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ARCHIVE

Chartered Accountants Superannuation Bulletin

Headlines

Submission to ASIC on CP216 – Advice on SMSFs Government consults on the regulation and

governance of superannuation

IGOT reviews the ATO's administration of valuation matters

Institute news

<u>Limited Licence - Training update</u>

CA SMSF Specialisation – 2014 dates available

SMSF guidance and tools

<u>Charter Magazine – Super articles</u>

Institute and Social Media

ATO news

SMSF statistical report - September 2013

Publication to help employers prepare for the standard

<u>Claims for unclaimed super – delays expected</u>

<u>Tax Agent, BAS Agent and Business Portals</u> <u>unavailable</u>

Other government and regulatory updates

APRA updates

ASIC updates

Superannuation Complaints Tribunal - Quarterly

<u>Bulletin</u>

<u>Gazettes</u>

Legislation updates

Knowledge Centre resources

Thomson Reuters Bulletin

Recent Journal Articles

Online Superannuation journals and articles

Training & Development

Face to Face

LiveOne - Online training sessions







29 November 2013 | Blog with Liz Westover, Head of Superannuation - Raising the pension age: In recent weeks there have been calls from a number of sources for the aged pension access age to be lifted to 70. READ ARTICLE >



Did you know?

In the ATO's most recent <u>Self-managed super funds: A statistical overview 2010-11</u>, as at 30 June 2012, almost 75% of all SMSFs had individual trustees rather than a corporate trustee. The data indicated there was a significant trend away from SMSFs being set up with a corporate trustee and a greater proportion of SMSFs utilising an individual trustee structure.

In particular approximately 91% of newly registered SMSFs in 2012 had individual trustees, a 1% decline in SMSFs registering with a corporate trustee in the three years to 2012.

It is important that due consideration is given to the comparative advantages and disadvantages of each type of trustee structure when discussing with clients the options available for their SMSF. Further information on the features of each trustee structure is available in the Institute's Charter magazine article <u>'SMSF trustees - corporate or individuals'</u> and in the ATO's publication '<u>Working out the structure of your fund'</u>.

HEADLINES

> Submission to ASIC on Consultation Paper 216 - Advice on SMSFs

On 15 November 2013, the Institute lodged a <u>submission</u> in response to ASIC's consultation paper <u>CP 216</u> – <u>Advice on self-managed superannuation funds: Specific disclosure requirements and SMSF costs</u>.

The consultation paper proposed to impose specific disclosure obligations on advisers including the need to warn clients that SMSFs do not have access to the compensation arrangements under the *Superannuation Industry (Supervision) Act 1993* in the event of theft or fraud, and explain other matters that may influence the client's decision to set up an SMSF.

In its submission, the Institute provided specific comments on aspects of consultation paper, including:

- Warnings about lack of statutory compensation for SMSFs
- Broader disclosures about the operation of statutory compensation schemes
- Proposed Disclosures Requirements:
 - o Responsibilities and obligations for SMSF trustees associated with running an SMSF
 - Risks associated with an SMSF
 - The need to develop and implement an appropriate investment strategy for an SMSF
 - The time commitment and skills needed to run an SMSF effectively
 - The costs of managing an SMSF
 - The need to consider and develop an exit strategy for an SMSF
 - The laws and policies that affect SMSFs are subject to change
- Transitional period
- Proposed Guidance on SMSF Costs

The Institute's submission noted its broad support for measures that will enhance the quality of information that is given and available to existing and potential SMSF trustees. Whilst the Institute broadly supported such measures it raised a number of concerns with the proposed disclosures including the need for those who are not seeking any advice or are receiving advice from non-professional and unregulated sources to also be informed; the need for existing SMSF trustees to be made aware of certain information contained in the proposed disclosures; and the need to highlight how the statutory compensation scheme applies to other types of superannuation funds.

The submission also noted that while indicators of costs are useful, ultimately the cost for an individual SMSF can vary considerably and advisers will tailor costs to their individual clients.

