence and apply professional judgement in circumstances where some information may no longer be readily available. The methodology is often more complex than a contemporaneous valuation, but complexity should not be mistaken for unreliability. In many circumstances, retrospective valuations can provide robust and defensible evidence capable of supporting taxation outcomes.

Methodologies Used in Retrospective Valuation

The methodologies applied in retrospective valuation are generally the same as those used in other valuation assignments. The difference lies in the nature of the evidence available and the requirement to analyse historical market conditions.

For many asset classes, retrospective valuation will involve identifying transactions that occurred around the relevant valuation date and assessing their relevance to the asset being valued. This process may require examination of auction records, sales databases, industry publications, financial statements, market reports and other historical sources. The valuer may also consider economic conditions prevailing at the time, including interest rates, inflation, industry trends and broader market sentiment.

In some circumstances, direct market evidence may be limited or unavailable. This is particularly common in relation to specialist assets, private businesses, cultural property and unique collectibles. Where comparable sales evidence is scarce, valuers may need to place greater reliance on cost approaches, income approaches or broader market indicators. The appropriate methodology will depend upon the nature of the asset and the evidence available.

Importantly, retrospective valuation should not be viewed as a mechanical exercise involving the application of a formula. Professional judgement remains central to the process. Historical evidence must be assessed, interpreted and weighed in the same manner as contemporary evidence. The fact that evidence relates to a past period does not diminish the need for professional expertise.

Limitations of Historical Evidence

While retrospective valuation is a recognised and widely accepted discipline, it is subject to limitations that should be acknowledged within the implementation framework.

The most obvious challenge is the passage of time. As years pass, information becomes more difficult to obtain. Records may be lost, destroyed or archived. Businesses may cease operating. Auction houses may no longer retain historical data. Individuals with knowledge of the asset or transaction history may no longer be available to provide information. In some cases, physical changes to an asset may make it difficult to determine its condition as at the historical valuation date.

These limitations do not necessarily prevent a retrospective valuation from being undertaken. However, they may affect the quantity and quality of evidence available. Different valuers may also have access to different sources of information, leading to variations in the conclusions reached.

The challenge is particularly pronounced for assets that operate within specialist or thin markets. Fine art, antiques, collectibles, historic vehicles and specialised machinery may trade infrequently, with limited public reporting of transactions. In such circumstances, historical evidence may be fragmented and dispersed across multiple sources. The valuer may be required to draw together information from auction records, dealer transactions, industry publications and private sales in order to form a supportable opinion.

Government guidance should recognise that these limitations are inherent to retrospective valuation and do not necessarily undermine the reliability of the valuation itself. Rather, they highlight the importance of appropriate methodology, transparent reasoning and professional judgement.

Circumstances in Which Retrospective Valuations Should Be Accepted

The practical reality of the reforms is that retrospective valuations will often be unavoidable. Many taxpayers will not obtain a valuation as at 1 July 2027. Others may hold assets for decades before a taxation event occurs. In these circumstances, retrospective valuation may represent the only practical means of establishing a commencement value.

AVAA submits that retrospective valuations should be accepted where they have been prepared using recognised valuation methodologies, supported by appropriate evidence and undertaken by a suitably qualified professional with relevant expertise. The focus should be on the quality of the valuation process rather than whether the valuation was prepared contemporaneously or retrospectively.

This approach is consistent with broader valuation practice. Courts, tribunals, government agencies and private parties routinely rely upon retrospective valuation evidence in circumstances where contemporaneous valuations are unavailable. The same principle should apply within the capital gains tax framework.

At the same time, Government should recognise that retrospective valuation is not always the preferred outcome. A valuation prepared close to the valuation date will generally provide stronger evidentiary support than one prepared many years later. For this reason, taxpayers should be encouraged to obtain contemporaneous valuations where practical, particularly in relation to significant or specialised assets. However, the absence of a contemporaneous valuation should not prevent taxpayers from demonstrating compliance through appropriately prepared retrospective evidence.

The Role of Professional Expertise

Retrospective valuation places significant demands upon the valuer. In addition to understanding the asset and the relevant market, the valuer must be capable of analysing historical evidence, reconstructing market conditions and identifying sources of information that may no longer be readily available. This requires a combination of technical expertise, market knowledge and professional judgement.

The importance of specialist expertise becomes more pronounced as asset complexity increases. The retrospective valuation of a private business, a significant artwork or a collection of rare objects may require substantially different skills from those required to value a residential property. The implementation framework should therefore recognise the importance of engaging valuers with appropriate expertise in the relevant asset class.

This issue is particularly relevant given the diversity of assets affected by the reforms. A one-size-fits-all approach to valuation competency is unlikely to produce reliable outcomes across the full range of assets potentially subject to capital gains tax. Treasury and the ATO should therefore recognise the role of specialist valuation expertise in supporting compliance and reducing disputes.

Reducing Future Reliance on Retrospective Valuation

Although retrospective valuations will inevitably play an important role in the administration of the reforms, Government should seek to minimise unnecessary reliance upon them. The most effective way to achieve this outcome is through early guidance and taxpayer education.

Taxpayers should understand the benefits of establishing values close to commencement and the potential challenges associated with reconstructing values many years later. Clear guidance regarding record keeping, valuation evidence and circumstances in which professional valuations are advisable would encourage taxpayers to preserve information while it remains readily available.

Such measures would not eliminate the need for retrospective valuation. However, they would improve the quality of evidence available to future valuers and reduce the uncertainty associated with long-term record reconstruction.

Retrospective valuations will be an unavoidable and important feature of the administration of the new capital gains tax regime. While contemporaneous valuations are generally preferable, many taxpayers will not obtain valuations as at 1 July 2027 and will instead rely upon retrospective evidence to establish commencement values. Professional valuation practice has long recognised retrospective valuation as a legitimate and reliable discipline, and it should be recognised as such within the implementation framework supporting the reforms.

AVAA submits that Treasury and the ATO should provide clear guidance regarding the circumstances in which retrospective valuations will be accepted, the evidentiary standards expected and the methodologies considered appropriate. Such guidance should recognise both the strengths and limitations of historical evidence while maintaining a focus on professional competence, transparency and methodological rigour. By doing so, Government can improve compliance outcomes, reduce uncertainty and ensure that taxpayers are not disadvantaged simply because a contemporaneous valuation was not obtained at the commencement of the new regime.

Section 6 — Specialist Assets and Thin Markets

One of the central assumptions underpinning many taxation frameworks is that market value can be established through reference to recent sales of comparable assets. In highly active and transparent markets, this assumption is often reasonable. Residential property, listed securities and many forms of commercial property benefit from substantial transaction volumes, readily available market information and established valuation methodologies supported by extensive data.

However, many of the assets affected by the proposed capital gains tax reforms do not operate within markets that exhibit these characteristics. Fine art, antiques, collectibles, historic vehicles, specialised machinery, cultural property and numerous other specialist assets are frequently traded within markets characterised by low transaction volumes, limited public information and significant variation between individual assets. In some cases, an asset may be genuinely unique, making direct comparison impossible. In others, years may pass between transactions involving comparable items.

The practical consequence is that valuation of specialist assets often differs fundamentally from valuation in more liquid markets. Comparable sales remain important where they exist, but they frequently represent only one component of a broader analytical process. Professional judgement, specialist knowledge and the interpretation of diverse forms of market evidence often become equally important.

As the proposed reforms expand the significance of valuation within the capital gains tax system, it is important that implementation guidance recognises the realities of specialist markets. A framework designed primarily around asset classes with deep and transparent markets may not adequately address the challenges associated with assets that trade infrequently or possess highly specialised characteristics.

Understanding Thin Markets

A thin market is generally characterised by limited transaction activity, a relatively small number of participants and restricted availability of market information. Unlike highly active markets where prices are established through frequent transactions, thin markets may experience extended periods with little or no observable trading activity.

