



THE  
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ACADEMY

# Events-based reporting for SMSFs

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The background features a laptop and a smartphone. The laptop screen displays a dashboard with various data points: 'Revenue MTD' at \$2,000, 'Revenue YTD' at \$16,500, 'Document Orders' at 4, and 'Case Deal Update' at 10. The smartphone shows a news article with a photo of a person. The entire scene is overlaid with a semi-transparent red filter.

**Super reforms have commenced...**

**Where are we currently at with events-based reporting?**

# Events-based reporting

- From 1 July 2017, all superannuation funds, including SMSFs, will be required to report Transfer Balance Cap (TBC) credits & debits to the Australian Taxation Office (ATO) on an 'events' basis
- All superannuation fund providers, including SMSFs, will report TBC events via the Transfer Balance Account Report (TBAR)
  - ATO approved form

# Transfer Balance Cap - Credits

- The total value of any super interests that support retirement phase income streams you are receiving on 30 June 2017
- The value of new retirement phase income streams, including super death benefit income streams and deferred super income streams, that you begin to receive on or after 1 July 2017
- The value of reversionary super income streams at the time you become entitled to them (Typically credited to the member 12 months from 'starting day')
- The excess transfer balance earnings that accrue on any excess transfer balance amount
- Certain Limited Recourse Borrowing Arrangements (LRBA) repayments (that increase the value of retirement phase interests)

# Transfer Balance Cap - Debits

- Full Commutation of super income stream
- Partial Commutation of super income stream
- Structured settlement contributions
- Events resulting in a reduction of a super interest
  - E.g. fraud, dishonesty or bankruptcy
- Payment split upon divorce or relationship breakdown
- Failure to comply with pension standards
- Failure to comply with a commutation authority
- Non-commutable excess transfer balance

# Transfer Balance Account Report

- The TBAR has been developed to capture the new information that income stream providers need to report to the ATO
- All superannuation providers paying a superannuation income stream to an individual will need to complete and lodge this form
  - Allows ATO to capture details of amounts moving in and out of retirement phase
- ATO has advised that the TBAR will be available to be (initially) submitted through three channels:
  - Bulk data exchange (APRA funds & larger administrators)
  - An online form (for smaller providers); or
  - A paper form (can upload and lodge through Tax Agent or Business Portal)

# TBAR specifications

- Transfer Balance Account Report (TBAR) is not yet available
  - Consultation still ongoing with industry, including timeframes for SMSF reporting
- ATO Specifications
  - Superannuation Provider
  - Member details
  - Event data
    - Reporting Event, Member Account Type, Effective Date & Value
  - Total Superannuation Balance\*

*\* The TBAR may also require SMSFs to report a member's Total Super Balance where the account balance reported through the SMSF AR does not equal the member's accumulation or RP value.*

# TBAR specifications

CODE	GUIDANCE	REPORTING REQUIREMENTS
SIS	Superannuation Income Stream	<ul style="list-style-type: none"> <li>Member account type, effective date, and value</li> </ul>
LRB	Transfer Balance Cap credit arising from repayment of the LRBA	<ul style="list-style-type: none"> <li>Effective date and value</li> </ul>
IRS	Reversionary Income Stream	<ul style="list-style-type: none"> <li>Member account type, effective date, and value</li> </ul>
ICB	Child Death Benefit Income Stream	<ul style="list-style-type: none"> <li>Member account type, effective date, value and deceased parent data</li> </ul>
ICR	Reversionary Child Death Benefit Income Stream	<ul style="list-style-type: none"> <li>Member account type, effective date, value and deceased parent data</li> </ul>
MCO	Member Commutation	<ul style="list-style-type: none"> <li>Member account type, effective date, value;</li> <li>Account status is required if the account is closed</li> </ul>
CC1	Commissioner's Commutation Authority amount commuted in full	<ul style="list-style-type: none"> <li>Member account type, effective date and value are required if there is a partial commutation, account status is optional;</li> <li>If the account is closed and paid out of the system is required (if known)</li> </ul>
CC2	Commissioners Commutation Authority unable to commute in full due to insufficient funds	<ul style="list-style-type: none"> <li>Member account type, effective date and value are required if there is a partial commutation, account status is optional;</li> <li>If the account is closed and paid out of the system is required (if known)</li> </ul>