<u> ↑ Back to Top ></u>

> Government consults on the regulation and governance of superannuation

This week, Assistant Treasurer Senator the Hon Arthur Sinodinos, <u>released a discussion paper entitled</u>

<u>Better regulation and governance, enhanced transparency and improved competition in superannuation for public consultation.</u>

The purpose of the paper is to seek feedback on governance and transparency issues contained in the Government's superannuation election commitments. The paper also provides an opportunity for consultation on opening up competition and increasing transparency in relation to default employee superannuation fund contributions and a possible deferral of the commencement date of the MySuper

transparency measures beyond 1 July 2014. This feedback is sought ahead of the development of possible legislation and regulation.

The key issues raised in the paper are:

- How best to ensure an appropriate provision for independent directors on superannuation trustee boards. Issues canvassed include how 'independence' could be defined and what could constitute optimal board composition.
- How best to complete the outstanding aspects of the current regulatory regime, including:
 - to what extent the choice product dashboard should reflect the MySuper product dashboard;
 and
 - which model of portfolio holdings disclosure would best achieve an appropriate balance between improved transparency and compliance costs.
- The best way to improve transparency and competition in the employee default superannuation funds market.

The Institute will be developing a submission in response to the discussion paper. If members have any comments they would like to be considered for inclusion, please send them to superannuation@charteredaccountants.com.au by 30 January 2013.

- Back to Top >
- > IGOT reviews the ATO's administration of valuation matters

The Inspector-General of Taxation (IGOT), Mr Ali Noroozi, has announced terms of reference for his review into the Australian Taxation Office's (ATO) administration of valuation matters. The review will focus on:

- The valuation requirements in tax and superannuation laws
- The ATO's management of compliance risk associated with valuations
- The independence, capability and the ATO's engagement of the Australian Valuation Office (AVO) and private sector valuers
- Taxpayer, ATO and valuer interaction including dispute resolution

Prompted by taxpayer concerns with the compliance burden that valuations necessitate, the IGT seeks to understand the underlying causes for the concerns and their impacts as well as opportunities for improvement.

The Institute will be lodging a submission with the Inspector General's office. If members have any comments they would like to be considered for inclusion, please send them to superannuation@charteredaccountants.com.au by 13 December 2013.

The terms of reference and submission guidelines for the review of the ATO's administration of valuation matters are available on the IGOT website.

Back to Top >

INSTITUTE NEWS

> Limited Licence - Training update

We have received a wide range of queries from members that we are endeavouring to address to ensure appropriate solutions are available for members. For example, how to address previous training completed, does it meet the requirements, how can members get details of previous training completed, how does the specialisation fit into the requirements. We will shortly release a training matrix and Q&A that should assist members in considering their options. As a consequence the Institute is still finalising the range of training options and guidance for members to ensure it covers all the appropriate needs of members.

The key issue to be aware of is if you are considering applying for a limited AFS Licence there are 2 training requirements to be met.

1. Responsible Manager - appropriate knowledge and skills under RG 105 and

2. For those providing the advice to clients knowledge and skills under RG 146 (eg super, securities, insurance, managed investment schemes etc).

Note: Depending on how you complete or have completed your RG 146 training, this may or may not need meet the Responsible Manager requirements. Similarly by completing a qualification to meet the Responsible Manager training it also may or may not meet all the knowledge areas to provide advice under the limited licence RG146.

It is important you refer queries to the Institute. While this is a complicated area with various options and considerations the Institute will be providing appropriate support to assistance

Forward any questions on the training requirements to Financial Services email address.

- ◆ Back to Top >
- > CA SMSF Specialisation 2014 dates available

The CA SMSF specialisation is a program which will allow you to build on your Chartered Accountant designation, gain formal recognition from your professional association and demonstrate to your clients that you stand out amongst the crowd of SMSF practitioners.

For those interested, there are two educational pathways available to qualify for the CA SMSF specialisation, both of which will run through the University of New South Wales (UNSW):

Pathway one, available for members with at least two years of practical SMSF experience, is through post-graduate studies and requires completion of three mandatory subjects and one elective subject as part of an award program through UNSW.

Pathway two, available for members with at least four years practical SMSF experience, is through the completion of a workshop and assessment with the UNSW.

Course dates for 2014 CA SMSF specialisation workshops are now available and are:

Intake 1 (Registrations open shortly)

- Distance Learning Intake 1 1 February 2014
- Intensive Workshop Sydney 5 to 7 March 2014
- Intensive Workshop Melbourne 19 to 21 March 2014

Intake 2

- Distance Learning Intake 2 28 June 2014
- Intensive Workshop Melbourne 30 July 2014 to 1 August 2014
- Intensive Workshop Sydney 6 to 8 August 2014

Intensive courses will be offered in other cities subject to demand.

