experience WHITSON DAWSON
Certified Practising Accountants

QUARTER UPDATE

A Level B, Canegrowers Building, 120 Wood Street, Mackay QLD 4740
T (07) 4957 2985 F (07) 4953 1883 E clients@whitsondawson.com.au

SMSF UPDATE 2017

THIS EDITION

- Pension Over $1.6 Million
- Transition to Retirement Income Streams no Longer Tax Exempt
- Concessional Contributions from 1st July 2017
- Non-Concessional Contributions from 1st July 2017
- Market Valuation of Assets

Pension Over $1.6 Million

On 1 July 2017, the cap on income stream (pension) balances will be $1.6 million. This has been called the "transfer balance cap". This is a lifetime cap and will include all superannuation fund balances that are held in income stream phase.

On 30 June 2017, the total of all of your income stream accounts will be added together to calculate the total held in income stream at that date. If you have income stream accounts outside of your self-managed superannuation fund, please advise us so we are aware of your total income stream account balance.

If your total income stream balance is under the $1.6 million cap, then the income stream accounts will remain as they are. The income stream will continue to be non-taxable for those over 60 years old in your own name and the superannuation fund will still receive tax exemption for the full amount of your income stream account balances.

If your total income stream balance is greater than or equal to the $1.6 million cap, then you will need to either roll back the excess over $1.6 million into an accumulation account within the superannuation fund or withdraw the amount in excess of $1.6 million. The decision needs to be made and any funds withdrawn prior to 30 June 2017.

We have sent a separate letter out to those who were over or nearing the $1.6 million as per our information. If you have not received a letter and believe that your pension balance across all your superannuation funds exceeds the cap, please advise us so we can prepare the necessary documentation. If you have made significant contributions that will be used to commence a new pension in the 2017 financial year, and this may put you over the $1.6m cap, please advise us so we can prepare the necessary documentation.

Transition to Retirement Income Streams no Longer Tax Exempt

For those who are drawing a pension but have not met a condition of release, once they have reached preservation age, they were able to commence a Transition to Retirement Income Stream (TRIS). The earnings on TRIS accounts were tax exempt.

From 1 July 2017, earnings on TRIS accounts are no longer tax exempt. Income on TRIS accounts will now be taxed at 15%. The income stream will continue to be non-taxable for those over 60 years old in your own name from 1 July 2017. For those between preservation age and 60 years old, the tax consequences in your own name remain the same.

Conditions of release are as follows:

- are under age 60, and have reached your preservation age, have ceased gainful employment and have no intention to become gainfully employed in the future
- ceased an employment arrangement on or after the age of 60
- are 65 years of age (even if they haven't retired)

Concessional Contributions from 1st July 2017

For the 2016/2017 financial year, the limit is:

Age of Member *	2017 Year
Under age 49	$ 30,000
Age 49 or over	$ 35,000

* Age determined on 30 June 2016

Contributions will need to be received by the fund no later than 30 June 2017.

Post 1 July 2017, the concessional contribution will be $25,000.

If you have any salary sacrifice arrangements in place, you may need to review them to ensure they do not exceed the new concessional contribution cap of $25,000.

If your taxable income plus reportable fringe benefits plus concessional contributions is expected to be $300,000 or more per annum, the effective tax rate on concessional superannuation contributions may be 30%.

This income threshold will reduce to $250,000 from 1st July 2017.

Non-Concessional Contributions from 1st

July 2017

The current non-concessional contribution cap is $180,000. Bring forward mode is available for those aged under 65 years of $540,000 over three years.

Post 1 July 2017, the non-concessional contribution cap will be $100,000.

If bring forward mode is triggered in 2016 or 2017 year and not fully utilised by 30 June 2017, be aware that bring forward amount is scaled back and you will not
be able to fully utilise remainder of your $540,000 cap post 1 July 2017.

Non-concessional contributions can only be made when your total superannuation balance (pension and accumulation across all superannuation funds) is less than $1.6 million. Below is a table to explain how the non-concessional cap applies post 1 July 2017.

