

SUPER + STRATEGIES = ?



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TOPICS

- ✓ Tax Strategies
 - Contributions
 - Pensions
- ✓ ATO Target Areas
- ✓ Common Issues for SMSFs
- ✓ Budget/Cooper Review

Tax Strategies - Contributions

Who can make contributions to super?

- < 65 accept all types of contributions.
- > 65 must meet the works test.
 - Works test - 40hrs in a 30 day period.
- > 75 no contributions.

Tax Strategies - Contributions

Concessional (Deductible) Contributions:

- Employer – e.g. 9% SGC
- Salary Sacrifice; and
- Self employed contributions

Tax Strategies - Contributions

Non-concessional Contributions:

- After tax voluntary contributions
- Spouse contributions
- Personal contributions – Co-contribution
- Non-assessable transfers - foreign super
- Excess concessional contributions!

Tax Strategies - Contributions

What are the caps?

Age	Concessional	Non - Concessional	Bring Forward Rule
<50	\$25,000	\$150,000	Yes
>50<65	\$50,000	\$150,000	Yes
>65<75 If meets works test	\$50,000	\$150,000	No

Tax Strategies - Contributions

How can you use a contribution to reduce tax?

- Maximising concessional contributions!

Tax Strategies - Contributions

Other more involved contribution strategies are:

- In-specie contributions
- Recontribution strategies
- Salary sacrificing

Tax Strategies - Pensions

Who can start a pension?

- Preservation age – 55 to 60
- Retirement – 55 to 65
- Age 65 – unrestricted access

Tax Strategies - Pensions

Preservation Ages

Your Date of Birth	Preservation Age
After June 1964	60
1 July 1963 to 30 June 1964	59
1 July 1962 to 30 June 1963	58
1 July 1961 to 30 June 1962	57
1 July 1960 to 30 June 1961	56
Before 1 July 1960	55

Tax Strategies - Pensions

Tax benefits of starting a pension

- Income and capital gains within your super fund become tax free (except for new contributions)
- Large franking credit refunds
- Tax free pensions payment for those >60

Tax Strategies - Pensions

Transition to retirement pensions TRIS

- Not retired or under 65?
- Doesn't exclude you from starting a pension!
- Designed just for people to transition themselves out of the workforce?

Tax Strategies - Pensions

Transition to retirement pensions

- Limited to a maximum of 10% of benefits per year
- If under 55 it is taxable to you but receive a 15% tax offset
- Great tax strategy with Sal Sac or just to make SMSF tax free!

Tax Strategies – Gearing in Super

There are a couple of ways you can gear through a super fund

- Self Funding instalment warrants – e.g. shares
- Borrowing arrangements – Gearing strategy for property!
- Why? Lower contribution caps

Tax Strategies - Super

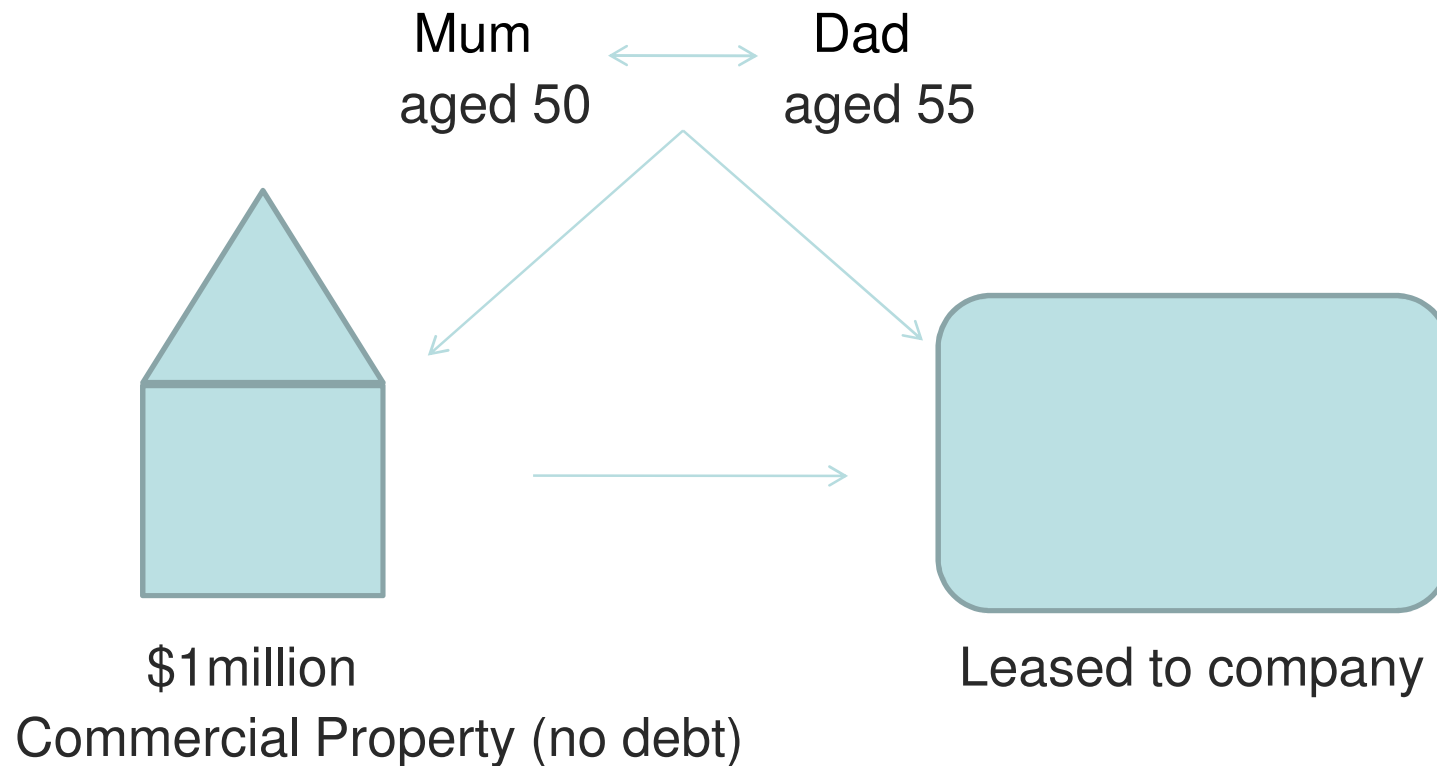
- Whilst there are number of strategies that can minimise tax which involved in super, at the end of the day the focus is really on maximising your superannuation benefits!

