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# Reporting to the ATO

## Transfer balance account reporting – as at 30 June 2017

All super providers paying a superannuation income stream to an individual will need to complete and lodge a transfer balance account report (TBAR).

| 'Event' to be reported | What IOOF will report | Further details |
|---|---|---|
| 30 June 2017 value of existing retirement phase account based pension balance (commenced before 1 July 2017) | The opening balance on 1 July 2017 reported in the Centrelink schedule sent to members in early July 2017. | • This is the same balance that is used to calculate the minimum pension payments from 1 July 2017. |
| New retirement phase account based pension balance (commenced after 1 July 2017) | The value of the pension account on the day the trustee decides to commence the pension after all contributions and rollovers have been received. | • Under the Corporations law, trustees have a month from receiving the first deposit to commence the pension. |
| Reversionary account-based pensions | After receiving all the appropriate documents, the pension will be reverted and the following details will be reported on the new TBAR:<br>• The reversionary pensioner as the account holder<br>• The date of death of the primary pension<br>• The value of the pension account on the date of death. | • For transfer balance cap purposes, a reversionary pension is treated as a new pension for the nominated beneficiary.<br>• The ATO will not assess the reversionary pension until twelve months from the date of death to give the beneficiary time to make any adjustments necessary.<br>• If the date of death is between 1 July 2016 and 30 June 2017, the account balance on 30 June 2017 will be the value reported. Date of death is only required to be reported if it is on or after 1 July 2016. |
| Transfer from one IOOF Portfolio Service (IPS)/Pursuit pension account to a new Pursuit pension account | Reported as a full withdrawal (debit) and a new pension value (credit) | • Technically the pension is not being commuted and rolled over – it is merely transferring to a different fee and investment structure (due to the "switchability" feature of IPS and Pursuit). However, for TBAR purposes, as the account number will change, we are required to report this way.<br>• **This has no impact on the client as the full withdrawal and the new pension credit cancel each other out.**<br>• Any growth in the value of the pension is not assessed against the transfer balance cap and it does not affect pre 1 January 2015 Centrelink grandfathering. |
| Transfers between AustChoice and IOOF Employer Super (including sub-plans) | Reported as a full withdrawal from the first pension account (debit) and the commencement of a new pension (credit). | • IOOF Employer Super (including sub-plans) and AustChoice pensions do not have a 'switchability' feature that allows clients to change to a different pension product without restarting the pension<br>• Any growth in the value of the first pension account is not assessed against the transfer balance cap. |

| 'Event' to be reported | What IOOF will report | Further details |
|---|---|---|
| Personal injury contributions (also called structured settlement contributions) | Reported as a debit against the individual's transfer balance account on the TBAR on the later of the receipt into super or first having a transfer balance account. | • Contributions to super directly as a result of compensation for personal injury (PI) are immediately treated as a debit, even if the individual is not immediately commencing a pension with the contribution. |
| 30 June 2017 value of existing capped defined benefit income streams | The value reported for these pensions as at 30 June 2017 will be:<br>• Annualised pension amount x 16 for lifetime pensions<br>• Annualised pension amount x remaining term (round up) for term pensions<br>• Annualised pension amount x remaining term (round up) for TAPs | • Capped defined benefit pensions on 30 June 2017 comprise fixed term and lifetime guaranteed pensions plus market linked income streams (term allocated pensions).<br>• The annualised amount is calculated as the first pension paid past 1 July 2017, divided by the number of days in the period to which the payment relates, multiplied by 365. |
| New capped defined benefit income stream (post 1 July 2017) | A Pursuit Select TAP that commences after 1 July 2017 will be reported as an account-based pension. | • Pursuit Select TAPs commenced after 1 July 2017 are not treated as capped defined benefit income streams, however superannuation rules for market-linked income streams still apply and commutations on these pensions are very limited.<br>• Advisers and clients rolling into new Pursuit Select TAPs must take care not to exceed the transfer balance cap to avoid additional tax, as TAPs cannot be partially commuted and the pension must remain in retirement phase (the tax exempt part of the super fund). |
| Commutation of capped defined benefit income streams | Full commutations of lifetime pensions create a debit equal to the original credit for the pension. | • IOOF complying pensions and TAPs can only be fully commuted and rolled over to commence a new complying income stream with another provider or a new Pursuit Select TAP. |

## Total Superannuation Balance reporting

The total superannuation balance is the total value of superannuation and pension accounts on 30 June and is used to determine the amount that can be contributed under the non-concessional contributions (NCC) cap for the next tax year. If the total superannuation balance on 30 June 2017 is $1.6 million or more then the NCC cap is $0.