# TBAR specifications

CODE	GUIDANCE	REPORTING REQUIREMENTS
CC3	Commissioners Commutation Authority unable to commute - member deceased	<ul style="list-style-type: none"> <li>No further information is required</li> </ul>
CC4	Commissioners Commutation Authority unable to commute – capped defined benefit income stream	<ul style="list-style-type: none"> <li>No further information required</li> </ul>
SSP	Personal injury (structured settlement) received on or after 1 July 2017	<ul style="list-style-type: none"> <li>Effective date and value</li> </ul>
STO	Super Income Stream stops being in retirement phase	<ul style="list-style-type: none"> <li>Member account type, effective date and value are required;</li> <li>Account status is required if the account is closed</li> </ul>
APV	Accumulation Phase 30 June value	<ul style="list-style-type: none"> <li>Effective date and value are required</li> </ul>
RPV	Retirement Phase 30 June value	<ul style="list-style-type: none"> <li>Effective date and value are required</li> </ul>
NTC	Uncapped notional tax contributions to be reported for Total Super Balance	<ul style="list-style-type: none"> <li>Effective date and value are required</li> </ul>

# What is not required to be reported

GUIDANCE	REPORTING REQUIREMENTS
Where there are no funds left in retirement phase	<p>The cap does not apply to any subsequent growth or losses. This means that if a member:</p> <ul style="list-style-type: none"> <li>• starts a pension with \$1.6m and the value of that pension grows to \$1.8m over time, they have not exceeded their TB Cap</li> <li>• Starts a pension with \$1.6m and the value of that pension goes down over time as the member uses it to live on or they suffer losses, no ability to 'top up' their pension accounts. There will still be an ability to access other superannuation amounts that they may hold in accumulation phase by taking these as a 'lump sum'.</li> </ul>
Where a member has had a financial loss	
Where the member has had a financial gain	
Loss of value in the members value in their superannuation interest dues to fraud/bankruptcy	<p>In these specific circumstances, an affected individual is able to notify the ATO of the event and receive a debit in their transfer balance account. There is no time limit to notify the Regulator.</p>
Pension payments	<p>Regular pension payments do not result in a credit or debit and therefore do not need to be reported to the ATO, amounts in excess of the minimum pension payment for account-based pensions paid as a lump sum will be treated as a commutation.</p>

# What is not required to be reported

GUIDANCE	REPORTING REQUIREMENTS
<p>A family law split from where an income stream cannot be commuted (e.g. CDBIS)</p>	<p>The family law payment split may have the effect of splitting the income stream benefits attached to the member spouse's superannuation income stream. That is, the member spouse will retain complete ownership of the superannuation interest but a portion of each payment they receive will be directed to the non-member spouse.</p> <p>The member or non-member is required to report this to the ATO.</p>
<p>The member's death other than where there is a reversionary income stream payment</p>	<p>No need to report the members death on the TBAR. If a recipient is receiving a reversionary income stream then the effective date for that income stream needs to be reported as the date of death of the original member.</p> <p>The original members transfer balance account will cease upon death; the ATO will obtain this date from birth deaths and marriages.</p>

# What is not required to be reported

GUIDANCE	REPORTING REQUIREMENTS
Where the income stream is a TRIS	<p>When a TRIS moves into retirement phase a credit will arise in the individual transfer balance account.</p> <p>A TRIS will not be in retirement phase as at 30 June 2017, however if an individual has reached age of 65 prior to 1 July 2017 the income stream will be in retirement phase on 1 July 2017.</p>
Structured settlements received before 1 July 2017	Where a fund has reported a structured settlement between May 2006 and 1 July 2017 we will use this data to debit the transfer balance account

# Frequency of events-based reporting

## Current state of play

# Frequency of reporting

## Current state of play

- All superannuation providers, including SMSFs, will be required to report events occurring in relation to their member's Transfer Balance Account 10 business days after the end of the month in which the relevant event occurs.
- Some specific exceptions will apply to the above timeframe:
  - SMSFs – Commencement value of a member's super income stream
  - SMSFs – Limited Recourse Borrowing Arrangements impacted by the 2017 budget measures
  - All Funds – where needing to comply with a commutation authority

# Specific exceptions

## Commencement value of an SMSF income stream

- An ongoing administrative concession will allow SMSFs to report the commencement value of an income stream (new pension), 28 days after the end of the quarter in which the relevant income stream is commenced

# Example

## Commencement value of an SMSF income stream

- John commences an Account Based Pension (in Retirement Phase) within his SMSF on 1 August 2018 with a value of \$1.3 million
- This amount is to be reported as a credit to his Transfer Balance Account (TBA) using the Transfer Balance Account Report (TBAR) by no later than 28 October 2018
- The amount of \$1.3 million is credited to John's TBA and assessed against his personal Transfer Balance Cap

# Specific exceptions

## Compliance with a Commutation Authority

- When issued with a Commutation Authority all funds, including SMSFs, are required under the ITAA 1997 to comply and notify the ATO **within 60 days of the date of issue of the Commutation Authority**
- Alternatively, all funds must notify the ATO within 60 days of the date of issue of the Commutation Authority why they are unable to comply.