Importantly, the existence of a thin market does not mean that an asset lacks value or that its value cannot be determined reliably. Rather, it means that valuation requires a different analytical approach. The absence of frequent sales evidence increases the importance of specialist expertise, broader market analysis and professional judgement.

This distinction is particularly important in the context of the proposed reforms. A common misconception is that valuation becomes less reliable when transactions are infrequent. In reality, infrequent sales activity often increases the need for professional valuation expertise. The challenge is not that value cannot be determined. The challenge is that value must be determined using a broader range of evidence than would be required in highly active markets.

Many of the asset classes represented by AVAA members operate within precisely these circumstances. Their valuation requires careful analysis of market trends, historical transactions, asset characteristics and specialist knowledge that may not be readily available to general market participants.

Rare Artworks and Fine Art Markets

The market for fine art provides a clear example of the challenges associated with specialist assets. While some artists enjoy active secondary markets with frequent auction activity, many artworks trade infrequently and may remain within private collections for extended periods. Individual works are often unique. Factors such as provenance, authenticity, exhibition history, condition, rarity and broader art market trends can significantly influence value. Two works by the same artist may differ substantially in value depending upon subject matter, quality, medium and historical significance.

Valuation of fine art therefore extends beyond identifying a recent comparable sale. Professional valuers frequently examine auction records across multiple jurisdictions, dealer transactions, institutional acquisitions, private sales and broader market trends. Consideration may also be given to the artist's market trajectory, academic recognition and the condition and provenance of the specific work being valued.

These complexities become particularly relevant when establishing historical values for taxation purposes. A significant artwork held for decades may have experienced periods of rapid appreciation, market stagnation or changing collector demand. Understanding those market dynamics requires specialist expertise that extends well beyond a simple review of auction results.

For this reason, implementation guidance supporting the reforms should recognise that the valuation of fine art often relies upon a combination of market evidence and professional judgement. The absence of recent sales of directly comparable works should not be interpreted as an absence of reliable valuation evidence.

Collectibles and Memorabilia

Collectibles present similar challenges. The market for trading cards, coins, banknotes, sporting memorabilia, toys, comics, rare books and other collectibles is often characterised by scarcity, condition sensitivity and rapidly evolving collector preferences. Small differences in condition, authenticity or provenance can have a significant impact on value.

Many collectible categories have experienced substantial growth in recent years, often supported by international demand and online trading platforms. However, market transparency remains variable. Some transactions occur through specialist auctions and public marketplaces, while others occur privately between collectors and dealers.

Valuation in these markets frequently requires specialist knowledge of grading systems, authentication processes, market trends and collector behaviour. The value of a collectible may be influenced by factors that are not immediately apparent to individuals without detailed knowledge of the relevant market.

The proposed reforms may create circumstances where collections assembled over many years require supportable values to be established as at 1 July 2027. In such cases, specialist expertise will often be essential. A framework that assumes value can be determined solely through readily identifiable comparable sales risks overlooking the practical realities of these markets.

Historic Vehicles and Transport Assets

Historic vehicles provide another example of an asset class operating within a specialist market environment. The value of a classic or historic vehicle is influenced by a broad range of factors including originality, provenance, condition, rarity, restoration quality, documentation and market demand. Two vehicles of the same make, model and year may differ significantly in value depending upon their history and condition.

Market evidence is often available through specialist auctions and dealer transactions. However, the number of directly comparable sales may be limited, particularly for rare vehicles or vehicles with unique provenance. International transactions may also play an important role in establishing value, reflecting the increasingly global nature of collector vehicle markets.

Valuation of historic vehicles therefore requires more than the identification of recent sales. Professional valuers must assess the specific characteristics of the vehicle, analyse market trends and interpret evidence drawn from both domestic and international sources.

As with other specialist assets, infrequent transactions do not reduce the reliability of valuation. Rather, they increase the need for expertise capable of interpreting available evidence within the broader context of the market.

Specialised Machinery and Industrial Assets

Specialised machinery and industrial assets present a different but equally important set of valuation challenges. Unlike collectibles or artworks, these assets derive much of their value from utility and economic performance. Factors such as remaining useful life, technological obsolescence, maintenance history, replacement cost and operational suitability often play a significant role in determining value.

Many specialised industrial assets operate within highly restricted markets. A particular piece of equipment may have only a small number of potential purchasers within Australia. Comparable sales may be infrequent or occur only in international markets. In some cases, market value may be influenced as much by replacement cost and economic utility as by direct transactional evidence.

Valuation methodologies for these assets often involve a combination of market, cost and income-based approaches. Professional judgement is required to assess depreciation, remaining service potential and broader industry conditions.

These considerations demonstrate why implementation guidance should avoid assumptions that all assets can be valued using a uniform methodology. Different asset classes require different analytical approaches, and valuation frameworks should accommodate that diversity.

Cultural Property and Unique Assets

Perhaps the most challenging category of specialist assets comprises cultural property and genuinely unique items. These assets may include Indigenous cultural material, historically significant objects, museum-quality artefacts and items of exceptional rarity. In some cases, there may be no directly comparable transactions available. Regulatory restrictions, export controls and cultural considerations may also influence marketability and value.

Valuation of cultural property often requires analysis extending beyond conventional market evidence. Historical significance, provenance, rarity and broader cultural importance may all be relevant factors. Market transactions may be infrequent and dispersed across multiple jurisdictions.

The absence of frequent sales activity does not render valuation impossible. However, it does increase reliance upon specialist expertise and professional judgement. Valuers operating within these fields frequently draw upon extensive market knowledge, historical research and specialised databases to support their conclusions.

Government guidance should recognise these realities and avoid creating evidentiary expectations that cannot reasonably be satisfied in relation to unique or culturally significant assets.

Specialist Expertise as a Component of Tax Administration

The discussion above highlights a broader issue relevant to the implementation of the reforms. As the importance of valuation within the capital gains tax system increases, so too does the importance of specialist expertise.

The objective of the valuation process is not simply to identify recent transactions. It is to determine market value using the best available evidence and appropriate professional judgement. In many specialist markets, this requires expertise developed through years of experience, market participation and ongoing professional development.

The role of the valuer is therefore not diminished by the absence of comparable sales. Rather, it becomes more important. Professional expertise assists in identifying relevant evidence, assessing its reliability and interpreting its significance within the context of the market concerned.

A successful implementation framework should recognise this reality. The focus should be on the quality of the valuation process, the competence of the valuer and the transparency of the methodology applied, rather than on the volume of comparable sales available within a particular market.

> Many of the assets affected by the proposed reforms operate within specialist or thin markets characterised by infrequent transactions, limited public information and significant variation between individual assets. Fine art, collectibles, historic vehicles, specialised machinery and cultural property each present valuation challenges that differ materially from those encountered in more active and transparent markets.
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> The absence of frequent sales activity does not reduce the reliability of valuation. Rather, it increases the need for specialist expertise, broader market analysis and professional judgement. A valuation framework designed primarily around highly liquid asset classes may therefore be inadequate for a substantial portion of the assets affected by the reforms.

AVAA submits that implementation guidance should explicitly recognise the diversity of asset classes captured by the legislation and the corresponding diversity of valuation methodologies required to assess them. By acknowledging the role of specialist expertise and adopting a flexible approach to evidentiary requirements, Government can improve compliance outcomes, reduce disputes and ensure that the capital gains tax system operates effectively across the full range of assets held by Australian taxpayers.

Section 7 —
Pre-CGT Assets and Long-Held Property

One of the most significant and complex aspects of the proposed reforms is the treatment of pre-CGT assets and other long-held property. The Explanatory Memorandum confirms that the new arrangements will apply to gains accruing after 1 July 2027 on all assets, including assets that were previously treated as pre-CGT assets. Gains accrued before 1 July 2027 will remain exempt, while gains arising after that date will become subject to the new capital gains tax framework.

The Treasurer's Second Reading Speech similarly confirms that the changes will apply to all CGT assets, including pre-1985 assets, with gains accrued before commencement continuing to receive exempt treatment.