Members who register and pay for Intake 1 by 13 December 2013 will receive course materials before the Christmas break allowing ample opportunity to review the material over the quiet holiday period.

Detailed course, fee information, enrolments and queries should be made directly with UNSW.

Applying to be a 'CA SMSF Specialist'

Candidates who complete the workshops and pass the exam will need to lodge an <u>application form</u> as part of the next step in attaining CA SMSF Specialisation.

For any questions regarding the specialisation please refer to the <u>FAQ page on our website</u>.

- Back to Top >
- > SMSF guidance and tools

Members are encouraged to utilise a range of superannuation <u>guidance and resources</u> available on the Institute's website to assist them in their roles as SMSF accountants and auditors. Guides and resources available include:

- <u>Summary of superannuation changes</u> assists members to stay abreast of the progress of changes in superannuation.
- <u>Superannuation Key Rates and Thresholds</u> summaries the rates and thresholds for key areas of superannuation.
- <u>Key Contributions Legislative Updates</u> assists members stay abreast of the changes in legislation surrounding contributions.
- Exempt current pension income (ECPI) provides detailed information regarding ECPI, the requirements for claiming the deduction and the correct calculation of ECPI.
- Early access of superannuation benefits & Illegal early release assists members understand early access of superannuation benefits and illegal early release a major area of compliance risk identified by the ATO.
- Market Valuation, Insurance and Separation of Assets details the new measures introduced
 requiring trustees to value the assets of the fund at market value; 'regularly review' the fund's
 investment strategy; consider insurance for members as part of the fund's investment strategy and
 to keep money and other assets of an SMSF separate from those held by a trustee personally.
- <u>Superannuation Everyday Tools</u> provide Institute members with templates, guides and checklists that assist with superannuation processes. The free guides include checklists for SMSF administration, plus links to other important regulatory resources.

Back to Top >

> Charter Magazine - Super articles

Charter is now available as an <u>app for your iPad</u>. Although the print edition of Charter magazine will continue, the Charter iPad app offers a convenient new way for members to read Charter whenever and wherever it suits them.

 Toolbox - Superannuation - November 2013 edition SMSF borrowing

Liz Westover FCA discusses borrowing in SMSFs and whether a review of both the legal framework and the appropriateness of borrowing arrangements is required.

• Toolbox - Superannuation - October 2013 edition

Assisting SMSF auditors

Liz Westover FCA takes a look at the range of support that exists to help SMSF auditors manage their roles and responsibilities.

Toolbox - Superannuation - September 2013 edition

Improving financial wellbeing

Liz Westover FCA takes a close look at MoneySmart Week (the first week of September), the national initiative about financial literacy. In 2013, the Institute of Chartered Accountants Australia was a proud gold partner of this event.

• The Business - Superannuation - September 2013 edition

Can super handle vastly increasing retirement rates?

Sally Tindall discusses the first wave of baby boomers that have already hit retirement and whether our retirement systems will cope.

• Opinion - Financial Services - September 2013 edition

The strange superannuation bedfellows

Robert MC Brown FCA talks about the current alliance between two warring superannuation bodies which can best be explained by invoking the spirits of Shakespeare and Chaucer.

Members can also access an archive of previous Charter articles on the <u>Institute's Website</u>.

Back to Top >

> Institute and Social Media

Liz Westover @Liz Westover



Tweet with:

- > the Institute
- > Liz Westover
- > Hugh Elvy

My November <u>#Charter</u> magazine article on SMSF borrowing http://bit.ly/17FH8YN <u>@Chartered Accts</u>

Liz Westover @Liz Westover

Insp Gen of Tax releases terms of reference for review of ATO admin of valuation matters http://bit.ly/1bVQx0V

ato.gov.au @ato gov au

Self employed? Don't short change your retirement – contribute to your super. Visit http://ato.gov.au/Business/Employers-super/... #GEWAU

ato.gov.au @ato gov au

Check if you're eligible to use the free Small Business Superannuation Clearing House to pay super contributions http://www.ato.gov.au/Business/Employers-super/Setting-up-super-for-a-worker/Where-to-pay-super-contributions/... #KBB

ato.gov.au @ato gov au

The super guarantee upper age limit of 70 is gone, which means you're now required to contribute for eligible employees aged 70 & older #KBB

■ Back to Top >

ATO NEWS

The following information is new on ato.gov.au since the last update:

> Self-managed super fund statistical report - September 2013

On 21 November 2013, the ATO published its quarterly <u>Self-managed super fund statistical report - September 2013</u>.

