

SMSFOA Members' Newsletter

11/2016 19 July 2016

In this newsletter:

- **Prime Minister not budging on superannuation changes**
- **Party room debate on superannuation did not eventuate**
- **Kelly O'Dwyer retains superannuation portfolio**
- **Questions the Government needs to answer**
- **Investors' Big Day Out seminar dates**

Prime Minister holds firm on superannuation changes

Malcolm Turnbull and senior Ministers are saying they are not prepared to amend their superannuation policy even though it was a factor in the Government's setback in the recent election.

Mr Turnbull told ABC-TV's '7.30 Report' on Monday night (18 July) that the superannuation changes would go through the normal Cabinet, party room and Parliamentary processes.

There would be consultation on "transitional and implementation issues".

The Prime Minister acknowledged that "some people were not happy with the package" but insisted the policy was "fair and flexible" and it would be good for many, including women, contractors and older people.

He denied the changes were retrospective.

According to media reports, the Liberal Party's pollster, Mark Textor, said superannuation was not a significant election issue in itself but admitted it was a distraction from the key campaign message of jobs and growth.

Superannuation changes not debated in the party room

From media accounts of Monday's Liberal and Coalition party room meetings, it seems there was no debate on superannuation policy. Only one Liberal raised it briefly – Senator Eric Abetz from Tasmania. Members and Senators who had previously said they would challenge the policy in the party room appeared to have been deterred by the Prime Minister who said only the election campaign would be discussed at the meeting, not policy.

We're not sure how policy can be divorced from the campaign, however, the issue will come back to the party room in the next few months when legislation giving effect to the budget announcements is presented.

In the meantime, SMSF Owners will continue to encourage Coalition Members and Senators to defend the interests of their constituents who will be adversely affected by the changes and the retrospective nature of them.

Will the changes pass Parliament?

As the Government has secured an outright majority in the House of Representatives, legislation given effect to the superannuation changes will be passed. What happens in the Senate will depend on the positions taken by Labor, the Greens and minority parties led by Nick Xenophon and Pauline Hanson. Ms Hanson says she will oppose the superannuation changes.

Labor has said it will oppose retrospective change and wants the Budget measures subjected to an independent review. It remains to be seen whether they will hold to this view when the changes are presented to the House of Representatives and the Senate.

The final make-up of the Senate is still not yet clear. Depending on the outcome, there may be an opportunity to have the superannuation legislation amended in the Senate.

The Parliament will resume on 30 August

O'Dwyer retains superannuation portfolio

In the Ministry reshuffle announced on Monday, the former Assistant Treasurer, Kelly O'Dwyer, was given a new title – Minister for Revenue and Financial Services.

Ms O'Dwyer will retain responsibility for superannuation policy.

SMSF Owners has written to Ms O'Dwyer asking to be included in consultation on the implementation of the Budget changes on superannuation.

There are many practical questions on how the policy changes will work that, as yet, remain unanswered by the Government. We list them below.

What if...?

This Q & A summarises common questions raised with us by our members and others. To assist them we have attempted to provide answers as best we know on the information available. However, our answers are not to be construed as financial advice. They are an attempt to help people assess the impact on them of the superannuation policy changes proposed by the Coalition.

We have called on the Government to sit down with SMSF Owners and others to discuss the practical implementation of their policy. We have also asked the Government to subject its Budget calculations to independent review.

Q1: After 1 July 2017, can I top up my pension account from my accumulation account when the balance dips below \$1.6m?

A1: It is a once only balance transfer cap. However, this is a question we will pursue with the Government.

Q2: If my pension account balance grows above \$1.6m after 1 July 2017, is that OK?

A2: Yes. According to the budget papers.

Q3: Can members of an SMSF (most commonly a couple) even up their balances now so they are each under the \$1.6m cap by 1 July 2017?

A3: The Government needs to provide guidance on this.

Q4: If a divorce settlement takes the pension assets of one or both parties under the \$1.6m cap, can they rebuild their funds to that level?

A4: The Government needs to consider this not uncommon situation.

Q5: Can I put high-yielding assets in my pension account and low-yielding assets in my accumulation account?

A5: Probably, but the Government needs to provide guidance on this.

Q6: Do I have to sell 'lumpy' assets like property in my pension account to get it down to \$1.6m?

A6: Most probably an actuarial apportionment can be made – but this needs to be confirmed by the Government.

Q7: What if I have purchased an annuity for more than \$1.6m?

A7: The Government needs to answer this question.

Q8: Do I have to get my super fund assets valued as at 1 July 2017?

A8: Yes, but this is impractical. Asset valuations are usually done as at 30 June and financial statements/tax returns can take months to prepare. This is an implementation issue for discussion with the Government.

Q9: What if I have contracted to buy an asset and intended to use a non-concessional contribution to complete the sale, but now can't because of the \$500k non-concessional cap?

A9: The Government announced during the election campaign that it will amend its proposals to allow the purchase to proceed without counting against the \$500,000 cap so long as the previous non-concessional limit of \$180,000 per year is not breached.

Q10: If I have a defined benefit account and a super fund account, how is that taken into account with regard to the \$1.6m cap on my super fund account?

A10: The Government will need to address this question.

Q11: If I have \$1.6 million in my super account and I am in receipt of a foreign-sourced pension, e.g. a UK pension, how does this affect my tax situation?

A11: The Government will need to address this question.

Q12: If I sell my small business, will the current concessional CGT and roll-over provisions still apply? Will they be regarded as separate from the \$1.6 million cap?

A12: the Government needs to clarify how superannuation contributions from the sale of a small business will be treated in future.

Q13: If I roll excess assets from my retirement account into an accumulation account, will those currently CGT-free assets be subject to CGT in the accumulation account?

A13: The Government needs to clarify this.

Q14: If I roll excess assets into an accumulation account, will the value of those assets for CGT purposes be taken from the date of the roll-over or the date of the original purchase?

A14: Another question the Government needs to clarify.

If you have other questions not covered here, please let us know.

For your diary...



The Australian Shareholders' Association is again running its popular 'Investors' Big Day Out' seminars in August and September. These one day seminars will provide insights on various investment opportunities, their associated risks and returns, along with diversifying your portfolio outside of the ASX200.

Dates:

Perth – 17 August 2016

Adelaide – 19 August 2016

Melbourne – 25 August 2016

Sydney – 26 August 2016

Brisbane – 2 September 2016

More info and registration here:

<https://www.australianshareholders.com.au/investors-big-day-out-2016>

SMSFOA Members' Newsletter #11 19 July 2016