Super Clarity

SMSF Market Value Info Sheet: May 2026

The information sheet summarises what "market value" means for SMSF reporting and audit, why it matters, and what evidence SMSF advisers should gather to ensure valuations are objective, supportable, and defensible if reviewed by the ATO.

1. What is "Market Value"

- **Market value** under section s10(1) SIS is the amount a willing buyer would reasonably pay a willing seller, assuming an arm's length dealing.
- **Assumptions** include: there is no fire sale; no related-party "sweetheart" pricing; proper marketing/exposure os the asset to the market; and both parties act knowledgeably and prudently.
- Market value is **not** "net market value" (i.e., not understated by factoring in disposal costs/depreciation unless the law/framework requires it)

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2. What SMSF Auditors Are Trying to Achieve

- **Sufficient appropriate audit evidence** (ASA 500): auditors must assess both the **quantity** and **quality** of evidence supporting the value.
- **Accounting estimates** (ASA 540): market value is an estimate for many asset classes; auditors will consider whether there is any estimation uncertainty and the risk of material misstatement.
- **ATO position (general principles)**: valuations must follow a **fair and reasonable** process, be undertaken in good faith using rational methodology, and be explainable to a third party in simple terms (with the underlying evidence available).
- **Key theme**: you don't necessarily need a new independent valuation every year, but you do need **current, objective and supportable evidence** every year to justify the reported value.

3. Why Market Value Matters (common triggers)

SIS Requirement	Meaning
Year-end financial statements	All assets must be reported at **market value** each year when preparing accounts (regulation 8.02B SIS).
Related party acquisitions	Includes section 66 exceptions such as business real property and listed shares. Even where an acquisition is permitted, it must be **at market value.**
Arm's length dealings	All transactions should be on commercial terms (not just "related party" transactions in practice) – s109 SIS.
Collectable/personal use assets	**Market valuation** is critical, and an independent qualified valuation is required when transferring to a related party (regulation 13.18AA).
In-house asset testing	Use total asset values (be careful not to skew calculations by using net values) (section 82 SIS).
Pensions	The minimum (and for TRIS, maximum) payments depend on member balances; if a pension starts mid-year, the assets supporting the pension should be valued as at the **start date**.
Tax outcomes	Incorrect market values can affect the transfer balance cap, total super balance and Div 296 considerations.
NALI risk	Paying less/more than market value in certain arrangements can trigger non-arm's length income consequences.

4. When to Consider an Independent Valuation

- Where the asset is a **significant proportion** of the total fund value.
- Where the valuation is **complex or difficult** for a non-expert trustee to substantiate.
- Following a **significant event** that is likely to materially affect value (e.g., major market volatility, natural disaster, large interest rate moves, renovations/repairs, or a major change in the asset's characteristics).
- **Independence matters**: the valuer should not be a fund member or a related party to avoid conflicts of interest (similar to the principle that auditors should not audit their own fund).

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5. Evidence Checklist (by asset type)

a) Listed securities (shares, units, bonds)

- Use the **closing price at 30 June** from an approved stock exchange source.
- Holdings evidence: dividend notice, CHESS statement or share registry report (a broker report alone may be insufficient for ownership evidence).
- If the security is listed overseas, confirm it is on a recognised exchange and apply the correct exchange rate at 30 June.
- If delisted/suspended, assess whether the last traded price is still a reasonable proxy for market value; additional evidence is often needed.

b) Collectables & personal use assets

- Trustees should document **objective, supportable evidence every year** (e.g., catalogue prices, comparable online listings/sales/dealer data).
- Auditors generally should not be "pricing the asset for the trustee"; the trustee should provide the research and rationale.
- **Related-party transfer**: requires a valuation by a **qualified independent valuer** (not a member/related party).
- Classification matters: some items may fall outside reg 13.18AA requirements (e.g., certain bullion-style coins; loose stones not set as jewellery).

c) Cryptocurrency

- Holding statements or summaries are not sufficient on their own; obtain **additional objective evidence** supporting the 30 June value (e.g., exchange-published historical close).
- Where crypto is held on an exchange (custodial holding), focus on verifying: **existence**, **ownership** (in the fund's name) and **market value**.
- Be cautious about reliance on "Type 1/Type 2" control reports: a Type 2 report (covering operating effectiveness over time) is stronger than Type 1 but does not remove the need for substantive testing. A Type 1 report cannot be relied upon at all.
- No crypto exchange has obtained a Type 2 report as of the time of writing
- If existence/ownership/value cannot be verified and the matter is material, it may result in a Part A and B qualification and (where thresholds apply) ACR reporting.

