



Super Easy!

News and information for the clients of Superannuation Services Pty Ltd

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Admin Fee Unchanged

Good News! For a third consecutive year, we have decided not to increase the annual administration fee, plus providing additional services at no extra cost such as the Electronic Service Provider Portal and Banklink.

Budget 2014

- SGC contribution will increase to 9.5% from 01/07/2014 and will remain frozen at that level for 3 years.
- Allow excess non-concessional contributions after 01/07/2013 to be withdrawn from the fund, thereby eliminating the absurd up to 93% tax.

Deeming Rules – New Centrelink Assessment Rules

From 1st January 2015 reduced benefits for SMSF pensioners may apply.

The deeming rules will apply to the SMSF pensioners entire account balance for Centrelink Income Test Assessment purposes. The amendments will align the income test treatment of account based superannuation income streams with the deeming income rules applying to other financial assets.

Pensions started prior to 01/01/2015 will continue to be assessed under the previous rules. The new rules will affect all new pensions started after 31/12/2014, or any changes to existing pensions.

In the 2014 Budget it was announced that this new method will also be used for assessing the eligibility for the Commonwealth Seniors Health Card.

New Penalty Powers for the ATO

From 1st July 2014, the ATO will have new powers which will allow a wider variety of penalties on Trustees of SMSF's who contravene superannuation rules.

The introduction of the new powers will allow the ATO to more "effectively, flexibly and proportionally" deal with non-compliance issues regarding superannuation laws.

CURRENT PENALTY REGIME

At present the ATO's penalty regime is harsh and rigid. For this reason, the ATO is reluctant to impose the penalty except in the worst cases. The measures the ATO can currently impose include:

- Make an SMSF non-complying
- Apply to the Court for civil or criminal penalties to be imposed
- Set enforceable undertaking in regard to the contravention
- Disqualify a Trustee

This penalty regime does not allow the ATO to impose a measured response based on the severity of the contravention. For some time the ATO has sought a wider range of penalties so they can adequately deal with all sorts of contraventions. The new regime will allow a proportional penalty by the ATO, depending on the breach. **Be Warned!** The ATO will not be afraid to use them.

NEW POWERS

The three new powers are:

- Rectification directions;
- Education directions; and
- Administration penalties.

Donation of Shares

Unless you have met a Condition of Release it is illegal for a SMSF to donate shares to a charity. It is considered Early Release of Benefits and heavy penalties apply.

RECTIFICATION DIRECTIONS

The ATO would direct a trustee of an SMSF to follow a course of actions to rectify the contravention. It would have a specified timeframe and upon completion, the providing of evidence to the ATO of the resolution of the issue. Non-compliance to the directions would see a financial penalty imposed, currently \$1,700 per offending trustee/director.

EDUCATION DIRECTIONS

The Trustee of an SMSF would be directed to undertake specific education within a certain timeframe. If not completed, a financial penalty, currently \$1,700 would apply. Again, evidence of compliance with the directive would need to be provided to the ATO and within 21 days of completion of the education, a new trustee declaration must be signed confirming the understanding of the trustee's duties. Curiously, this educational course must be free of charge. Any associated costs in relation to the education cannot be paid or reimbursed from the assets of the fund.

ADMINISTRATIVE PENALTIES

The third and most telling of the ATO's new powers is the introduction of administrative penalties. Administrative penalties apply to specific contraventions. The Trustees/Directors would be personally liable for the financial penalty, ranging from \$850 to \$10,200, not the SMSF. The SMSF cannot pay or reimburse the Trustees for the costs of an administrative penalty.

The penalties can be unilaterally applied. For example, the ATO could issue an education direction and impose an administrative penalty on a contravention. Some examples of administrative penalties are set out below:

Section	Breach	Penalty
67(1)	Prohibition against borrowing	\$10,200
84(1)	In-house assets rules	\$10,200
35B	Obligation to keep records and accounts	\$1,700

SUMMARY

The ATO retains the draconian penalties of the past, but now has the flexibility of tailoring penalties to fit the crime.

High Income Earners Lose the Concessional Tax on Taxable Contributions

Though this measure was introduced from the 2012/13 year, assessments have only been issued from early this year.

If a member's income is greater than \$300,000, they may have to pay an extra 15% tax on their taxable contributions.

The concept of income is the same as determining whether an individual is liable to pay the Medicare levy surcharge, "Income for surcharge purposes". A broad based definition of income has been applied to ensure various forms of income are included and that the tax cannot be reduced or avoided (eg salary packaging arrangements).

The additional tax would apply to the concessional contributions or the excess above \$300,000 threshold, whichever is the lower amount.

The member is responsible for paying the extra tax by the due date, generally 21 days after the notice of assessment has been issued.

A release authority is issued with the assessment. The member can choose to use the release authority to have the SMSF pay the tax or can pay it out of their own pocket.

Contribution Caps

Concessional Contribution eg: SGC, Salary Sacrifice, Employer, Member Claiming Tax Deduction

2013/2014	25,000	If 59 or over on 30/06/2013 the cap is \$35,000
2014/2015	30,000	If 49 or over on 30/06/2014 the cap is \$35,000

Non-Concessional Contribution eg: member after tax money

	Under 65 anytime during financial year	Over 65 at all times during financial year
2013/2014	150,000*	150,000
2014/2015	180,000*	180,000

* Subject to the three year 'bring forward' rules.

Note: Any Contributions made after 65 are subject to the "work test".

Trust, Ethics, Dedication