



# Transfer Balance Indexation & Compliance Updates for 21/22

July 2021

We will reimagine a more simple, automated world  
for our customers and they will love it!



# Today's Presenters



**Sebastien Brennan**  
Consulting Team Leader



**Kevin Zhang**  
Technical Compliance Manager

# Agenda

1. Transfer Balance Indexation
  2. Contribution Cap Indexation
  3. SMSF Checklist
  4. What's new in SMSF annual return 2021
  5. Coming soon - incl  
SuperStream Rollover  
Readiness checklist
- Q&A during the session
  - Recording to be shared



# Disclaimer

- Any information expressed in this PowerPoint presentation does not purport to be any financial, tax or legal advice as we have not taken into account any of your or your client's financial or tax objectives that are specific to you or your client's circumstances.
- While effort has been taken to make sure the information is as accurate and relevant as possible, it is at best construed as general information on how to use Class software.
- You should not rely on the information provided as advice, instead seek your own independent advice from appropriately qualified practitioners or conduct your own research.
- No warranty is given as to its accuracy and relevance and persons who rely on this information do so at their own risk. The information may also become obsolete as the product evolves and feature changes.

# Poll Question

Which of the recent compliance changes do you believe will impact your practice the most?

- Transfer balance indexation?
- Administering revised Contribution caps ?
- Auditor independence changes?
- Electronic SuperStream rollovers/release authorities?

# Transfer Balance Indexation



# New Terminology

## Highest ever transfer balance

- The highest credit balance the member has ever had in their transfer balance account.

## Personal transfer balance cap



- The general transfer balance cap when the member started their balance account plus any proportional indexation the member is entitled to.

## Indexation entitlement

- Whether the member is entitled to indexation of the transfer balance cap in the future.

## Available cap space

- Personal transfer balance cap less member's transfer balance account





Hints & Tips	No.	Details and Why
	1	Your current transfer balance account $\neq$ Highest ever transfer balance
	2	Partial or full commutation prior to 30 Jun 2021 cannot increase your indexation entitlement

## Transfer balance cap

A transfer balance account is used to monitor the super savings transferred into a retirement phase account. Use this information to help plan for retirement by monitoring your current personal transfer balance cap and available cap space. The information displayed on this screen is based on information reported to us. Your personal transfer balance cap is based on the highest ever balance of your transfer balance account and may change if the information we have relied on to calculate it changes.

### Available cap space

\$782,000.00

Description	Amount
Your current personal transfer balance cap	\$1,646,000.00 
<b>Your current transfer balance cap </b> \$1,646,000.00	
<b>Highest ever transfer balance </b> \$864,000.00	
<b>Indexation entitlement </b> Yes	



# Proportional indexation calculation

## Sec 290-40 of ITAA 1997:

1. Identify the highest transfer balance in your transfer balance account at the end of any date up to the end of 30 June 2021.
2. Use the highest ever balance to calculate the proportion of cap used as a percentage, ***rounded down*** to the nearest whole number and then subtracting from 100% to determine unused cap percentage.
3. Multiplying the unused cap percentage by indexation increase of \$100,000.
4. The dollar figure is then added to the original TBC to represent the new personal TBC.

## Worked Example

1. Highest transfer balance = \$864,000
2.  $864,000 / 1,600,000 = 54\%$ ; Unused cap % =  $100\% - 54\% = 46\%$ .
3.  $\$100,000 \times 46\% = \$46,000$
4. New Personal Transfer Balance Cap =  $1,600,000 + 46,000 = \$1,646,000$

Scenarios	Indexation Entitlement	Personal Transfer Cap
Member with highest ever transfer balance $\geq$ \$1.6m	No	\$1,600,000
Member never had any retirement phase income stream	Yes	\$1,700,000
Member with highest ever transfer balance $<$ \$1.6m	Yes	$\$1,601,000 \leq \$ \leq \$1,699,000$