While this approach is consistent with the Government's objective of applying the reforms prospectively, it creates substantial practical challenges for taxpayers, advisers and the ATO. Many pre-CGT assets have been held for decades. Some have remained within the same family for generations. Others have been used continuously within businesses, farming enterprises, cultural institutions or private collections. In many cases, there has never been any requirement to establish a market value, maintain detailed valuation records or preserve evidence capable of supporting future taxation outcomes.

The reforms therefore create a unique challenge. Assets that have historically existed outside the capital gains tax system will require commencement values to be established and supported, often despite the absence of documentation that would ordinarily be expected in a contemporary taxation environment. The administration of this aspect of the reforms will depend heavily upon valuation principles, evidentiary flexibility and the appropriate application of professional judgement.

The Legacy of Long-Term Ownership

The practical characteristics of long-held assets differ significantly from those of assets acquired in recent years. A taxpayer who acquires an investment property, business asset or collectible today will typically retain extensive documentation. Digital records, contracts, invoices, photographs, financial statements and transaction histories are commonly available and can usually be reproduced many years later. By contrast, assets acquired decades ago often lack this level of documentation. Records may never have existed, may have been discarded or may simply have been lost through the passage of time.

Many pre-CGT assets were acquired in an era when record keeping obligations were substantially different. Family businesses may have operated using paper records that no longer exist. Valuable collections may have been assembled gradually through hundreds of individual purchases. Machinery may have been acquired from businesses that have long ceased trading. Cultural and heritage objects may have changed hands through informal transactions where little documentary evidence was retained.

These circumstances are not exceptional. They are a predictable consequence of long-term ownership. Any implementation framework supporting the reforms must recognise that many taxpayers holding pre-CGT assets will be unable to produce the same volume or quality of historical evidence that might reasonably be expected for more recently acquired assets.

The absence of historical documentation should not, in itself, create an assumption that values cannot be established. Rather, it highlights the importance of adopting practical evidentiary standards that recognise the realities associated with assets held for extended periods.

Incomplete Records and Historical Documentation

One of the most significant challenges associated with pre-CGT assets is the prevalence of incomplete records. For many taxpayers, there may be little information available regarding acquisition costs, subsequent improvements, ownership history or historical market conditions. This issue is particularly relevant where assets have been held continuously by families, private businesses or trusts over long periods.

The challenge extends beyond acquisition records. Information regarding maintenance, restoration, modifications, additions or changes in condition may also be incomplete. Photographs may not exist. Historical insurance schedules may have been discarded. Professional valuations may never have been obtained because there was no practical need for them.

Importantly, these evidentiary limitations are not unique to any particular asset class. They arise in relation to real property, artworks, antiques, collectibles, machinery, vehicles and business assets alike. The common factor is not the nature of the asset but the length of ownership.

The implementation framework should therefore avoid creating compliance expectations that depend upon the existence of documentation that many taxpayers could not reasonably be expected to possess. Instead, guidance should focus on identifying alternative forms of evidence that may assist in establishing value where traditional documentation is unavailable.

Changes in Condition Over Time

Another challenge associated with long-held assets is that the physical condition of the asset may have changed significantly over time. Buildings may have been renovated, extended or partially redeveloped. Machinery may have undergone repairs, upgrades or component replacement. Historic vehicles may have been restored, modified or rebuilt. Artworks may have been conserved, reframed or restored. Cultural property may have experienced changes in condition resulting from display, storage or environmental factors.

These changes create practical difficulties when establishing a value as at 1 July 2027 and when undertaking retrospective valuation exercises in future years. The condition of an asset at the time it is ultimately sold may differ substantially from its condition at commencement. Determining the extent and impact of those changes often requires detailed analysis and professional judgement.

The challenge is particularly acute where documentation regarding alterations or restoration work is incomplete. Valuers may be required to assess the likely condition of an asset at an earlier date based upon available records, physical examination and market knowledge.

This reinforces the importance of encouraging taxpayers to retain records relating to condition, maintenance, restoration and improvements from 1 July 2027 onwards. Such information may become critical evidence supporting future tax positions.

Changes in Use and Economic Function

Long-held assets frequently experience changes in use over time. A property may move between owner occupation, rental use and commercial use. A family business may expand, contract or fundamentally change its operations. Machinery may be redeployed for different purposes. A heritage building may transition between residential, commercial and cultural uses. A collection may evolve from a personal interest into a commercially significant asset.

These changes can materially affect value and may influence the evidence available to support a valuation. Market participants assess assets based not only on their physical characteristics but also on their utility, economic function and potential uses. Understanding those factors often requires consideration of historical circumstances extending over many years.

For pre-CGT assets, these issues may be particularly significant because the period of ownership often spans multiple economic cycles and regulatory environments. The context in which the asset existed before commencement may differ substantially from the circumstances existing afterwards.

Valuation guidance developed for the reforms should recognise that changes in use are often an inherent feature of long-term ownership and should not be viewed as unusual or problematic. Rather, they are factors that must be analysed as part of the valuation process.

The Absence of Historical Market Evidence

Many pre-CGT assets present an additional challenge because historical market evidence may be limited. In some cases, markets have changed dramatically over time. Certain categories of collectibles that attract significant demand today may have had relatively little commercial significance decades ago. Conversely, assets that were once widely traded may now attract limited market interest.

Historical transaction records may also be difficult to obtain. Auction houses may no longer retain archives extending back several decades. Private sales may never have been publicly reported. Businesses involved in historical transactions may no longer exist.

The absence of direct historical evidence does not mean that value cannot be established. Professional valuers routinely rely upon a combination of market evidence, industry research, economic data and specialist knowledge to form supportable conclusions where direct evidence is limited.

Nevertheless, these circumstances highlight the need for flexibility within the implementation framework. Rigid evidentiary requirements that assume the availability of extensive historical records may not be practical for many long-held assets.

The Role of Professional Judgement

The challenges outlined above demonstrate why professional judgement occupies a central role in the valuation of pre-CGT assets and long-held property. Valuation is often misunderstood as a purely mechanical exercise involving the application of formulas or comparison to recent transactions. In reality, valuation frequently requires the interpretation of incomplete information, the assessment of competing evidence and the application of specialist expertise.

This is particularly true where assets have been held for decades and historical evidence is incomplete. Professional valuers are trained to assess available information, identify relevant market indicators and form opinions that are transparent, supportable and consistent with recognised valuation principles.

Importantly, professional judgement should not be viewed as a substitute for evidence. Rather, it is the mechanism through which evidence is analysed and interpreted. Where records are incomplete or historical transactions are limited, professional judgement becomes increasingly important in determining the weight that should be attributed to different sources of information.

For this reason, implementation guidance should recognise the legitimate role of professional judgement in establishing commencement values and in supporting future retrospective valuation exercises.

Implications for Tax Administration

The treatment of pre-CGT assets presents one of the most significant administrative challenges arising from the reforms. The Explanatory Memorandum notes that from 1 July 2027 all assets cease to be pre-CGT assets for the purpose of future gains and that gains accruing after commencement become subject to the new regime. The Bill similarly contains provisions that effectively deem assets held at commencement to transition into the new framework from that date.

As a result, the ATO will inevitably encounter circumstances where taxpayers seek to establish commencement values despite limited records, changing asset conditions and incomplete historical evidence. These circumstances should be anticipated rather than treated as exceptional.

A successful implementation framework should therefore recognise that the evidentiary challenges associated with pre-CGT assets are largely a product of long-term ownership rather than taxpayer behaviour. The objective should be to facilitate reasonable and supportable valuation outcomes, not to impose standards that cannot realistically be met.

The inclusion of post-2027 gains on pre-CGT assets within the capital gains tax system represents one of the most significant structural changes contained within the reforms. While gains accrued before 1 July 2027 remain exempt, the practical operation of the new regime depends upon taxpayers being able to establish reliable commencement values for assets that may have been held for decades.