Key statistics released for the quarter include:

Total number of SMSFs 516,925 Total members of SMSFs 986,441

Total assets in SMSFs \$520,455 million
Average SMSF balance \$1,006,829
Average member balance \$527,609

<u>↑ Back to Top ></u>

>Publication to help employers prepare for the standard

The Superannuation Data and Payment Standard (the standard) standardises the process for making superannuation contributions. Its main purpose is to ensure employer contributions are paid in a consistent, timely and efficient manner to a member's account. It will also remove many of the complexities employers currently face with funds having different arrangements for accepting contributions.

From 1 July 2014, medium and large businesses, those with 20 or more employees, will be required to start making contributions using the new Superannuation Data & Payment Standard. Employers with 19 or fewer employees will start making contributions under the standard from 1 July 2015. All super funds, including SMSFs, must receive contributions in the new standard from 1 July 2014.

The ATO has released a <u>publication</u> to help employers in understanding and preparing for the introduction of the data and payment standard including key dates, what will change, solutions available and what employers need to do to be ready on time.

This publication has been directly mailed to medium and large employers (with 20 or more employees) this month.

- Back to Top >
- > Claims for unclaimed super delays expected

The ATO is currently making improvements to their unclaimed superannuation system. As a result there will be a delay in processing any claims for unclaimed superannuation received between 11 November 2013 and 2 January 2014.

During this time individuals will still be able to use SuperSeeker and the range of services it offers, however new unclaimed monies that have been reported and paid to the ATO will not be visible. Individuals should check SuperSeeker again in the new year to see if there are any additional unclaimed super to claim.

Claims relating to unclaimed super can still be lodged during this period however the claims will not be processed until January 2014.

- Back to Top >
- > Tax Agent, BAS Agent and Business Portals unavailable

The <u>Tax Agent</u>, <u>BAS Agent and Business Portals will be unavailable</u> from 8.00 pm AEDT 29 November 2013 till 6.00 am AEDT Monday 2 December 2013 for system maintenance.

Back to Top >

OTHER GOVERNMENT AND REGULATORY UPDATES

> APRA updates

APRA releases quarterly superannuation statistics for September 2013

On 21 November 2013, The Australian Prudential Regulation Authority (APRA) released its <u>September 2013 Quarterly Superannuation Performance publication</u>. The Quarterly Superannuation Performance provides industry aggregate summaries of financial performance, financial position and key ratios.

The superannuation industry now holds total estimated assets, including the assets of self-managed superannuation funds and the balance of life office statutory fund of \$1.75 trillion – an increase of 5.7% during the quarter.

- Back to Top >
- > ASIC updates

ASIC updates disclosure guidance for shorter PDSs for super and simple managed investments schemes

On 27 November 2013, ASIC released an update to <u>Information Sheet 155 Shorter PDSs: Complying with requirements for superannuation products and simple managed investment schemes (INFO 155)</u>.

The updated information sheet was issued as a result of ASIC's review of a sample of shorter PDSs for superannuation and simple managed investment schemes. The review followed the introduction of the shorter PDS regime in June 2012.

Whilst ASIC's review found that issuers had made a good effort to comply with the shorter PDS regime and that any non-compliance tended to be technical rather than substantive, it identified areas where industry may benefit from further guidance.

INFO 155 provides concise guidance for industry on technical issues related to implementation of the product disclosure regime under Pt 7.9 of the *Corporations Act 2001* (Corporations Act) and the related Corporations Regulations for superannuation products and simple managed investment schemes, referred to as 'the shorter PDS regime'.

Updates to INFO 155 clarify:

- page restrictions, font size and formatting of 'warnings'
- employer-sponsored members and employer PDSs
- whether and how investment options may change, and
- treatment of accumulation and pension interests in the one superannuation fund.