# Contribution Caps & Total Super Balance (TSB)



# Contribution Caps interacts with TSB

Contribution Type	Details										
Concessional Contribution Cap	\$27,500 p.a. (All ages)										
Non-Concessional Contribution (NCC) Cap	<p>\$110,000 p.a. or up to \$330,000 if 3 year bring forward rule (BFR) is applied and member is under age 67 at 1 July 2020. Eligibility to make NCC is dependent on individuals having a total superannuation balance (TSB) &lt; \$1.7m at the end of 30 June of the previous financial year.</p> <table> <tr> <th>TSB at 30/06/2021</th><th>NCC and BRF available</th></tr> <tr> <td>≥ \$1.7 million</td><td>Nil</td></tr> <tr> <td>≥ \$1.59 million &lt; \$1.7 million</td><td>\$110,000 cap (over 1 year)</td></tr> <tr> <td>≥ \$1.48 million &lt; \$1.59 million</td><td>\$220,000 cap (over 2 years)</td></tr> <tr> <td>&lt; \$1.48 million</td><td>\$330,000 cap (over 3 years)</td></tr> </table>	TSB at 30/06/2021	NCC and BRF available	≥ \$1.7 million	Nil	≥ \$1.59 million < \$1.7 million	\$110,000 cap (over 1 year)	≥ \$1.48 million < \$1.59 million	\$220,000 cap (over 2 years)	< \$1.48 million	\$330,000 cap (over 3 years)
TSB at 30/06/2021	NCC and BRF available										
≥ \$1.7 million	Nil										
≥ \$1.59 million < \$1.7 million	\$110,000 cap (over 1 year)										
≥ \$1.48 million < \$1.59 million	\$220,000 cap (over 2 years)										
< \$1.48 million	\$330,000 cap (over 3 years)										
Co-contribution and Spouse tax offset	The TSB limit that determines if an individual is entitled to co-contribute or claiming spouse tax offset will be \$1.7 million.										
Defined benefit income cap	\$106,250 = Indexed to General Transfer Balance Cap / 16										

# Unaffected Limits & Thresholds

Type	Limits and Thresholds
Disregarded small fund asset	TSB is still assessed at \$1,600,000
Eligibility to use carry forward unused concessional contribution	TSB < \$500,000
Method to determine Quarterly vs Annual TBAR fund	TSB = \$1,000,000
Work test exemption	From 1 July 2021, if you are aged 67 to 74 years and your TSB is below \$300,000 at the end of the previous year, you can make voluntary super contributions for 12 months from the end of the financial year in which you last met the work test.



Section 4:

# SMSF Review Checklist



# SMSF Deed Checklist

No.	Description	
Deeds		
1	Any clause referring to best interest duty needs to be updated to best <b>financial</b> interest duty	<input type="checkbox"/>
2	Any deed limits SMSF numbers to 4 may need to be upgraded to support new members	<input type="checkbox"/>
3	Deed supports more than 4 members should use corporate trustees structure	<input type="checkbox"/>
4	Be aware of deed clause refers to Australian Accounting Standards (AAS) or AASB, as from 1 July 2021, funds with such deed, there is requirement to prepare general purpose financial statements.	<input type="checkbox"/>



# SMSF Member Checklist

No.	Description	
<b>Members</b>		
1	Member's Total Super Balance	<input type="checkbox"/>
2	Member's unused concessional contribution carryforward	<input type="checkbox"/>
3	Member's bring forward rule details if applicable	<input type="checkbox"/>
4	Member's transfer balance account and personal transfer balance cap	<input type="checkbox"/>
5	Member's pension account identifier for any retirement phase income stream that matches with previous TBAR records lodged	<input type="checkbox"/>

# 2020-21 SMSF Annual Return and non-related related changes





Code S for Special Disability Trust has been removed from Section B: Income Label M Gross trust distributions.

# SMSF Independent Auditor's Report (IAR) (NAT 11466)

## **Basis for opinion**

- In particular, neither myself, my firm or my network firm assumed a management responsibility for the fund. My firm or network firm did not prepare the financial statements for the fund. Where my firm or network firm provided any other non-assurance services to the fund, we are satisfied that those services were not prohibited under the Code and any independence threats arising have been eliminated or reduced to an acceptable level by the application of safeguards.

## **Independence and quality control**

- In particular, neither myself, my firm or my network firm assumed a management responsibility for the fund. Where my firm or network firm provided any other non-assurance services to the fund, we are satisfied that those services were not prohibited under the Code and any independence threats arising have been eliminated or reduced to an acceptable level by the application of safeguards.

# Temporary 50% Reduction in Minimum Pension Drawdown

Age	Default Minimum Drawdown Rate	Reduced Rate by 50% for FY 2020, 2021 and 2022
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or more	14%	7%

# Extending BFR for Members 65 & 66

## **Member contribution events**

- Appropriate warning message has been updated to take income account members aged 65 & 66 when they make Non-Concessional Contribution (NCC) triggering the Bring Forward Rules (BFR).

## **Contribution caps and reports**

- Allow members age 65 and 66 to trigger bring forward rule from 1 July 2020 provided their TSB meet the requirement
- Update reports, warnings and bring forward status.

