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ABN 49 007 505 866
ACN 608 309 128

The CGT Changes and Property Valuations:
What you need to know

Published: 10 August 2026

This document is general information about property valuations only. It is not tax advice nor financial advice. Individuals seeking advice on their tax or financial position should speak to an accountant, tax adviser or a licensed financial adviser.

What is changing

Australia's capital gains tax (CGT) rules change from 1 July 2027. Under the new rules, the market value of real property assets, and certain other assets, on 1 July 2027 becomes the reference point for how gains from a later sale is taxed. The value is fixed at that date, but it is only used when the asset is eventually sold, which could be many years away.

Because market sentiment and prices change a valuation from close to 1 July 2027 (ideally within three months either side, and at most within two years) is more reliable, credible and defensible than one reconstructed years after the event.

Why use a professional valuer

The ATO's own guidance to taxpayers is direct:

> *"Valuations undertaken by professional valuers are more credible than those provided by someone who isn't a professional valuer."*[1]

It also says:

> *"Generally, if you engage and properly instruct a professional valuer, you won't be liable for penalties if we find the professional valuation is deficient."*[2]

This is an important consideration for taxpayers. If the ATO later reviews the value and forms a different view, any difference of opinion on a property's value can mean a significant amount of extra tax, and potentially penalties and interest. A proper valuation by a qualified professional valuer offers the most protection in these situations; and is a small cost now against what a disputed value could cost in the future.

The types of valuation

Valuers provide a range of products, from the highest level of inspection and advice to the lowest:

- Comprehensive inspection valuation report: the valuer fully inspects the property and makes all relevant enquiries. This is the most complete product and the professional valuation referred to above, and it is the one the API recommends for a value the tax system relies on.
- Restricted on-site inspection valuation report: a limited inspection of the property.
- Kerbside inspection valuation report: an external inspection from the street only.
- Desktop report: no inspection; an indicative value only, not a valuation report.

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1 Market valuation of assets | Australian Taxation Office

2 Market valuation of assets | Australian Taxation Office

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Automated estimates (AVMs), such as the price estimates on property websites, involve no valuer at all and are not valuation reports.

If you own property (taxpayer)

If you own an investment property, a holiday house, a farm, a business premises or another asset that is not your family home, its value at 1 July 2027 may matter to your tax obligations when you sell that asset.

A practical consideration to potentially reduce future tax burdens is simple: consider instructing qualified valuer to provide a market valuation report as close to 1 July 2027, and keep the report and all supporting documentation somewhere safe. That way the paperwork is ready whenever you sell, whether that is in two years or twenty. The family home is generally exempt from CGT and is not affected.

Talk to your accountant or tax adviser about what the changes mean for your own situation.

If you are an accountant or lawyer

Your clients holding affected assets will need a defensible market value on 1 July 2027, often long after the date has passed. The API recommends a comprehensive inspection valuation report prepared by an API Valuer close to that date, with the supporting evidence retained. While valuation products exist (see the types of valuation services above), a market value as a result of a comprehensive inspection valuation report provides the best evidence and is the one to specify when instructing a valuer.

The ATO's own guidance recognises valuations by qualified valuers. The API is the primary professional bodies for valuers in Australia and all our members are covered by a Professional Standards Scheme and Rules of Professional Practice. The ATO’s advice also specifies the valuation report must acknowledge the valuer's independence to draw conclusions and write their report. That means that appraisals by real estate agents or other connected advisers will not meet that requirement.

If you are a valuer

The 1 July 2027 transition will generate demand for valuations at or near that date, and retrospective valuations for years afterwards. The API recommends that these engagements are undertaken subject to the API Rules of Professional Conduct, including Rule 11 (Valuation Process) and any other applicable professional standards documents, keep thorough records of the comparable evidence as at the valuation date, and review your engagement terms and professional indemnity arrangements, because these valuations carry tax consequences that may be examined years later. Stay within valuation practice: do not advise clients on whether to sell or on their tax position.

More to come

More specific guidance is being prepared for API members, and for professionals who advise property owners, and will be released once finalised. API will also keep members informed as Treasury and the ATO release guidance on the transition and as the remaining parts of the reform are legislated.

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If there are any queries in relation to this Standards Article, please contact the API standards team at standards@api.org.au