Many of these assets will be characterised by incomplete records, changes in condition, changes in use and limited historical market evidence. These circumstances are an inevitable consequence of long-term ownership and should be recognised within the implementation framework.

AVAA submits that Treasury and the ATO should adopt a practical and principles-based approach to valuation evidence for pre-CGT assets and long-held property. Such an approach should recognise the role of professional judgement, accommodate the realities of historical record keeping and support the establishment of reliable commencement values capable of sustaining the long-term administration of the reforms.

Section 8 —
Professional Competency, Independence and Standards

The proposed capital gains tax reforms substantially increase the importance of valuation within Australia's taxation framework. As discussed throughout this submission, the practical operation of the reforms depends upon the ability of taxpayers, advisers and regulators to establish reliable and defensible values across a broad range of assets. The quality of those values will directly influence compliance outcomes, dispute resolution processes and public confidence in the administration of the new regime.

While considerable attention has been directed towards valuation methodologies and evidentiary requirements, comparatively little attention has been given to a fundamental question: who should be regarded as appropriately qualified to prepare valuations that may ultimately determine taxation liabilities?

This question becomes increasingly important as the complexity of the valuation task increases. The reforms affect residential and commercial property, private businesses, fine art, antiques, collectibles, machinery, vehicles, cultural property and numerous other specialist assets. Many of these assets operate within markets that are infrequently traded, highly specialised or characterised by limited publicly available information. In such circumstances, the quality of the valuation outcome is heavily dependent upon the competency, experience and professional standards of the individual undertaking the assignment.

AVAA submits that valuation competency should be recognised as a central component of the implementation framework. The objective should not be to restrict access to valuation services or create unnecessary regulatory barriers. Rather, it should be to ensure that taxpayers, advisers and the ATO can have confidence that valuations relied upon for taxation purposes have been prepared by individuals who possess appropriate qualifications, experience, ethical obligations and professional accountability.

Valuation Competency as Tax Administration Infrastructure

The proposed reforms effectively elevate valuation from a supporting function to a core component of tax administration. The distinction between gains accruing before and after 1 July 2027 depends upon valuation evidence. The treatment of pre-CGT assets depends upon valuation evidence. The ability of taxpayers to establish commencement values and support future tax positions depends upon valuation evidence.

In this context, valuation competency should be viewed in much the same way as accounting competency within the taxation system. Tax legislation establishes legal obligations, but professional expertise assists taxpayers to comply with those obligations in a manner that is accurate, transparent and defensible.

A robust valuation framework therefore requires more than technical methodologies. It requires confidence in the individuals applying those methodologies. Two valuers may have access to the same evidence and yet arrive at different conclusions depending upon their experience, expertise and professional judgement. While reasonable differences of opinion will always exist, the valuation profession relies upon recognised standards, education and ethical obligations to ensure that those differences remain within acceptable professional boundaries.

The implementation framework supporting the reforms should recognise that professional competency is not an optional consideration. It is one of the foundations upon which the integrity of the broader system depends.

Professional Standards and Public Confidence

Professional standards play a critical role in promoting consistency, transparency and accountability within valuation practice. A valuation prepared in accordance with recognised professional standards is generally expected to identify the asset being valued, define the basis of value, disclose relevant assumptions, explain the methodology adopted and provide sufficient information for users of the report to understand how the conclusion has been reached. Professional standards also establish expectations regarding evidence, documentation, record keeping and the exercise of professional judgement.

These requirements are particularly important where valuations are being relied upon for taxation purposes. Taxpayers, regulators and courts must be able to understand the reasoning underpinning a valuation and assess whether it has been prepared using appropriate methodologies and evidence.

The existence of recognised professional standards benefits all parties involved. Taxpayers gain greater certainty regarding the quality of the advice they receive. Regulators gain confidence that valuations have been prepared using consistent principles. Courts and tribunals gain access to evidence that is more readily understood and evaluated.

AVAA submits that valuations prepared for the purposes of the reforms should be encouraged to comply with recognised professional standards. Such an approach would promote consistency across asset classes while reducing the likelihood of disputes arising from poorly documented or unsupported valuation conclusions.

Continuing Professional Development

Valuation is not a static discipline. Markets evolve, methodologies develop, technology changes and regulatory expectations continue to expand. A professional who was competent twenty years ago may not remain competent today without ongoing education and professional development.

This consideration is particularly relevant given the diversity of assets affected by the reforms. Valuers operating within specialist markets must maintain current knowledge of market conditions, emerging valuation techniques, regulatory developments and professional standards. The increasing use of artificial intelligence, digital databases, online marketplaces and international transaction platforms has further accelerated the pace of change within many sectors.

Continuing professional development provides an important mechanism for maintaining competency and ensuring that professional knowledge remains current. It encourages valuers to engage with industry developments, refine their technical skills and remain informed about changes affecting their area of practice.

The existence of formal continuing professional development requirements is therefore a useful indicator of professional commitment and competency. It demonstrates that a practitioner is subject to an ongoing obligation to maintain and improve their knowledge rather than relying solely upon past qualifications or experience.

As valuation becomes increasingly important within the capital gains tax framework, Government should recognise the role that continuing professional development plays in maintaining professional capability and protecting the integrity of valuation outcomes.

Professional Indemnity Insurance

Professional indemnity insurance provides another important element of professional accountability. Valuation opinions can have significant financial consequences. Taxpayers may rely upon valuations when determining tax liabilities, structuring transactions or responding to regulatory enquiries. Where a valuation contains errors or falls below expected professional standards, the consequences may be substantial.

Professional indemnity insurance provides an important layer of protection for both clients and the broader public. It demonstrates that the practitioner has accepted a degree of professional accountability and has access to financial resources capable of responding to claims arising from professional negligence.

While insurance is not, in itself, evidence of competency, it is an important component of a professional framework. Practitioners who maintain professional indemnity insurance are generally subject to underwriting requirements and ongoing obligations that promote professional discipline and risk management.

Given the importance of valuation within the proposed reforms, AVAA submits that professional indemnity insurance should be recognised as a desirable characteristic of practitioners undertaking significant or complex taxation-related valuation assignments.

Independence and Objectivity

Perhaps the most important characteristic of any valuation relied upon for taxation purposes is independence. The value attributed to an asset may directly influence the amount of tax payable. This creates an obvious risk that parties may seek outcomes favourable to their own interests. The valuation process must therefore be capable of producing conclusions that are objective, evidence-based and free from inappropriate influence.

Independence does not require a valuer to be detached from the client relationship. Rather, it requires that the valuer's professional judgement remains unaffected by personal, financial or commercial interests that could reasonably be perceived as influencing the outcome.

This principle is well established within professional valuation practice. Valuers are expected to identify and manage conflicts of interest, disclose relevant relationships and maintain objectivity throughout the assignment. These obligations are particularly important where valuation conclusions have taxation consequences.

The implementation framework supporting the reforms should recognise that independence is not merely a professional aspiration. It is a fundamental safeguard that protects taxpayers, regulators and the integrity of the taxation system itself.

Ethical Obligations and Professional Conduct

Professional competency extends beyond technical knowledge. It also encompasses ethical conduct. Valuation involves the exercise of professional judgement in circumstances where there may be uncertainty, incomplete evidence or competing interpretations of market information. Ethical obligations provide the framework within which those judgements are made.

Professional ethics typically require honesty, integrity, objectivity, transparency and competence. They establish expectations regarding the conduct of practitioners and provide mechanisms for addressing behaviour that falls below acceptable standards.

The importance of ethical obligations becomes more pronounced where valuation outcomes directly affect taxation liabilities. The community must have confidence that valuations are prepared in good faith, supported by evidence and free from inappropriate influence.

AVAA plays and important role in promoting ethical conduct through codes of ethics, disciplinary procedures and professional standards. These mechanisms provide accountability that extends beyond the immediate relationship between the valuer and the client.