## **Client view**

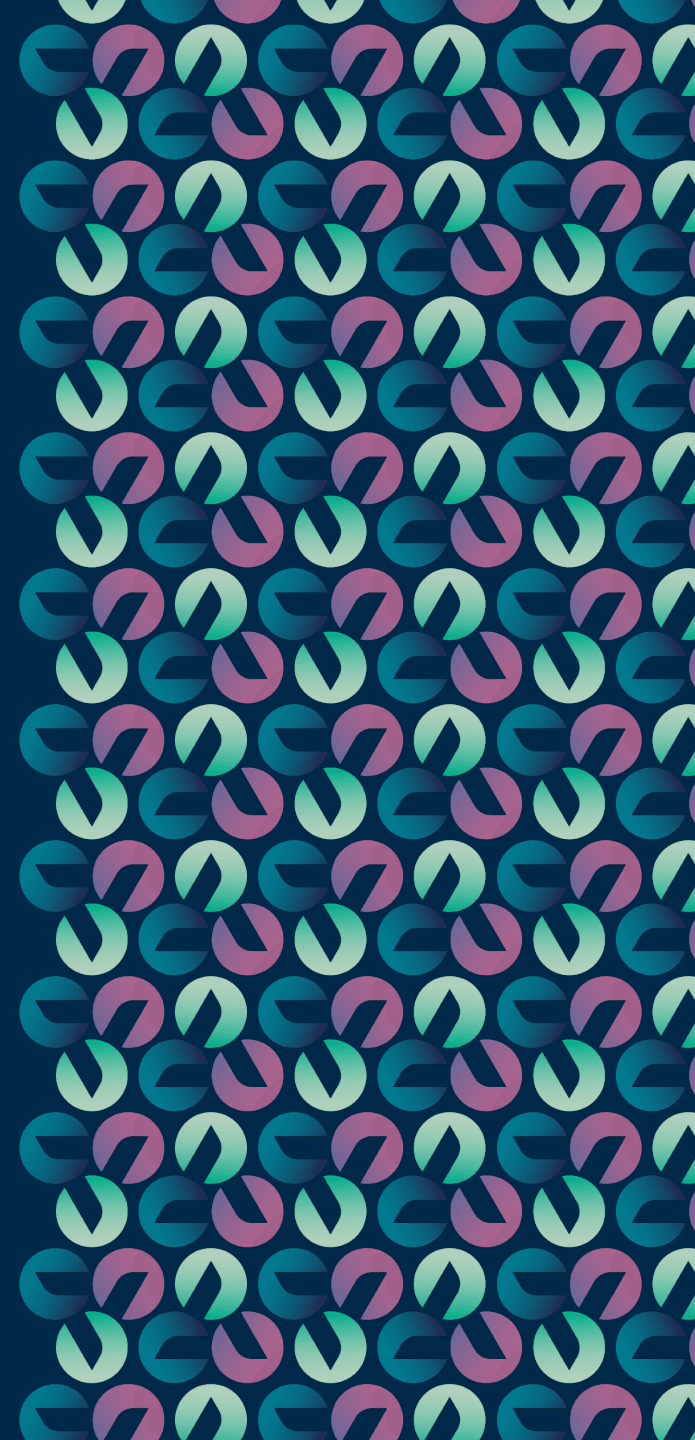
- Adopt similar changes for contribution caps

## **Member console**

- Business and fund level member console NCC and Bring Forward column reflects the above change



What's coming soon?



# What's coming soon

## **SMSF (SuperStream) Rollover / Release Authorities**

- [SMSF SuperStream Rollover Readiness Checklist](#)
- New dashboard and workflow for Rollover In / Out / Release Authorities
- New notification services

## **Increase SMSF members from 4 to 6**

- Update fund structure to handle 6 members
- Actuarial certificate payload to support more than 4 members
- Signature for all trustees
- New fund loader (for 6 members)
- New SMSF Annual Return for 6 members (2022)

## **Recontribution of COVID payment**

- Update contribution event to support the new type
- New labels for the 2022 SMSF Annual Return.

## **ECPI and actuarial certificate**

- Implement choice to use proportionate method;
- Work with various actuarial certificate provider with different payloads



# Class and NowInfinity are proud to be nominated in the SMSF Service Provider Research Survey

**CoreData** invites you to participate in our **SMSF Service Provider Research 2021 Survey**.

This survey will capture your experiences in dealing with SMSF service providers.

In appreciation of your time, you will be able to enter into a prize draw for a chance to win:

- one \$1,000 prepaid eftpos or Visa gift card or
- one of four (4) \$250 GiftPay online gift cards and
- one of five (5) \$100 Giftpay online gift cards (total of 10 prizes to be won).

Please note that the survey will timeout after 25 minutes of inactivity. Ensure that you are still actively clicking on the pages at least every 20 minutes to avoid termination of your session.

Vote



Class  
Super

SMSF Accounting /  
Administration  
Software

Vote



NowInfinity

SMSF Trust Deed  
Supplier

**Vote for Class and NowInfinity**

Your support and recognition is important to us.

We would really appreciate you taking a few minutes to recognise the amazing SMSF and trust service providers in the industry and celebrate their hard work in helping maintain the growth of the SMSF industry.

Q & A