SMSF TRANSFER BALANCE CAP REPORTING

Transfer Balance Cap reporting – what does it mean for you?

From 1 July 2017, superannuation fund members are subject to a $1.6 million transfer balance cap (TBC) which limits the tax exemption for assets funding superannuation pensions.

The TBC encompasses a significant amount of monitoring for an individual. This monitoring is to be facilitated by the Australian Taxation Office's (ATO) event-based reporting framework.

Event-based reporting is a significant shift in SMSF administration processes. Therefore, it is essential SMSF trustees understand the event-based reporting framework and get it right.

Why events-based reporting?

Event-based reporting is required for the ATO to track an individual's transfer balance account across all their funds including public offer and defined benefit funds and administer the appropriate consequences if an individual exceeds their cap.

An SMSF is only required to report if one of its members has an event that impacts their transfer balance account, such as the ones listed below.

From 1 July 2018, timeframes for reporting are determined by the total superannuation balances of the SMSF's members:

- where all members of the SMSF have a total superannuation balance of less than $1 million, the SMSF can report this information at the same time as when its annual return is due.

- SMSFs that have any members with a total superannuation balance of $1 million or more must report events affecting members' transfer balances within 28 days after the end of the quarter in which the event occurs.

What needs to be reported?

An SMSF must report events that affect a member's transfer balance account, including:

- Income streams a member was receiving on 30 June 2017 that continued to be paid to them on or after 1 July 2017 and are in retirement phase.
- New retirement phase income streams.
- Some limited recourse borrowing arrangement payments.
- Compliance with a commutation authority issued by the Commissioner.
- Commutations of retirement phase income streams.

All SMSFs that were paying a retirement phase income stream at 30 June 2017 need to complete and lodge a TBAR on or before 1 July 2018 to report the balance of each pension individually, for each member as at 30 June 2017.

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An SMSF is required to report earlier if a member has exceeded their transfer balance cap, regardless if it usually reports annually.

Roll-over to an APRA fund

If you are going to have clients roll over a super benefit into an APRA-regulate fund and start an income stream you are encouraged to report the communication as soon as it occurs.

As APRA-regulated funds have a monthly reporting regime, waiting to report the roll-over can result in a double-counting of the member's income streams.

How can we help?

If you are concerned that the SMSF clients of your practice will be affected by the new pension reporting requirements, and do not think that you may have the administration process covered to meet these new ongoing reporting obligations imposed, then please feel free to give us a call to arrange a time to meet so that we can discuss your particular requirements in more detail and how we can partner with you to help you with your client's needs.

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