For this reason, ethical obligations should be recognised as an important component of any framework used to assess valuation competency.

Specialist Expertise

The reforms apply across an extraordinarily diverse range of assets. It follows that valuation competency cannot be assessed solely by reference to general valuation experience.

A practitioner who specialises in residential property may possess limited knowledge of fine art markets. A valuer experienced in machinery and equipment may not have expertise in cultural property or collectibles. Business valuation requires different skills from those needed to assess historic vehicles or antiques.

The implementation framework should therefore recognise the importance of specialist expertise. Competency is not merely a question of whether an individual describes themselves as a valuer. It is also a question of whether they possess appropriate knowledge and experience within the relevant asset class.

This issue becomes increasingly important as transaction values rise and markets become more specialised. In many circumstances, specialist expertise may be one of the most important indicators of valuation reliability.

Government guidance should therefore encourage taxpayers to engage practitioners whose expertise aligns with the nature of the asset being valued.

Certified Valuers and Professional Standards Framework

AVAA has developed a professional framework specifically designed to promote competency, professionalism and public confidence within the valuation profession.

The AVAA Certified Valuer (CVAu) credential recognises valuers who have demonstrated appropriate qualifications, industry experience and professional commitment. Holders of the credential are required to comply with AVAA's professional framework, including continuing professional development obligations and professional standards requirements.

The *AVAA Professional Standards* provide practical guidance across a range of areas relevant to valuation practice, including ethics, continuing professional development, minimum valuation report requirements and the use of artificial intelligence in valuation activities. Together, these standards establish expectations regarding professional conduct, competency and accountability.

Importantly, the framework has been designed to accommodate the diverse range of asset classes represented within the valuation profession. AVAA members operate across fine art, antiques, collectibles, vehicles, machinery, plant and equipment, cultural property and numerous other specialist fields. This breadth of expertise aligns closely with the diversity of assets affected by the proposed reforms.

AVAA does not suggest that the Government should mandate membership of any particular professional association. However, the existence of recognised credentials, professional standards, continuing professional development requirements and ethical obligations provides a practical mechanism for identifying practitioners who have committed to ongoing professional accountability.

The success of the proposed capital gains tax reforms depends not only upon valuation methodologies and evidentiary standards but also upon the competency of the professionals undertaking valuation assignments.

Professional standards, continuing professional development, professional indemnity insurance, independence, ethical conduct and specialist expertise all contribute to the reliability of valuation outcomes. Together, these factors provide taxpayers, regulators and courts with confidence that valuation evidence has been prepared using recognised professional principles and appropriate professional judgement.

AVAA submits that the implementation framework supporting the reforms should recognise the importance of professional competency and professional accountability. In doing so, Government can strengthen confidence in valuation outcomes, improve compliance, reduce disputes and support the effective administration of the new capital gains tax regime. The AVAA Certified Valuer (CVAu) credential and the *AVAA Professional Standards* framework provide one example of how professional competency and accountability can be recognised and promoted across the diverse range of assets affected by the reforms.

Section 9 —
Reducing Taxpayer Disputes and Compliance Costs

A central objective of any well-designed taxation system is to achieve policy outcomes while minimising unnecessary compliance costs and administrative disputes. Taxpayers should be able to understand their obligations, comply with those obligations at a reasonable cost and have confidence that similarly situated taxpayers will receive similar treatment. Equally, government agencies should be able to administer the law efficiently, focus compliance resources on genuine risks and minimise the cost of resolving disputes.

The proposed capital gains tax reforms place valuation at the centre of these objectives. The legislation requires taxpayers to distinguish between gains accruing before and after 1 July 2027, introduces indexation calculations based on post-commencement values and extends the new arrangements to pre-CGT assets for gains arising after commencement. The Explanatory Memorandum acknowledges that the reforms will generate both transitional and ongoing compliance costs and notes that Treasury expects taxpayers and businesses to incur additional regulatory burdens as a consequence of the changes. Guidance, calculators and tools are proposed to assist taxpayers in meeting those obligations.

AVAA submits that valuation guidance will be equally important. Without a clear valuation framework, the reforms risk creating uncertainty, inconsistent outcomes, increased compliance costs and avoidable disputes. By contrast, a well-developed valuation framework has the potential to significantly reduce administrative costs for both taxpayers and government while improving confidence in the operation of the new regime.

The Relationship Between Valuation Uncertainty and Disputes

Disputes rarely arise because valuation is inherently unreliable. More commonly, disputes arise because parties apply different assumptions, rely upon different evidence or adopt different methodologies without a shared framework governing how those issues should be addressed.

Where legislative requirements are clear and valuation expectations are understood, taxpayers and regulators are often able to reach consistent conclusions even where a degree of professional judgement is involved. Conversely, where guidance is limited, uncertainty creates scope for divergent interpretations. Taxpayers may adopt one approach, advisers another and regulators a third.

The proposed reforms create a substantial number of circumstances in which this risk may arise. Taxpayers will need to establish commencement values for assets held on 1 July 2027. They will need to determine how gains should be attributed between pre and post commencement periods. They will need to decide what evidence should be retained, when professional valuations should be obtained and how historical information should be interpreted.

If these questions remain unresolved, inconsistent outcomes are likely to emerge across the taxation system. Similar taxpayers holding similar assets may adopt materially different approaches, creating uncertainty and increasing the likelihood of future challenge.

Inconsistent Outcomes and the Erosion of Confidence

Consistency is a fundamental characteristic of effective tax administration. Taxpayers are more likely to comply voluntarily when they believe the system operates fairly and that similar circumstances will produce similar outcomes.

Poor valuation guidance undermines this principle. In the absence of clear standards, taxpayers may rely upon informal estimates, online calculators, historical purchase prices, insurance values or professional valuations prepared using differing methodologies. While some of these approaches may produce reasonable outcomes, others may not.

The result is a heightened risk that materially different values will be attributed to assets that are economically similar. Such outcomes can create perceptions of unfairness and undermine confidence in the administration of the reforms.

This issue is particularly relevant because the legislation applies across a diverse range of asset classes. Residential property may benefit from extensive market data, while specialist assets such as fine art, collectibles, machinery and cultural property may require substantially different methodologies. Without guidance recognising these differences, taxpayers may incorrectly assume that all assets should be valued in the same manner.

Clear valuation frameworks help address this risk by establishing common principles, evidentiary expectations and methodological standards. They promote consistency without eliminating the flexibility necessary to accommodate different asset classes and market conditions.

Compliance Costs for Taxpayers

The Explanatory Memorandum acknowledges that the reforms will impose compliance costs on taxpayers and businesses and estimates a substantial increase in average regulatory costs over time. Valuation uncertainty has the potential to significantly increase those costs.

Where guidance is unclear, taxpayers often incur additional expenses seeking professional advice, obtaining multiple valuations or gathering excessive documentation in an effort to protect themselves from future challenge. Tax advisers may adopt conservative positions to manage risk, resulting in additional work and higher professional fees. Some taxpayers may obtain valuations that ultimately prove unnecessary, while others may fail to obtain valuations that later become critical to establishing compliance.

The cumulative effect of these decisions can be substantial. Individual compliance costs may appear modest when considered in isolation, but across millions of affected assets they represent a significant economic burden.

Clear valuation guidance offers one of the most effective mechanisms for reducing these costs. When taxpayers understand what evidence should be retained, when professional valuations are advisable and what standards are likely to be accepted by the ATO, they can make informed decisions rather than adopting unnecessarily cautious approaches.

In practical terms, certainty often reduces costs more effectively than complexity ever can.

ATO Review Activity and Administrative Burden

Valuation uncertainty does not affect taxpayers alone. It also creates costs for government. Where taxpayers adopt inconsistent approaches, the ATO must devote additional resources to reviewing returns, assessing supporting documentation and investigating valuation positions. Matters that could otherwise be resolved through straightforward administrative processes may require detailed examination by compliance officers and technical specialists.

