

SUPERANNUATION ALERT

Minimum Pension Amounts – 50% Reduction to Continue

On the 30 June 2010 the Federal Government announced an extension of the 50% reduction in the required minimum pension amount for account based pensions, transition to retirement pensions, market linked pensions and allocated pensions.

The minimum amounts had been reduced by 50% for the years ended 30 June 2009 and 2010, and this has now been extended for the year ending 30 June 2011.

The minimum annual pension amount for account based pensions will be as follows:-

- 2% for a person aged under 65 at the beginning of the financial year; and
- 2.5% for those aged between 65 and 74.

It is important to note this measure allows a smaller pension amount to be taken from a superannuation fund, however a higher amount may be received, provided that, where applicable, the maximum limit is not exceeded.

Please note this announcement has yet to be legislated, but the Government intends to amend the pension regulations as a matter of urgency. We will advise you if there are any changes to the above advice.

Reportable Employer Superannuation Contributions

We remind employers that reportable employer superannuation contributions (RESC) need to be included when completing their employees' payment summaries for the year ended 30 June 2010.

RESC are generally superannuation contributions made under a formal salary sacrifice arrangement, but do not include the required 9% superannuation guarantee. In addition, contributions made on behalf of an employee required by legislation, or other requirement that the employee and their employer cannot directly control, are excluded from the RESC.

Should you require any assistance in completing your employees' payment summaries, or require additional information in relation to RESC, please contact our office.

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The Cooper Review

In May 2009 the Government commissioned a review into the governance, efficiency, structure and operation of Australia's Superannuation System. The Superannuation System Review Panel, chaired by Mr Jeremy Cooper was to provide recommendations on how to make superannuation simpler, safer and more efficient. The Panel delivered its final report to the Government on 30 June 2010.

On the 5 July 2010 the Government released the final report, although it has not yet provided any response to the Panel's 177 recommendations, 29 of which specifically relate to self managed superannuation funds (SMSF). There has been a lot of commentary in the press in the last few days on some of the recommendations for SMSFs. We will not go into full detail at this stage as it is not known which recommendations will be adopted by the Government. However we thought we would give you a snapshot of the ones which may be of interest in relation to SMSFs.

Trustee Obligations

- Penalties against trustees should be on a sliding scale reflecting the seriousness of the breach, and paid directly by the trustee and not out of the corpus of the fund;
- Give the ATO power to issue a direction to rectify specified contraventions within a specified time;
- Enforce mandatory education for trustees who have contravened the SIS legislation;

Investment Restrictions

- The current 5% in-house asset (IHA) limit should be reduced to zero;
- SMSFs with existing IHAs should be given a five year transition period to either dispose of the IHA or convert to a Small APRA Fund (SAF) which would involve having an independent trustee appointed over the fund. (Note: assets previously grandfathered under the 1999 arrangements and existing IHA exemptions will still apply);
- No additional IHAs to be acquired during the transition period;
- Acquisitions and disposals between related parties, where there is a formal market or exchange (eg ASX) should be conducted through that market. Where there is no formal market, a formal independent valuation should be obtained;
- The acquisition of collectibles and personal use assets (eg paintings, stamp collections and golf club memberships) should be prohibited;
- SMSFs with existing collectibles or personal use assets be given a five year transition period to either dispose of the asset or convert to a SAF;
- No additional collectibles or personal use assets to be acquired during the transition period;
- No change to the current borrowing / instalment warrant provisions, although they should be reviewed in two years to ensure borrowing does not become a significant focus of SMSFs;

Other

- The current membership limit of four members should not be increased;
- Additional key information be provided to SMSF members on an annual basis; and
- Proof of identity checks be required for all people joining an SMSF.

As noted above the Government has not yet provided any response in relation to the recommendations provided in the final report. We will keep you informed as to when this will occur and any changes to legislation which result from the Government's response.