PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

an independent member of BAKER TILLY INTERNATIONAL

SUPERANNUATION BULLETIN

An update publication for our clients

July 2012

Legislation Update – Superannuation Changes

The following summarises the progress of legislation implementing superannuation changes previously announced by the Government.

Refund of Excess Concessional Contributions

New rules allowing individuals a once and only chance to have excess concessional contributions of up to $10,000 in a year refunded were finalised on 29 June 2012. The new rules will apply to excess concessional contributions made on or after 1 July 2011, the assessments for which will start issuing from September 2012.

The practical effect of requesting a refund is the excess concessional contributions will be taxed at personal marginal rates rather than at the 46.5% excess rate and will also not be counted as non-concessional contributions.

We recommend if a person is eligible the refund option should be pursued. Eligible individuals have 28 days to accept the Commissioner's refund offer. The refund offer will be made to the eligible individual in writing by the ATO. Any resulting tax refund will be paid to the individual after other outstanding tax liabilities have first been cleared.

Increase in Contributions Tax to 30%

We have not seen legislation increasing fund contributions tax from 15% to 30% for individuals with income over $300,000. The change is to apply from 1 July 2012, however assessments collecting the extra tax would only issue after 30 June 2013.

For this reason there is still ample time for the Government to implement the tax increase as announced.

New Self-Managed Fund Rules – Valuing Assets, etc

Draft regulations have been released that will introduce additional rules applying to self-managed funds. When finalised, the regulations will:

- Require fund assets to be valued at net market value for reporting purposes;
- Require fund trustees to consider whether member insurance should be provided as a part of the requirement to maintain and monitor the fund's investment strategy; and
- Introduce a direct penalty that can be applied by the ATO if fund money or assets are mixed with money or assets of related entities.

Our understanding is media reports implying formal valuations will be required every year are incorrect and there will be no practical impact on our clients as existing processes will satisfy the net market value reporting standard.

The insurance requirement is likely to result in every investment strategy having to be reviewed. We expect this will be able to occur with end of year accounts preparation.

The new rules were expected to start from 1 July 2012 but are still in draft form.

Prohibiting Off Market Transfers

The Government stated from 1 July 2012 off market transfers between self-managed funds and related parties would be prohibited. Our understanding is the change has been deferred by 12 months and is now stated to commence from 1 July 2013.

In the meantime, off market transfers between self-managed funds and related parties are still permitted.

Pausing Indexation of Contribution Caps

Legislation removing indexation of concessional contribution caps until 2014/2015 has been finalised on 29 June 2012. We confirm for 2012/2013 and for 2013/2104 a single concessional contribution cap of $25,000 will apply.

Self-Managed Fund Levy

The self-managed fund supervisory levy for the 2011/2012 financial year has increased to $200, up from $180.

Further Information

Please ask your regular Pitcher Partners contact or any of the contacts below for further details on the issues raised in this Bulletin:

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