

Advice Essentials

SMSF Update

Presented by Peter Johnson

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SMSF Update

- What the SMSF space looks like in 2019
- What it means for your clients
- What Bill Shorten might do regarding SMSFs



Superannuation Guarantee Amnesty

- ATO announcement
February 2019



Franking Credits – Who is Impacted?

- Self employed in companies
- People who left retained earnings in companies
- Share investors on lower than 32.5% marginal tax rate
- SMSFs
- More particularly SMSFs in pension phase
- What about retail funds?



Franking Credits – Specific Examples

- Peter is 69 years old and has an SMSF in pension phase with \$500,000 invested in Aussie equities
- His anticipated income from the shares is \$27,500 per annum fully franked
- His franking credits are \$11,785 per annum
- He is in pension phase so his SMSF is not taxable
- His fund will now lose the \$11,785 in franking credit refunds
- Unless he was on the age pension on 28th March 2018

Franking Credits – Specific Examples

- Peter is 69 years old and has \$500,000 invested in Aussie equities in the BT Panorama Super Fund
- His anticipated income from the shares is \$27,500 per annum fully franked
- His franking credits are \$11,785 per annum
- The BT fund has sufficient taxable income to use up all its franking credits
- BT allocate the tax on in individual member basis
- BT credit Peter's account with the amount of franking credits it receives that offset their income tax in the fund

Franking Credits – Cost of a Retail Fund

- Source – Chantwest
- Admin fee (total): \$2,435 on a balance of \$1 million
- Reduction in interest earned on cash account (2% of account balance)
- \$15 brokerage but can in-specie roll over



Franking Credits

- When do you need to have the conversation?



Franking Credits – Other “Bill Measures”?

- NCC reduced to \$75,000
- Div 293 tax to cut in at \$200,000 earnings
- Abolish catch-up contributions
- Bring back the 10% rule for personal deductible contributions
- Abolish borrowings
- Extend reach of SGC (parental leave, <\$450/month)
- Increase SGC rate to 12% “when prudent”

Recently Passed Legislation

- Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018
- Passed the Senate 14th February



Protecting Your Superannuation Bill

- Limiting fees so that low balance savings can grow and are protected from disproportionately high fee
- Banning exit fees to remove a barrier to account consolidation
- Opt-In Insurance for:
 - Members under 25
 - Balances under \$6,000
 - Inactive accounts
- Advice warning for advisers leaving small and/or inactive balances!!!
- Small Inactive Accounts
 - Below \$6,000
 - Inactive for 13 Months
 - No insurance cover
 - Transferred to ATO
 - ATO can roll over

Recently Passed SMSF Legislation

- Treasury Laws Amendment (2018 Measures No. 4) Bill 2018
- Passed the Senate 12th February



Reversionary TRIS

- You can now pay a reversionary TRIS to a person not in retirement phase
- From 1 July 2017
- Re-document earlier pensions



Recently Passed SMSF Legislation

- Treasury Laws Amendment (Work Test Exemption) Regulations 2018
- Passed the Senate 12th February



Work Test Exemption for Retirees

- Aged 65 to 75
- TSB under \$300,000
- Met the work test in the previous year
- One-off allowance



Advice Opportunities

- Met the work test in the previous year
- Defer capital gains
- Defer ETP payments
- Couple with downsizer (work test first)
- Re-contribution strategy for another year
- Catch up concessional
- Bring forward rule for clients who turned 65 during the year

Pending SMSF Legislation

- Treasury Laws Amendment (2018 Superannuation Measures No. 1) Bill 2018
 - Non-Arms Length Income charged where there are non arms length expenses
 - LCR 2018/D10



Pending SMSF Legislation

- Salary Sacrifice & Super Guarantee
 - Still with the Senate
- SG Opt-Out
 - Still with the Senate
- 6 Member SMSFs
 - Bill introduced House of Reps 13/2/19
- 3 year audit cycle
 - Nothing as yet. Proposed to commence 1/7/19. No hope!

Thank you!

Questions? Contact Us

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