Warringal Financial Services

PROFESSIONAL PRACTICE
FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

Technical News March 2012

Superannuation News

At the meeting of the Governments' Superannuation Roundtable in Sydney on 23 February 2012, areas of focus that were discussed include:

- Increasing the SG rate from 9% to 12% from 1 July 2013 to 1 July 2019
- Introduction of a new low income super contribution of up to $500 a year from 1 July 2012 which will refund contributions tax for individuals with income of up to $37,000
- Introduction of $50,000 concessional cap for those aged 50 and over with super balances of less than $500,000
- Abolishment of the 70 age limit on SG from 1 July 2013

The Roundtable will provide a report in December later this year.

Superannuation rates and thresholds released

Some key superannuation **rates and thresholds** have been released by the ATO.

Please find attached a **summary of the changes** prepared by MLC Technical.

Superannuation Pension Payments

The Government **released** regulations on **13 February 2012** continuing the 25% reduction for minimum pension drawdown for the 2012/13 financial year. Originally the reduction would only apply to the 2011/12 financial year and return to normal levels from 1 July 2012.

This measure reduces the requirement to drawdown on portfolios, which may still carry unrealised losses due to continued market volatility. The reduction applies to account-based pensions, allocated annuities and pensions, and market linked income streams.

This measure was announced in the Mini Federal Budget released in November 2011.

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Reporting superannuation contributions on payslips

On **14 February 2012** the Government released **Exposure Draft – Payslip Reporting of Superannuation Contributions** requiring employers to report information prescribed in regulations on payslips. This will include employers reporting the amount of superannuation contributions and the date on which the employer expects to pay the amount.

This measure was originally announced by the Government in 2010. The proposed commencement date is 1 July 2012. At this stage the proposals is only in draft and may change if enacted. Comments were sought by Monday 20 February 2012.

Finding & Consolidating super

The Government also released **Exposure Draft – Disclosure of Superannuation Information** on **14 February 2012** which will allow the ATO to disclose details of an individual's super interests and benefits to a regulated super fund, public sector super scheme, an Approved Deposit Fund (ADF) and Retirement Savings Account (RSA) provider or their administrators for the purpose of assisting members in finding and consolidating super interests. This measure was announced in September 2011 as part of the Stronger Super reforms.

Areas of focus for SMSFs by the ATO

Stuart Forsyth, Assistant Commissioner addressed the SPAA annual conference in February with an SMSF audit compliance update. The following issues are points of interest:

- SMSF annual returns lodgement rates continue to be poor
- Variety of methods to maximise compliance with annual return lodgement include reminders via telephone and letters, tax agent visits to agents with high-risk clients and full enforcement action against funds that have failed to lodge after previous contact including escalation to prosecution, cancelling fund registration and where appropriate, making funds non-complying
- Auditor independence continues to be an area of focus as a number of cases in 2011 have been identified where auditor failed to identify contraventions of SISA
- ATO developing guidelines to help trustees and their advisers when obtaining valuations for the purposes of acquisitions and disposals of assets between SMSFs and related parties
- A more flexible penalty regime to address contraventions of the super laws by SMSF trustees to be able to deal with the various levels of non-compliant behaviour such as directing a trustee to undertake education
- Continued focus on illegal early release schemes – recently two SMSF trustees were sentenced to two years imprisonment for being involved in an early release scheme
- Development of an SMSF booklet specific to members entering the retirement phase of their life

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SMSF statistics released by ATO

SMSFs continues to be a growth area. The ATO has released some interesting statistics in including:

- Total number of SMSFs as at December 2011 is 458,561 compared to 428,226 as at December 2010 (an increase of 7%)
- As at December 2011, the largest allocation of SMSF assets is to listed Australian shares followed by cash and term deposits
- Based on data for the 2009/2010 year, 68.8% are two member SMSFs
- NSW and VIC have 31.3% and 29.8% of the proportion of total SMSFs as at 2009/2010
- As at June 2011, 33.3% of SMSF members are between the ages of 55 and 64, followed by 25.3% aged between 45 and 54 with 22.4% over the age of 64
- As at 2009/2010, average assets per SMSF is $888,433

Preparation for super reforms

Should you require assistance regrinding the changes outlined by the ATO please **contact us** as we can assist super funds prepare for the implementation of the various super reforms.

Taxation

Changes to Private Health Insurance

Three **Bills** in relation to private health insurance passed the House of Representatives with some amendments on **15 February 2012**. These Bills aim to introduce three new 'Private Health Insurance Incentive Tiers' which aim to ensure that those with a greater capacity to pay make a larger contribution towards the cost of their private health insurance by having the private health insurance rebate reduced. It will also ensure that Government support for private health insurance remains fair and sustainable in the future.

Social security

Disability Support Pension

The Government introduced the Social Security and Other Legislation Amendment (Disability Support Pension Participation Reforms) Bill 2012 into the House of Representatives on 15 February 2012. This Bill contains the following measures:

- Allows DSP pensioners to work up to 30 hours a week without having their payment suspended or cancelled
- A requirement for certain DSP recipients under age 35 with a work capacity of at least 8 hours a week to engage with Centrelink on a work participation plan
- More generous rules for DSP recipients with a severe impairment that is likely to continue for at least 5 years and no future work capacity to retain access to the DSP if they travel overseas for more than 13 weeks

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Family Tax Benefits

The **Family Assistance and Other Legislation Amendment Bill 2012** was introduced into the House of Representatives on 15 February 2012. This Bill provides the following measures:

- Payment of the Family Tax Benefit Part A supplement conditional on a child meeting immunisation requirements at the ages of one, two and five
- Pausing of the indexation of the baby bonus for three years from 1 July 2012 and resets the amount of baby bonus of $5,000 per child from 1 September 2012
- From 1 July 2012, an individual (or partner, if any) will be prevented from being entitled to Family Tax Benefit A and/or B as fortnightly instalments on the basis of estimated income where the individual had not actual entitlement after underestimating their income for two consecutive years commencing from 2009/10
- Certain carer allowance recipients who care for a disabled adult access to bereavement payments on the death of the care receiver
- Allow access to carer supplement for those carers whose rate of payment is reduced to nil because of income where they or their partner worked in the fortnight covering 1 July in any given year

Any questions?

As always, we are very happy to meet or talk with you over the phone regarding any aspect of these changes and your capital protection and wealth needs.

Please call us on **(03) 9459 2966** or via email on **advice@warringalfs.com.au**

General Advice Warning

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