Super funds will be required to report the value of super and pension accounts on 30 June 2017 for Total Super Balance either on the Member Contributions Statement or alternatively on the TBAR. The Member Contributions Statement (MCS) sets out the contributions received during the 2016/17 financial year and is required to measure contributions against the contributions cap.

| 'Event' to be reported | What IOOF will report | Further details |
|---|---|---|
| Total superannuation balance as at 30 June 2017 | The withdrawal benefit on 30 June 2017 for all super and pension accounts<br>(i.e. the amount that a member would receive if they cashed out of the account on 30 June 2017). | • For wrap-style super platforms like IOOF, the withdrawal benefit for a super account is net of tax on unrealised capital gain, and therefore different to the account balance.<br>• By reporting the lower withdrawal benefit figure for total superannuation balance purposes, IOOF provides members with a greater opportunity to make further non-concessional contributions to super.<br>• There is little difference between the account balance and the withdrawal benefit for pension accounts. |

# TBAR Frequently Asked Questions

## Will all retail super platforms be reporting 30 June 2017 account-based pension values in the same way?

Not necessarily. IOOF will report the value disclosed on the July 2017 Centrelink schedule because we believe this is the value that most closely aligns with section 294-25 of the Tax Act. Other super platforms may apply a different (but also reasonable) method to value pension benefits on 30 June 2017.

## Will IOOF be reporting Transition to Retirement (TTR) pensions in the December 2017 TBAR?

No. TTR income streams are not in retirement phase and therefore transactions are not reported in the TBAR. However the 30 June 2017 account balance for all super and pension accounts (including TTR pensions) will be reported in the MCS or separately on the TBAR.

## When do TTR pensions get reported to the ATO in the TBAR?

When a TTR pensioner turns age 65, the pension automatically transfers to retirement phase and will be reported to the ATO in the next TBAR following the month the pension is transferred to retirement phase. Also if the pensioner meets a full condition of release (such as retirement or permanent incapacity) before turning age 65, the TTR pension will transfer to retirement phase when the condition of release is accepted by the trustee and processed.

Pursuit TTR pensions that transfer to retirement phase change from Division 6 (taxable) to Division 3 (tax exempt) within the fund. The value that is reported to the ATO is the commencement value of the account in Division 3. However for IOOF Employer Super (including sub-plans) TTR pensions, the account number does not change when the member retires or turns age 65, and the value reported on the TBAR will be the value of the account on the day the condition of release is processed and reported in the following months TBAR.

## What are transfer balance debits?

These are amounts that are debited against your client's transfer balance account. Any lump sum withdrawal (commutation) from an account-based pension after 1 July 2017, whether taken in cash or rolled over (including ATO Release Authorities eg Div 293), is reported in the next TBAR as a debit against the transfer balance account. It doesn't matter whether the withdrawal is in cash or in specie (as a transfer of investment assets), it is still reported as a debit.

In the December 2017 TBAR, IOOF will report all withdrawals from IOOF pensions from 1 July 2017 as debits. Following that any further withdrawals will be reported in the following month's TBAR.

## What types of withdrawals are not treated as transfer balance debits?

Pension payments are not reported as debits. This also includes situations where a client chooses to voluntarily dial up pension payments. Please note if a client requests an ad hoc drawdown from their pension account, this will always be treated as a lump sum withdrawal (and a debit reportable in the TBAR) unless the client specifically requests that it be treated as a pension payment.

## Are there any other special types of contributions that will be treated as transfer balance debits?

At this stage no. Although the legislation does allow for regulations to specify new types of debits, no new debits have been proposed by the Government.

This means that (as yet) there are no exemptions (debits) from the transfer balance cap for insurance payments for death or TPD. Also CGT exempt contributions and (it appears) the proposed new home downsizer contributions will not be excluded from the transfer balance cap.

## Will reporting to the ATO change in 2018?

From 2018, the ATO plans to streamline reporting from APRA super funds by introducing two reports:

| Report | Date | Further details |
|---|---|---|
| Member Account Attribution Service (MAAS) | April 2018 | Rather than report all member account details on an annual basis in the MCS, APRA super funds will be required to report on a real-time basis the opening and closing of super and pension accounts within five business days. |
| Member Account Transaction Service (MATS) | July 2018 | The MATS will replace the MCS and the TBAR. Transactions will be reported on a 'real time' basis on the MATS.  30 June balances for all accounts will continue to be reported annually through MATS. |



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