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MONEY MANAGEMENT

Whichever party forms Government must consult

New analysis issued by IOOF has revealed the degree to which the financial services industry has been left in a policy no-man's land by announced Federal Budget changes, which now have a highly uncertain future due to the looming make-up of the new Federal Parliament.

IOOF Senior Technical Services manager, Martin Breckon, said the financial services industry and particularly financial planners were looking for clarity and certainty but the objective might prove unattainable irrespective of which party eventually formed Government.

He pointed to the fact that establishing the core purpose of superannuation remained up in the air, while there needed to be a good deal more consultation around transition to retirement pensions and the non-concessional contribution caps.

"The May 2016 Budget announcements outlined that investment earnings on transition to retirement pensions will be taxed. It seems reasonable that we then need to consider the broader issues like the flow-on impacts for anticipated fund reporting requirements; whether this means a new form of benefit payment (and hence tax) within the accumulation division in the fund; and whether there would be any type of grandfathering?" Breckon said.

"The \$500,000 non-concessional contribution cap lifetime limit also presents certain issues concerning their retrospective treatment (looking back to contributions made since 2007). Furthermore, the subsequent exemptions given for certain small funds being partially through the completion of an LRBA [limited recourse borrowing arrangement] transaction, creates additional complexity. How for instance we might recognise these exempted amounts on a rollover when a small fund closes?"

Breckon said that it was in these circumstances that it was critical that whichever party formed Government in coming weeks, it consulted widely and constructively with the industry to ensure clarity of purpose is achieved.

"Superannuation funds and financial advisers have serious obligations to fulfil to their members and clients," he said.