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CGT GUIDE

ATO Apportionment vs. Market Valuation



Broadly, a taxpayer's position may rely on one of two approaches: a formula or apportionment-based calculation, or an independently established market value at a specific date. The two can produce meaningfully different results — and the gap is rarely just academic.



Apportionment approach

- Uses a formula or apportionment-based approach, where applicable
- May allocate gains according to the applicable taxation methodology
- Does not necessarily replicate actual property market movements
- Relies on the applicable statutory or tax calculation



Independent valuation approach

- Establishes market value at a specific, relevant date
- Considers the actual property and market conditions at that date
- Analyses relevant comparable market evidence
- Prepared using recognised valuation methodology

A worked example of why they diverge

UNDERSTANDING MARKET VALUE

Property values rarely move in a straight line

● Actual market value - - - Apportionment



Illustrative example only — figures are indicative and don't reflect any actual property. Say a property was purchased for \$800,000, and is eventually sold for \$1,500,000. A straight-line apportionment simply divides the total gain evenly across the ownership period. But if the property's growth wasn't even — say it was worth \$1,300,000 at the relevant valuation date, having grown quickly early and then plateaued — an independent valuation at that date tells a very different story than the straight-line figure does. Whichever approach is used, the gap between them can be a meaningful share of the total gain.

What goes into a cost base

Whichever approach applies, it helps to understand what actually makes up a property's cost base. Generally, five elements are recognised:

- Money paid to acquire the property (the purchase price)
- Incidental costs of acquiring or disposing of it — for example, stamp duty, legal fees, and agent's commission
- Certain costs of owning the property — for example, interest, rates, land tax, insurance and repairs, generally relevant only where the property produced income and hasn't already been claimed as a deduction
- Capital costs to increase or preserve the property's value — for example, capital improvements and renovations
- Capital costs incurred to establish, preserve or defend title to the property, or a right over it

Why they can produce different outcomes

Property values rarely move in a straight line. A property that grew slowly for years and then jumped sharply — or the reverse — will show a very different value under a straight-line apportionment compared to its actual value at a given point in time. Where the relevant date sits matters enormously to the outcome.

Which one applies to you?

This depends on your specific circumstances, the nature of the CGT event, and current legislation. Your accountant or tax adviser can confirm which approach is relevant, and whether an independent valuation would support your position.



FAQs

Which method gives a bigger tax bill — apportionment or valuation?

It depends entirely on how the property's value actually moved over the ownership period, so neither method is automatically better or worse. A property with strong early growth that plateaued later may show a smaller gain under an actual valuation than under a straight-line apportionment, while the reverse can just as easily be true.

Can I choose whichever method gives the better outcome?

Whether you're able to elect an independent valuation instead of relying on apportionment depends on your specific circumstances and the CGT event involved — it isn't simply a free choice in every case. Your accountant or tax adviser can confirm which approach applies to your situation and whether a valuation would genuinely support a better-defended position.

Why wouldn't a straight-line calculation just be close enough?

Because property markets rarely move in a straight line, an apportionment calculation can significantly over- or under-state a property's actual value at the specific date that matters. A property that grew quickly in its early years and then plateaued will show a meaningfully different figure under apportionment than under an independent valuation at the relevant date.

If I already used apportionment, can I still get a valuation later?

Possibly — it's worth raising with your tax adviser whether an independent valuation could support an amended position, particularly if the apportionment figure significantly under- or over-stated the property's actual value at the relevant date. Time limits generally apply to amending a tax return, so this is worth checking sooner rather than later.

What counts toward a property's cost base?

Broadly, five elements: the purchase price, the incidental costs of buying and selling such as stamp duty and agent's commission, certain ownership costs, capital improvements like renovations, and the costs of establishing or defending title. Keeping receipts and records for renovations and improvements over the years is one of the simplest ways to support an accurate cost base later.

Note: Which approach applies to your circumstances, and the calculations involved, should be confirmed with a qualified tax or legal adviser.