# Commencement of events-based reporting

- ATO has advised that TBAR reporting functionality will be available from 1 October 2017
- APRA regulated funds will submit TBARs for members no later than 10 business days after 30 November 2017
- A transitional period will be allowed for SMSFs so that they will generally **not be required** to commence TBAR reporting until 1 July 2018
- Functionality for TBAR reporting will be available for SMSFs for those SMSFs that wish to commence TBAR reporting before 1 July 2018

# Commencement of events-based reporting

## Important Note:

- The first time that a superannuation provider, including SMSFs, submits a TBAR to the ATO for members it will be necessary to provide details of the history of debits and credits applicable to the member's transfer balance account
- Therefore, SMSFs will need to track all relevant transfer balance account events leading up to the date of lodgement of their first TBAR

# Example

## First-time TBAR reporting

- John commences an Account Based Pension (in Retirement Phase) within his SMSF on 1 August 2017 with a value of \$1.3 million
- He then undertook a re-contribution strategy, withdrawing \$300,000 as a partial commutation, with a non-concessional contribution back into the fund creating an new super income stream.
- When the fund reports to the ATO using the TBAR for the first time, it will be required to report all the events that have occurred since 1 July 2017
  - Cannot submit a 'net' position with the TBAR, required to report 3 x events

# SMSF events-based reporting

Current proposed reporting of transfer balance account events from 1 July 2018\*:

Event type	SMSF TBAR reporting timeframes
Pre-existing 1 July 2017 income streams that have moved in retirement phase (continued)	Generally 1 July 2018
Commencing a superannuation income stream from 1 July 2017	The later of: <ul style="list-style-type: none"><li>• 1 July 2018</li><li>• 28 days after the end of the quarter in which the income stream commenced</li></ul>
Certain repayments of Limited Recourse Borrowing Arrangements (LRBAs)	The later of: <ul style="list-style-type: none"><li>• 1 July 2018; or</li><li>• 28 days after the end of the quarter in which the loan repayment occurred</li></ul>
General TBC credit / debit events	The later of: <ul style="list-style-type: none"><li>• 1 July 2018; or</li><li>• 10 business days after the end of the month in which the event occurred</li></ul>
Commutation Authority – compliance or reason for non-compliance	Whichever is the earliest of: <ul style="list-style-type: none"><li>• 10 business days after the end of the month in which the event occurred; or</li><li>• Legislated due date (as stated by the Authority)</li></ul>

# SMSF events-based reporting

Current proposed reporting of transfer balance account events from 1 July 2018:

Event type	SMSF TBAR reporting timeframes
Commencing a superannuation income stream	28 days after the end of the quarter in which the income stream commenced
Certain repayments of Limited Recourse Borrowing Arrangements (LRBAs)	28 days after the end of the quarter in which the loan repayment occurred
General TBC credit / debit events	10 business days after the end of the month in which the event occurred
Commutation Authority – compliance or reason for non-compliance	Whichever is the earliest of: <ul style="list-style-type: none"> <li>• 10 business days after the end of the month in which the event occurred; or</li> <li>• Legislated due date (as stated by the Authority)</li> </ul>

# Key points for SMSFs

- Events based reporting for transfer balance cap purposes will only be required where a member actually has a transfer balance credit and/or debit for a particular month (from 1 July 2017)
- Some SMSF members may only have 1 x transfer balance account reporting event during their life time – e.g. commencement of an income stream
- A TRIS is not an income stream in retirement phase until a nil cashing condition has been met – do not report until condition of release has been satisfied
  - Retirement prior to 65
  - Reaching age 65
- SMSFs who want to take up transfer balance cap events based reporting before 1 July 2018 will be able to do so from November 2017

## Responding to SMSF industry 'push back'



- The ATO continues to consult with the professional bodies, software providers and professionals around the implementation of events-based reporting
- Main concerns are inconsistent reporting timeframes (creates confusion)
- Alternate model?
  - E.g. end of quarter reporting – 28 days after end of quarter (as per pension commencement)



**What's the right option?**



# ATO guidance

The ATO expects to release public guidance on the events-based reporting requirements in late August 2017.

# Next webinar

## Changing Face of SMSF

*Latest technical & regulatory issues  
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