“Good Investments with good tax and SMSF strategy”

Business Strategies

- Do have assets that you could transfer to your SMSF tax free?
- Can you boost your super?
- Minimising tax in general:
 - SMSF
 - Personal
 - Company
- Can you borrow to buy these assets in Super?

Example - Start



Example

Facts

- Mum and Dad jointly own property leased to their company
- Have Son age 20, Daughter aged 18
- Both children are studying and have no income

Example

Issues

- Only \$500k in SMSF
- Children have no income – at Uni, bludging
- Commercial property net income of \$100k

Example

Part 1 – Commercial Property

- Sell property to super fund
- Borrow against property in super fund
- Selling as going concern so GST free
- Pay stamp duty of approx. \$45k on \$1m property
- Apply small business CGT concessions – no CGT on sale of property

Example

Part 1 – Continued

- In-specie contribution of property
- Could use concessional or non-concessional caps up to \$450k
- \$100k net income - 0% pension or 15% tax
- Final sale in 10 yr's tax free in pension phase

Example

Part 1 – Downsides

- Funds are locked in super – but closer to access 55 to 60
- stamp duty
- Can only gear once on the property

Example

Part 2 – Company Restructure

- Sell company shares to a family trust
- No commercial change to the business
- Contribute net capital gain to super
- No stamp duty or GST
- Now pay dividends to adult children

Example

Part 2- Continued

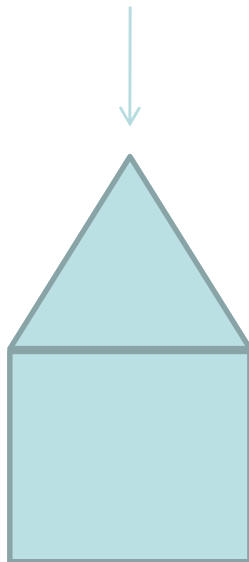
- \$1 million cost base for shares versus original \$2 for shares

Downside

- Funds are locked in super – but closer to 55 to 60

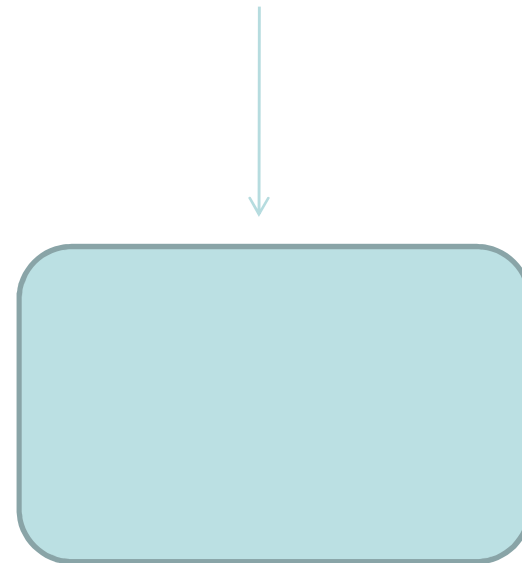
Example - End

SMSF



\$1 million
Property

Trust



Leased to company

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Budget Changes - Super

- One off relief from excess contributions tax
- Minimum pension 25% reduction in the 2012 financial year
- Annual Super Levy to increase to \$180
- Higher contribution cap for those over 50 from 1 July 2012 BUT must be less than \$500k in super

Cooper Review – Collectibles

Draft Regulations released for collectibles and personal use assets

- 1 July 2011 - new assets
- 1 July 2016 for existing assets
- Cannot be used by you or a related party
- Cannot store at home or at business

Cooper Review – Collectibles

- Insure within 7 days of purchase
- SMSF can sell to you but must be at market value prepared by a “qualified independent valuer”.

NB: As always – collectibles cannot be purchased from a related party to a SMSF

ATO Target Areas

A lot of money has been allocated to the SMSF section at the ATO – which means a lot more scrutiny of these funds

Any fund that has a breach reported to the tax office – no matter how small – is being followed up by the ATO within 4 weeks of the breach being reported.

Therefore, it is worth getting it right!

ATO Target Areas

The ATO is also a lot more active in making funds non-compliant – 46.5% tax!

Funds made not compliant over the last few years.

2007	2008	2009	2010
5	24	99	185

ATO Target Areas

- Loans to members
- Sole purpose test breaches – e.g. painting in home
- Related party transactions
- In-house assets - e.g. related party builder contracts with super fund
- Super fund assets being held in the correct names
- Non-resident funds

Estate Planning

For everyone that has an existing self-managed superannuation fund have you considered:

- Who will control your superannuation fund, if something were to happen to you?
- Who will receive your benefits when you die?

NB: Super does not automatically form part of your estate – and you cannot act as a trustee of the super fund if you are incapacitated.

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