This issue is particularly relevant given the scale of the reforms. Millions of assets will potentially require commencement values. If even a relatively small proportion of those valuations become subject to review, the administrative burden could be significant.

The most effective means of reducing review activity is not necessarily through increased enforcement. Rather, it is through improved certainty at the outset. When taxpayers understand what is expected and have access to clear guidance regarding acceptable methodologies and evidentiary standards, the quality and consistency of compliance outcomes generally improves.

From a tax administration perspective, clear valuation frameworks function as a preventative measure. They reduce the volume of matters requiring review and allow regulatory resources to be directed towards genuinely high-risk cases rather than routine valuation issues.

Tribunal Proceedings and Administrative Appeals

Where disagreements cannot be resolved through administrative processes, they may progress to external review mechanisms including the Administrative Review Tribunal.

Tribunal proceedings are costly for all parties involved. Taxpayers incur professional fees, expert witness costs and the opportunity cost associated with lengthy dispute resolution processes. Government agencies must allocate resources to legal representation, technical analysis and case management.

Valuation disputes are particularly challenging because they often involve competing expert opinions. The tribunal is required to assess different methodologies, evaluate the reliability of evidence and determine the weight that should be attributed to professional judgement.

Many of these disputes could be reduced through the development of clear valuation guidance before disputes arise. Where methodologies are recognised, evidentiary requirements are understood and professional standards are established, the scope for disagreement narrows considerably.

This does not mean that disputes will disappear entirely. Valuation involves judgement, and reasonable professionals may occasionally reach different conclusions. However, a clear framework substantially improves the likelihood that disagreements can be resolved before they escalate into formal proceedings.

Court Proceedings and Long-Term Litigation Risk

The most significant valuation disputes may ultimately proceed to the courts. Litigation represents the most expensive and resource-intensive form of dispute resolution available within the taxation system. Court proceedings frequently involve extensive expert evidence, complex legal arguments and substantial financial costs for both taxpayers and government.

The risk is particularly acute in relation to assets with significant values or specialised characteristics. Fine art collections, family businesses, cultural property, industrial assets and other high-value holdings may give rise to disputes involving substantial amounts of tax. Where commencement values are unclear, historical evidence is incomplete or valuation methodologies are contested, litigation becomes more likely.

Importantly, many of these disputes may arise many years after 1 July 2027. Assets held for decades may not trigger a capital gains tax event until long after commencement. By that time, evidence may be more difficult to obtain and memories may have faded. The absence of clear guidance at commencement may therefore create litigation risks that persist for generations.

The most effective strategy for reducing these risks is to establish clear valuation principles before the reforms commence. Doing so creates certainty at the point where evidence is most readily available and helps prevent future disputes from developing.

The Benefits of a Clear Valuation Framework

A comprehensive valuation framework would deliver benefits extending well beyond compliance. For taxpayers, it would provide certainty regarding evidentiary requirements, record keeping obligations and valuation expectations. This would reduce compliance costs, improve confidence and support more consistent decision-making.

For advisers and valuation professionals, it would provide a common reference point when advising clients and preparing reports. This would improve consistency across the profession and reduce uncertainty regarding acceptable practices.

For the ATO, it would promote more uniform compliance outcomes, reduce review activity and improve administrative efficiency. Resources could be directed towards genuinely contentious matters rather than routine valuation questions.

For tribunals and courts, it would provide a clearer framework against which disputed valuations could be assessed, reducing the scope for procedural disagreement and focusing attention on substantive issues.

Perhaps most importantly, a clear framework would improve the overall integrity of the reforms. The legislation seeks to apply different tax treatments to gains accruing before and after 1 July 2027. That objective can only be achieved effectively if taxpayers and regulators share a common understanding of how those gains are to be measured.

A Collaborative Approach to Implementation

The development of a valuation framework should not be viewed solely as a regulatory exercise. It presents an opportunity for collaboration between government, professional bodies, valuation practitioners, tax advisers and affected industries.

Professional associations possess substantial expertise regarding valuation methodologies, evidentiary standards and market practices across a broad range of asset classes. That expertise can assist Treasury and the ATO in developing practical guidance that reflects the realities of valuation practice.

The objective should be to create a framework that is technically robust, administratively practical and capable of operating effectively across the diverse range of assets affected by the reforms.

Early consultation will improve implementation outcomes and reduce the likelihood that valuation issues become a source of ongoing uncertainty after commencement.

The proposed reforms create a substantial reliance upon valuation evidence. As a result, the quality of valuation guidance will have a direct influence on compliance costs, administrative efficiency and dispute resolution outcomes.

Poor valuation guidance increases the likelihood of inconsistent outcomes, higher compliance costs, greater ATO review activity, tribunal proceedings and court litigation. These costs are borne not only by taxpayers but also by government and, ultimately, by the broader community.

Conversely, clear valuation frameworks promote consistency, reduce uncertainty and improve compliance outcomes. They allow taxpayers to understand their obligations, assist regulators in administering the law efficiently and reduce the likelihood that valuation issues become the subject of costly disputes.

AVAA submits that the development of a comprehensive valuation framework should be regarded as an essential component of the implementation of the reforms. Such a framework would benefit taxpayers and government alike and would materially improve the long-term administration of Australia's capital gains tax system.

Section 10 —
Proposal for a Capital Gains Tax Valuation Framework

Throughout this submission, AVAA has identified a recurring theme. While the proposed capital gains tax reforms are expressed through legislation, their practical operation depends upon valuation. The distinction between gains accruing before and after 1 July 2027 depends upon valuation. The treatment of pre-CGT assets depends upon valuation. The administration of retrospective assessments, dispute resolution processes and taxpayer compliance obligations all depend upon valuation.

In many respects, valuation represents the operational infrastructure upon which the reforms will rely. The legislation establishes the policy framework, but valuation provides the mechanism through which that framework is applied in practice. Without clear and consistent valuation principles, taxpayers may struggle to comply with their obligations, advisers may adopt inconsistent approaches and the ATO may face increased review activity and dispute resolution costs.

For this reason, AVAA submits that Treasury and the ATO should jointly develop and publish a formal Capital Gains Tax Valuation Framework before the commencement of the reforms. The framework would not alter the legislative intent of the reforms. Rather, it would support successful implementation by providing practical guidance regarding valuation expectations, evidentiary requirements and administrative processes. Its purpose would be to improve consistency, reduce compliance costs and strengthen confidence in the operation of the new regime.

Valuation as an Administrative Framework

The proposed reforms create a level of reliance upon valuation that extends well beyond traditional capital gains tax administration. Historically, valuation issues have generally arisen in specific circumstances such as market value substitution events, deceased estates, related party transactions or restructuring arrangements. Under the proposed framework, valuation becomes a routine consideration for a substantially larger number of taxpayers and assets.

This shift creates both opportunities and risks. If implemented effectively, the reforms can operate in a manner that is predictable, efficient and equitable. If valuation expectations remain unclear, however, taxpayers may adopt inconsistent approaches, compliance costs may increase and disputes may become more frequent.

A formal valuation framework would assist in addressing these risks by establishing a common reference point for taxpayers, advisers, valuation professionals and regulators. Such a framework would provide certainty regarding the principles underpinning valuation rather than requiring each participant to independently interpret legislative requirements. In doing so, it would improve consistency across the system and reduce the likelihood of avoidable disputes.

Importantly, the framework should not be viewed as an additional layer of regulation. Rather, it should be viewed as practical implementation guidance that assists taxpayers to comply with the law while assisting government to administer it efficiently.

Establishing Valuation Principles

At the centre of the framework should be a set of valuation principles capable of operating across all affected asset classes. The reforms apply to a diverse range of assets including residential property, commercial property, businesses, shares, machinery, vehicles, artworks, antiques, collectibles and cultural property. While the methodologies used to value these assets may differ significantly, the principles underpinning sound valuation practice remain largely consistent. Independence, transparency, evidentiary support, professional competence and reasoned professional judgement are relevant regardless of the asset being assessed.

