

Preparing for 30 June 2017 Year End Action Required

7 May 2017

The Federal Government will hand down its Annual Budget next Tuesday, 9 May 2017. With the significant Superannuation Tax changes announced at last year's Federal Budget and the telegraphing of some other policy changes already, I am not expecting significant taxation changes effecting individuals to be announced next Tuesday.

Accordingly, as we edge closer to 30 June 2017, one needs to ensure that you are prepared for the Superannuation Taxation changes that come into play on 1 July 2017.

The matters that you need to consider in this regard are as follows:

1 Does my Self-Managed Superannuation Fund have a Member with a Balance on 1 July 2017, likely to be over \$1.6 million?

If not, the Superannuation Tax changes coming into effect on that date are unlikely to affect you.

2 Requirement to Partially or Fully Commute Pensions where a Member has Pensions totalling over \$1.6 million

Where you have one or more Account Based Pensions that on 30 June 2017, will have a combined capital value more than \$1.6 million, taxation legislation now requires you to ensure that as at 1 July 2017, the total assets supporting such pensions do not exceed \$1.6 million.

The ATO have now released a Practical Compliance Guideline to give clarity to Advisors as to how they can implement this change for their client base.

In essence, the following will need to be undertaken:

1. A Member will need to request the commutation of their pension(s) in writing.
2. The Trustee must accept, in writing, the request. The request must specify the specific income stream that will be subject to the commutation.

2.1 Commissioner's Guidelines

It is pleasing to note the Commissioner of Taxation accepts:

1. That the commutation documentation can be prepared and executed prior to 30 June 2017; and
2. The exact amount of the commutation can be worked out at a later date, provided the calculation ensures that the total Account Based Pension assets do not exceed \$1.6 million per Member as at 30 June 2017.

The amount of the commutation can be worked out by the Trustee of the Self-Managed Superannuation Fund and reflected in the 30 June 2017 Accounts, provided that this action is completed no later than the lodgement of the Fund's 30 June 2017 Income Tax Return.

2.2 Process to Prepare Documentation

We are currently in the process of finalising proforma documentation to be applied to each client's specific circumstances to ensure the clients comply with the abovementioned rules. If you are uncertain as to how these rules will apply in your particular circumstances, please contact me.



3 Obtaining asset details for your Self-Managed Superannuation Fund as at 9 November 2016

Under Transitional Legislative Provisions, Self-Managed Superannuation Funds who have changed pension arrangements to comply with the new rules will be able to “mark to market” capital assets held by the Fund as at 9 November 2016.

That is, the cost base of assets held as at 9 November 2016, for Capital Gains Tax purposes, can generally be uplifted to their market value as at 30 June 2017.

The exercise to undertake these calculations will take place as part of your 30 June 2017 compliance work after 30 June 2017.

However, to assist in undertaking this exercise, please make sure that you have available details of the assets held by your Self-Managed Superannuation Fund as at 9 November 2016.

These are the only assets that will be able to be “marked to market”, utilising the 30 June 2017 market value.

4 More Details?

If you require more details in relation to these changes, I have previously provided several detailed analyses.

These are all available at the following website address:

kordamentha.com/km-private-clients/publications

5 State Government Taxation Changes

The Victorian State Government this week handed down its 2017/18 Budget.

The following announcements were relevant from a taxation perspective:

1. The “Off-the-Plan” property Stamp Duty Concession will be abolished from 1 July 2017. Contracts signed pre-30 June 2017 will continue to have the concession applied.

2. Stamp Duty exemptions for inter-spousal transfers will be removed from 1 July 2017.

Inter-Spousal Stamp Duty Exemptions will however continue to apply for transfer of principal place of residence or assets transferred because of the breakdown of a relationship.

3. Effective for the 2017 calendar year, an additional 1% Land Tax will apply to properties that have been left unoccupied for a period of more than six months of the calendar year.

4. Stamp Duty payable on the acquisition of new passenger vehicles increases from 1 July 2017 by 1% to 4.4%.

If you require any assistance in relation to any of the matters raised above, please do not hesitate to contact me.

Anthony Jackson