Total super balance'on 30 June 2017	Standard Cap in 2018	Bring Fwd amt in 2018	Bring Fwd Period
< $1.4m	$100,000	$300,000	3 years
>= $1.4m but < $1.5m	$100,000	$200,000	2 years
>= $1.5m but < $1.6m	$100,000	n/a	n/a
>= $1.6m	Nil	n/a	n/a

Work Test for those over 65 years
The work test still applies to making contributions for those who are over the age of 65. To be eligible to make a contribution once you turn 65, you have to of worked for gain or reward for 40 hours in a 30 day period prior to making the contribution, and in the same financial year as making the contribution

Market Valuation of Assets

SMSFs require all assets to be valued at market value at 30 June each year. Valuations for assets like ASX listed shares and public unit trusts are easily obtained. Commercial or residential property, unlisted shares and trusts are more difficult to obtain a valuation for, so we often ask you to provide a market value for these assets.

Here is some information from the Australian Taxation Office about the need for these valuations, who can value these assets and what factors need to be considered.

Why assets need to be valued

Asset valuation is a key component in preparing meaningful SMSF financial reports. It has an impact on the returns for members and ultimately, SMSF sector performance as a whole.

A valuation of assets is required to confirm your SMSF has complied with relevant super law for:

- preparing the financial accounts and statements of the fund
- acquiring assets between SMSFs and related parties
- investments made and maintained on an arm's-length basis
- disposing of certain collectables and personal use assets to a related party of the fund

- determining the market value of an SMSF's in-house assets as a percentage of all assets in the fund
- determining the value of assets that support a member's super pension
- determining the value of existing retirement income streams at 1 July 2017 as they will be counted towards the transfer balance cap
- determining the value of new retirement income streams on or after 1 July 2017, when they will be counted towards the transfer balance cap
- determining the market value of assets that are eligible for transitional capital gains tax (CGT) relief in the 2016–17 income year
- determining the market value of assets supporting members' retirement phase and accumulation accounts for the purposes of calculating the members' total superannuation balances.

Who can value these assets

It is usually the valuation process undertaken rather than who conducted it that governs the acceptability of a valuation.

In all cases the person who conducts the valuation must base their valuation on objective and supportable data.

Depending on the situation, a valuation may be undertaken by a:

- registered valuer
- professional valuation service provider
- member of a recognized professional valuation body
- person without formal valuation qualifications but who has specific experience or knowledge in a particular area.

In certain instances the law requires valuations be undertaken by a qualified, independent valuer.

General valuation principles

You must be able to demonstrate that the valuation has been arrived at using a 'fair and reasonable' process. Generally, a valuation is considered fair and reasonable where it meets all the following.

- It takes into account all relevant factors and considerations likely to affect the value of the asset.
- It has been undertaken in good faith.
- It uses a rational and reasoned process.
- It is capable of explanation to a third party.

In addition, some classes of assets must be valued and reported in a specific way.

Real property

For preparing SMSF financial reports, an external valuation of real property is not required each year. A recent valuation however would be prudent if you expect that the valuation is now materially inaccurate or an event occurred that may have affected the value of the property since it was last valued. This may be due to a change in market conditions or a natural disaster.

When valuing real property, relevant factors and considerations may include:

- the value of similar properties
- the amount that was paid for the property in an arm's length market
- independent appraisals
- whether the property has undergone improvements since it was last valued
- for commercial properties, net income yields.

Business real property acquired from a related party of the SMSF must be made at market value.

Disposals of real property to a related party of the SMSF must be conducted at arm's length.
When valuing real property assets for SMSF financial reports, the valuation may be undertaken by anyone as long as it is based on objective and supportable data. A valuation undertaken by a property valuation service provider, including online services or real estate agent would be acceptable.

Especially in light of the new caps for pensions and contributions, please consider whether the value you currently have for your superannuation property and unlisted shares does accurately reflect the current market conditions of that property.

Please Note – Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

We are bound by the Privacy Act and will protect your personal information in accordance with the Australian Privacy Principles. To view or download a copy of our Privacy Policy please go to www.whitsondawson.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

WHITSON DAWSON Certified Practising Accountants

Unsubscribe

A Level B, Canegrowers Building, 120 Wood Street, Mackay Qld 4740
T (07) 4957 2985 **F** (07) 4953 1883 **E** clients@whitsondawson.com.au