

Government relents on non-concessional contributions limit for asset purchases

30 June 2016

SMSF Owners has been advised by the Treasurer that the Government will amend its policy on the back-dated \$500,000 non-concessional contributions cap following concern expressed by SMSF Owners on the impact of this Budget measure on contracts that were entered into prior to the 3 May Budget.

The budget imposed a life-time \$500,000 cap on non-concessional contributions from 1 July 2007.

SMSFs in the process of buying an asset, e.g. a property, and had entered a legal contract prior to the 3 May budget, expecting to use non-concessional contributions to complete the purchase, would have been caught by the new back-dated contributions cap.

The Treasurer has advised SMSF Owners that where an individual's SMSF has entered into a contract for the purchase of an asset prior to 3 May and planned to make contributions to the SMSF to allow it to complete the purchase, this will be able to be done under transitional arrangements without breaching the \$500,000 cap. However, the additional contributions must be within the \$180,000 annual limit for non-concessional contributions that existed prior to the 3 May budget.

In addition, transitional arrangements will apply to SMSFs with existing borrowings to ensure legal obligations they entered into prior to 3 May can be met, but only until 31 January 2017.

The Treasurer's letter to SMSF Owners is attached.

SMSF Owners welcomes the announcement by the Treasurer.

This decision addresses one of the concerns raised by SMSF Owners and others about the impact of the new \$500,000 cap. Other concerns remain and we intend to pursue them with the Government after the election.

Contact:

Duncan Fairweather

Executive Director

SMSF Owners' Alliance

dfairweather@smsfoa.org.au

0412 256 200

www.smsfoa.org.au