d) Loans

- Core documents: executed loan agreement, term, interest rate, security, repayment schedule, and evidence that repayments are occurring.
- Assess whether terms are **commercial** and whether the loan is **recoverable** (i.e., what is the realistic value of the receivable?).
- If recoverability is doubtful or evidence is weak, consider whether the loan's reported market value is materially misstated (potential reporting/audit implications).

e) Unlisted entities

- Best evidence: an independent valuation of the entity (often unavailable).
- Alternative evidence focuses on the **underlying assets** and/or **recent arm's length transactions**:
    - Valuations of key assets held (e.g., property valuations where property is the primary asset).
    - Recent sale/purchase of shares/units between **unrelated parties** (supported by registry/investor documentation).
    - Investor/annual reports dated as at **30 June** (other reports may not be sufficient).

  - NTA may be relevant only where the entity values its assets at market/fair value (check the entity's accounting policy/notes).
  - Income/yield approach: document income received and the yield assumption used to infer value (minute the rationale and attach evidence).
- Be cautious using **cost** as the only support, except potentially where the acquisition was very close to 30 June, and you can justify why the cost approximates market value (document the logic).

f) Real property (residential, commercial, business real property)

- Possible evidence sources include:
  - Qualified independent valuation (strongest; not mandatory every year).
  - Comparable sales and similar property evidence.
  - Arm's-length purchase price where the purchase is recent and no material events have affected its value since.
  - Independent real estate agent appraisal.
  - Evidence of the value of improvements since the last valuation.
  - Net income yield approach for commercial property (note tenant/terms and ensure assumptions are supportable).
- When using "desktop"/commercial property reports, ensure the report includes the **supportable data** it relies on (and keep it on file).
- Be careful with broad "market reports" based on medians. Use them as supporting context, not as the sole valuation basis (ensure you're comparing like with like).

g) Related-party dealings: acquisitions and market rent

- **Acquisitions from related parties**: Weak or stale evidence can elevate the issue to a s66 breach and may create tax/compliance flow-ons (including potential NALI consequences in some scenarios).
- **Market rent** (business real property leased to a related party): maintain a lease agreement at arm's length terms and evidence that the rent is consistent with market conditions. Document why the rent/price is arm's length and keep supporting evidence on file.

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6) Documentation: Make it Easy to Understand

A practical approach is to prepare a simple "market valuation minute" (one per material asset class) and attach the supporting evidence. Include:

- Asset description (what it is, where it is, how many units/shares, ownership details).
- Valuation date (e.g., 30 June 20XX) and conclude market value.
- Method used (e.g., comparable sales, independent report, income/yield approach, observable market price).
- Objective and supportable data used (list each item) and why it is relevant/reliable.
- Trustee statement that the process reflects the SIS market value assumptions (arm's length, proper market exposure, knowledgeable/prudent parties).
- Attachments: copies/screenshots/reports relied upon, dated and retained.

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7. Common Pitfalls and Red Flags

- Using a prior-year valuation with no current-year evidence showing it remains reasonable.
- "Because the accountant said last year's value is still valid" (without objective support).
- Only one weak piece of evidence where the asset is not a recent purchase.
- Trustee bias (values pushed up/down to manage in-house assets, contribution caps, or tax outcomes).
- Related-party documents that don't appear to be commercial (e.g., informal lease agreements, limited terms, no market support).
- Custodial holdings that cannot be independently verified (particularly higher risk assets like crypto).

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8. Quick "Audit-Ready" checklist for SMSF professionals

- Is the valuation date correct (typically 30 June, or on the pension start day where relevant)?
- Is the method appropriate for the asset and current market conditions?
- Is the evidence objective, supportable, and dated/traceable to the valuation date?
- Can you explain the logic simply to a third party?
- If the asset is material/complex or impacted by significant events, have you considered whether an independent valuation is warranted?
- Is the evidence documented?

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Phone: 0400 281 800
Email: sbanton@superclarity.com.au
LinkedIn: Shelley Banton

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