A principles-based approach would allow the framework to accommodate a wide range of asset classes without becoming overly prescriptive. It would provide flexibility where markets differ while maintaining consistent expectations regarding the quality and reliability of valuation evidence.

The framework should also recognise that valuation is not a purely mechanical exercise. Professional judgement is often required, particularly where assets operate within specialist markets or where historical evidence is incomplete. The objective should therefore be to establish standards that promote consistency while recognising the practical realities of valuation practice.

Guidance on Valuation Methodologies and Evidence

One of the most valuable functions of a Capital Gains Tax Valuation Framework would be to provide guidance regarding valuation methodologies and evidentiary standards.

The reforms create a practical requirement for taxpayers to establish values as at 1 July 2027 and, in many cases, to support those values many years into the future. Taxpayers require certainty regarding the types of evidence that may be relied upon and the methodologies that are likely to be accepted.

The framework should explain the circumstances in which different valuation approaches may be appropriate. For some assets, market comparison methodologies may be sufficient. For others, income-based approaches, cost approaches or specialist methodologies may be required. The objective should not be to mandate a single approach but rather to provide clarity regarding the circumstances in which particular methodologies may be considered reasonable.

Similarly, the framework should provide guidance regarding evidentiary requirements. Taxpayers should understand what records should be retained, what documentation may assist in supporting commencement values and how different forms of evidence are likely to be assessed. Such guidance would allow taxpayers to make informed decisions regarding compliance and reduce uncertainty regarding future review activity.

Retrospective Valuations and Historical Evidence

As discussed in earlier chapters, many taxpayers will not obtain formal valuations at or around 1 July 2027. In many cases, commencement values may only be established years later when an asset is sold or otherwise becomes subject to a taxation event.

Retrospective valuation is a well-established professional discipline and will inevitably play an important role in the administration of the reforms. However, the absence of clear guidance regarding retrospective valuation has the potential to create significant uncertainty.

The proposed framework should therefore include specific guidance regarding retrospective valuations, including the treatment of historical evidence, the management of incomplete records and the methodologies that may be applied where contemporaneous evidence is unavailable. Such guidance would provide certainty for taxpayers while reducing the likelihood of disputes regarding valuation dates, assumptions and evidentiary standards.

Importantly, the framework should recognise that retrospective valuation is not an exceptional circumstance. Given the long-term nature of many investments, it is likely to become a routine feature of capital gains tax administration for many years after commencement.

Asset-Specific Guidance

A recurring theme throughout this submission has been the diversity of assets affected by the reforms.

While residential property has attracted much of the public attention surrounding the reforms, the legislation extends to a much broader range of assets. Many of these assets operate within specialist markets characterised by limited transaction activity, unique asset characteristics and specialised valuation methodologies.

A successful implementation framework should recognise these differences. Fine art markets operate differently from property markets. Business valuation differs substantially from machinery valuation. Cultural property and collectibles present challenges that do not arise in more active and transparent markets.

Accordingly, the framework should include asset-specific guidance addressing the practical valuation issues associated with major asset categories. The objective would not be to create separate regulatory regimes for each asset class, but rather to provide practical examples and guidance that reflect the realities of different markets.

Such an approach would improve consistency and reduce the risk of taxpayers applying inappropriate methodologies to specialised assets.

Professional Competency and Valuation Standards

The quality of a valuation depends not only upon the methodology employed but also upon the competency of the individual applying that methodology.

The framework should therefore provide guidance regarding professional competency, particularly in circumstances where taxpayers choose to obtain independent valuation advice. Relevant considerations may include qualifications, experience, continuing professional development, professional indemnity insurance, ethical obligations and compliance with recognised professional standards.

The framework should also recognise the importance of specialist expertise. A professional who specialises in residential property may not necessarily possess expertise in fine art, cultural property or specialised machinery. Competency should therefore be considered in the context of the asset being valued.

AVAA does not propose that membership of any particular organisation be mandated. However, recognised professional credentials and professional standards provide useful indicators of competency and accountability. The AVAA Certified Valuer (CVAu) credential and the *AVAA Professional Standards* framework represent one example of an existing professional system designed to promote competency, ethical conduct and ongoing professional development across a broad range of specialist asset classes.

Dispute Resolution and Safe Harbour Arrangements

A key objective of the framework should be to reduce disputes before they arise. Valuation disputes are costly for taxpayers and government alike. They consume regulatory resources, increase compliance costs and may ultimately progress to tribunals or courts. Many such disputes arise not because valuation is inherently unreliable, but because parties apply different assumptions or operate without a shared understanding of acceptable practices.

The framework should therefore incorporate practical dispute minimisation measures. This may include guidance regarding the circumstances in which valuations prepared by appropriately qualified professionals will generally be accepted, procedures for addressing valuation disagreements at an early stage and mechanisms for resolving technical issues before they escalate into formal disputes.

Consideration should also be given to safe harbour arrangements for lower-risk circumstances. Such arrangements could provide taxpayers with greater certainty while allowing the ATO to focus compliance resources on matters presenting genuinely significant valuation risks.

The objective should be to create a system that encourages compliance and cooperation rather than one that relies primarily upon dispute resolution mechanisms after disagreements have emerged.

Education and Taxpayer Support

No valuation framework will be successful unless taxpayers understand how to use it. The Explanatory Memorandum recognises the importance of guidance, educational resources and implementation support. AVAA strongly supports this approach and submits that valuation education should form an integral component of the broader implementation strategy.

Many taxpayers affected by the reforms will have little previous experience with valuation concepts. They will require practical guidance regarding commencement values, record keeping obligations, valuation evidence and circumstances in which professional advice may be appropriate.

The framework should therefore be supported by explanatory material, worked examples, industry guidance and educational resources designed to assist taxpayers in understanding their obligations. Early education will improve voluntary compliance and reduce the likelihood of valuation issues becoming a source of confusion or dispute after commencement.

AVAA's Role in Supporting Implementation

AVAA believes that the valuation profession has an important role to play in supporting the successful implementation of the reforms. The association represents valuers operating across a diverse range of asset classes including fine art, antiques, collectibles, machinery, vehicles, business assets and cultural property. Through the AVAA Certified Valuer (CVAu) credential, continuing professional development requirements and professional standards framework, AVAA has developed practical systems designed to promote competency, consistency and professional accountability.

AVAA stands ready to work collaboratively with Treasury, the ATO and other stakeholders in the development of a Capital Gains Tax Valuation Framework. The objective is not to influence the policy intent of the reforms but to assist in ensuring that the reforms operate efficiently, consistently and with a minimum of unnecessary compliance costs and disputes.

AVAA recommends that Treasury and the ATO jointly develop and publish a formal Capital Gains Tax Valuation Framework well in advance of 1 July 2027.

The framework should address valuation principles, methodologies, evidentiary standards, retrospective valuations, asset-specific issues, professional competency, dispute minimisation measures and taxpayer education. It should be developed through consultation with valuation professionals, industry representatives and other stakeholders with practical experience in the valuation of affected assets.

The proposed reforms rely heavily upon valuation as a mechanism for determining taxation outcomes. A formal framework would provide the certainty necessary to support that role. It would reduce compliance costs, improve consistency, strengthen voluntary compliance and reduce the likelihood of disputes.

Most importantly, it would help ensure that the policy objectives of the reforms are supported by an administrative framework capable of delivering fair, reliable and practical outcomes for both taxpayers and government.

Conclusion

The proposed capital gains tax reforms represent a significant structural change to Australia's taxation framework. While much of the public discussion has focused on broader policy objectives such as housing affordability, tax neutrality and investment behaviour, the practical operation of the reforms will ultimately depend upon the ability of taxpayers and regulators to accurately measure value. In this respect, valuation is not a peripheral issue arising from the reforms. It is one of the central mechanisms through which the reforms will be implemented and administered.

