Valuation of Shares Issued as Consideration for a Dutiable Transaction

This Commissioner's practice outlines how the Commissioner will value shares for transfer duty purposes where the shares form part of the consideration for a dutiable transaction.

Background

Under section 21 of the *Taxation Administration Act 2003* ('TAA'), the Commissioner may require a taxpayer to provide a written valuation by a *qualified valuer*[1] of any property, consideration or benefit, together with any documents or other records in the taxpayer's possession or control relevant to determining the value of the property, consideration or benefit.

Under section 21(2A) of the TAA, the Commissioner may require that a valuation, document or other record be provided in an electronic format, and that a valuation provided by the taxpayer include or be accompanied by copies of any models and details of any methods and assumptions that were relied upon in order to arrive at the valuation.

Section 22 of the TAA provides that, regardless of whether the Commissioner has required the taxpayer to provide a valuation or whether the taxpayer has complied with such a requirement, the Commissioner may:

(a) have a valuation made of any property, consideration or benefit; or

(b) adopt any available valuation of the property, consideration or benefit that the Commissioner considers appropriate.

Application of other practices

When the Commissioner obtains a valuation under this practice, the Commissioner will generally not require the taxpayer to also provide a written valuation by a qualified valuer.

Commissioner's Practice TAA 23 'Circumstances When a Taxpayer will be Required to Provide a Written Valuation' outlines the circumstances in which the Commissioner will require a taxpayer to provide a written valuation for transfer duty or landholder duty purposes.

Commissioner's Practice

1. The consideration for a dutiable transaction may consist of or include the issue of shares in a corporation to the vendor ('vendor shares').

[1] A *qualified valuer* is defined in the TAA as meaning a person licensed or registered under the *Land Valuers Licensing Act 1978* or a corresponding Act in another State or Territory, or a person who the Commissioner is satisfied is suitably qualified or experienced to provide a valuation.

Value of unlisted vendor shares

2. Where vendor shares are to be issued in a previously dormant company, or one with minimal assets, the Commissioner will accept the specified issue value of the shares.

3. For vendor shares issued in an active company, the Commissioner will obtain a valuation of the shares. The taxpayer will be required to provide:

   3.1 complete financial statements for the company for the three financial years prior to the transaction date; and

   3.2 any other information relevant for this purpose.

Value of listed vendor shares

4. The value of vendor shares issued in a listed company will be based on the closing sale price for similar shares as at the date that liability to duty arose on the transaction.

5. Where vendor shares are to be held in escrow for a specified period, the Commissioner will consider submissions from the taxpayer concerning the likely impact of the escrow period on the valuation of the shares.

Date of Effect

This Commissioner's practice takes effect from 14 February 2014.

Bill Sullivan
COMMISSIONER OF STATE REVENUE

14 February 2014

Commissioner's Practice History

Commissioner's Practice	Issued	Dates of effect	
		From	To
DA 8.0	1 July 2008	1 July 2008	13 February 2014
TAA 28.1	14 February 2014	14 February 2014	18 September 2022