Throughout this submission, AVAA has sought to highlight the breadth and complexity of the valuation challenges created by the proposed changes. The reforms affect far more than residential property. They extend across a diverse range of asset classes including businesses, plant and equipment, fine art, antiques, collectibles, motor vehicles, cultural property and specialised industrial assets. Many of these assets operate within markets that are characterised by infrequent transactions, limited publicly available information and significant reliance upon professional judgement. The valuation issues arising from such assets differ substantially from those associated with more active and transparent markets.

The reforms also create a substantial requirement to establish reliable values as at 1 July 2027. For many taxpayers, particularly those holding long-term assets or assets previously outside the capital gains tax regime, the establishment of a commencement value may become one of the most important taxation decisions they make. The quality of the evidence available at commencement may influence taxation outcomes many years or even decades into the future. In this context, uncertainty regarding valuation methodologies, evidentiary requirements and professional expectations has the potential to create unnecessary compliance costs, inconsistent outcomes and avoidable disputes.

AVAA's central submission is that these risks can be significantly reduced through the development of a formal Capital Gains Tax Valuation Framework. Such a framework would provide practical guidance regarding valuation methodologies, evidentiary standards, retrospective valuations, specialist assets, professional competency and dispute resolution. It would improve consistency across the system, provide taxpayers with greater certainty regarding their obligations and assist the ATO in administering the legislation efficiently and consistently.

Importantly, a valuation framework would benefit both taxpayers and government. Taxpayers would gain greater confidence in the steps required to comply with the law and would be less likely to incur unnecessary costs obtaining multiple opinions or retaining excessive documentation. The ATO would benefit from improved consistency, reduced review activity and fewer disputes progressing to tribunals and courts. In short, clear valuation guidance would support the efficient operation of the reforms while strengthening confidence in their administration.

AVAA believes that Australia already possesses much of the professional expertise necessary to support successful implementation. Professional valuers routinely undertake complex assignments involving retrospective valuations, specialist assets, thin markets and evidentiary challenges. Existing professional standards, continuing professional development requirements, ethical frameworks and professional credentials provide a strong foundation upon which a broader valuation framework can be built.

Through the AVAA Certified Valuer (CVAu) credential and the *AVAA Professional Standards* framework, AVAA has developed practical mechanisms that promote competency, independence, ethical conduct and professional accountability across a broad range of specialist asset classes. These frameworks demonstrate how professional standards can support confidence in valuation outcomes while accommodating the diversity of assets and markets affected by the reforms.

AVAA stands ready to work constructively with Treasury, the ATO and other stakeholders to assist in the development of the professional and technical infrastructure necessary to support implementation of the reforms. The objective is not to revisit the policy decisions reflected in the legislation, but to help ensure that those decisions can be administered fairly, efficiently and consistently in practice.

Ultimately, the success of the proposed reforms will depend not only upon legislative drafting, but also upon the quality of the systems supporting their implementation. A clear valuation framework will improve compliance, reduce disputes and enhance confidence in the administration of Australia's capital gains tax system. The earlier that framework is developed, the greater the opportunity to deliver practical benefits for taxpayers, government and the broader community.

Appendix A – AVAA Introduction

Since 1952, the Auctioneers and Valuers Association of Australia (AVAA) has been the national peak body representing professional auctioneers and valuers across a diverse and economically significant sector. Spanning fine art, antiques and collectables, goods and chattels, vehicles, and plant and equipment, the sector sits at the intersection of commerce, culture, finance, and asset realisation.

AVAA provides a unifying national framework that brings together practitioners, businesses, and stakeholders under a shared commitment to professionalism, integrity, and trust.

At its core, AVAA is a member-driven professional association, shaped by the expertise and practical experience of those working at the front line of auctioneering and valuation practice. Its members are individuals and firms who provide independent advice, exercise expert judgement, and play a critical role in enabling transparent markets and informed decision-making. Through its Certified Auctioneer (CAAu) and Certified Valuer (CVAu) credentials, AVAA establishes clear and respected benchmarks for professional capability, ethical conduct, and ongoing development. These designations signal to clients, government, insurers, and the broader business community that AVAA members meet nationally recognised standards and operate within a robust framework of accountability.

AVAA's leadership role extends well beyond member services. It serves as a central voice for the auction and valuation sector, actively engaging with government, regulators, and industry bodies to shape policy and regulatory settings. By representing the collective interests of its members at national, state, and territory levels, AVAA ensures that the practical realities of the profession inform legislative and policy development. This advocacy is grounded in real-world experience and supported by a commitment to strengthening trust, transparency, and confidence in markets where accurate valuation and effective asset realisation are essential.

A defining feature of AVAA is its commitment to setting and upholding professional standards. Through the AVAA Professional Standards, membership requirements, and alignment with international benchmarks, including those of the International Valuation Standards Council (IVSC), the Association ensures that its members operate at a level consistent with global best practice.

AVAA also plays a central role in building professional capability and community. Through education programs, continuing professional development, and industry events, it provides opportunities for members to strengthen their expertise, engage with emerging issues, and connect with peers and stakeholders. Conferences, seminars, and forums bring together leaders from across the sector, government, and the wider business community, positioning AVAA as a focal point for thought leadership, collaboration, and industry advancement.

As an active and growing national body, AVAA represents a profession that underpins confidence in transactions, supports economic activity, and contributes to cultural and commercial life across Australia. Its leadership, advocacy, and commitment to excellence position it as a respected and authoritative voice, one that continues to shape the future of the auction and valuation sector.

Appendix B – AVAA Professional Standards

The AVAA Professional Standards establish the professional framework for valuation and auction practice in Australia. They set clear expectations regarding competence, conduct, independence, accountability, risk management, and professional responsibility, supporting consistent professional services and helping strengthen confidence in valuers, auctioneers, and corporate members.

Developed through a member-driven process that's strengthened by a public comment period, the AVAA Professional Standards reflect industry expertise and practical experience. Drafted by subject matter experts and informed by consultation, they represent a consensus view of contemporary professional best practice.

AVAA Professional Standard 1 – Code of ethics for professionals

AVAA Professional Standard 2 – Continuing professional development

AVAA Professional Standard 3 – Professional indemnity insurance

AVAA Professional Standard 4 – Auction client funds handling

AVAA Professional Standard 5 – Auction conduct

AVAA Professional Standard 6 – Minimum valuation report requirements

AVAA Professional Standard 7 – Expert witness and tribunal practice

AVAA Professional Standard 8 – Artificial intelligence in valuation reports

AVAA Professional Standard 9 – Conflicts of interest and independence

AVAA Professional Standard 10 – Complaints handling and professional conduct

AVAA Professional Standard 11 – Record keeping and information management

AVAA Professional Standard 12 – Advertising, representations and use of credentials

AVAA Professional Standard 13 – Cyber security and technology risk

AVAA Professional Standard 14 – Engagement and terms of appointment

AVAA Professional Standard 15 – Valuation instructions and reliance

AVAA Professional Standard 16 – Remote, desktop and technology-assisted valuation

AVAA Professional Standard 18 – Anti-money laundering and high-risk transactions

AVAA Professional Standard 19 – Use of consultants and subcontractors in valuations

AVAA Professional Standard 20 – Regulatory complaints and notifications

AVAA Professional Standard 30 – Company code of practice

75th Anniversary
1952 - 2027

The Auctioneers and Valuers Association of Australia (AVAA) is the leading national body representing professional auctioneers and valuers across a diverse range of specialties, including fine art and antiques, rare coins and books, collectables, household goods, motor vehicles, aviation and marine, plant and equipment.

Our Vision

As the peak body for auctioneers and valuers in Australia, AVAA upholds the highest professional and ethical standards through education, advocacy, and leadership.

Our Mission

To support and represent Australia's auctioneers and valuers through rigorous standards, ethical leadership, quality education, and credible advocacy, ensuring trust, professionalism, and future-readiness in a changing world.

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