ASIC Class Order [CO 13/1420]

On 15 November 2013, ASIC Class Order (<u>CO 13/1420</u>) was registered. The class order provides temporary relief from regulation 7.9.20(2A) of the Corporations Regulations 2001, which requires that superannuation trustees separately report low income superannuation contributions in members' periodic statements. The instrument provides conditional exemption from complying with regulation 7.9.20(2A), subject to compliance with two options, which provide for an alternative method of disclosure.

Back to Top >

> Superannuation Complaints Tribunal - Quarterly Bulletin

On 21 November 2013, the Superannuation Contributions Tribunal's latest <u>Quarterly Bulletin</u> was published on their website.

An overview of the bulletin is as follows:

- Chairperson's report on trustee written notices for decisions in relation to death benefit payment complaints, the new time limit for TPD complaints, and a new avenue for trustee reporting complaints.
- Statistical overview Quarterly SCT statistics for the period July to September 2013
- Recent determinations of interest key issues that the Tribunal dealt with in the period include:
 - Administration complaint opt out of insurance.
 - Death benefit distribution of death benefit to Public Trustee after sufficient attempts to contact potential dependants.
 - Administration complaint tax responsibility rests with member of fund.
 - Death benefit distribution of death benefit based on financial dependency relationship.
 - Disability benefit eligibility for total and permanent disability benefit.

Back to Top >

> Gazettes

Gazettes - Superannuation Industry (Supervision) Act 1993 - 20, 26 and 28 November 2013

Disqualification from being a trustee or a responsible officer of a body corporate that is a trustee, investment manager or custodian, of a superannuation entity - Mr Albert Isaac; Mr Gilbart Isaac; Noel Johnson; Pablo Vargas; Mrs Ionie Woodman (Gazette - C2013G01722); Mr Christopher Woodman (Gazette - C2013G01721); Mr Cy Steer (Gazette - C2013G01720); Mr Arkady Shtrambrandt (Gazette - C2013G01723); Paul Crothall; Bradley Crothall; Mr Craig Pickering; Mr Ross Duncan; Mrs Patricia Pickering; Mrs Samantha Duncan; Mrs Susan Kim Brown; Mr Arn Brown; Mr David Wilson; Mr Peter J Ingram; Ms Mandy L Arkinstall; Mr Faatiuga Amio; Mr Roy Mauga; Mr Christopher Burke; Mr Lalotoa Tiatia; Mrs Tusipepa Tiatia; Mr Glen Wilson; Mr Jeffery Phillips; Mr Steven Phillips; Ms Jill Parkinson; Meanchivith Som; Mr Hung Danh; Mr Savey So; Mrs Saliha Aktepe; and Mr Daryn O'Keeffe.

↑ Back to Top >

> Legislation updates

The following superannuation related bills have been introduced into parliament:

The Minerals Resource Rent Tax Repeal and Other Measures Bill 2013
 The Bill proposes to remove the minerals resource rent tax (MRRT) with effect from 1 July 2014. It includes amendments to discontinue or re-phase several measures intended to be funded by the

MRRT including:

- re-phasing the staged increase in the superannuation guarantee (SG) charge percentage to
 12% and
- o repealing the low income superannuation contribution from (LISC) 1 July 2013.

Back to Top >

KNOWLEDGE CENTRE SUPERANNUATION

> Thomson Reuters Bulletin

We are pleased to offer subscribers to the Institute's Superannuation Bulletin <u>free access to Thomson Reuter's Monthly Superannuation and Financial Services Bulletin</u>.

Some highlights from the current bulletin:

- Retirement planning guide released by Human Rights Commission
- Govt Economic Statement flags further tax and super-related changes
- Highest super returns since GFC, according to SuperRatings
- Back to Top >
- > Recent Journal Articles on Superannuation

The future in your hands

Pearson, Jackie; Smart Investor; November 2013 p33-36

This article outlines how you can minimise costs and use direct investments in order to get the best performance out of your SMSF. For a copy of this article <u>contact the knowledge centre</u>.

X marks the spot

Hoyle, Simon; Professional Planner; Issue 58 October 2013 p8-12

This article summarises the discussion had at a round-table which was centred on the growth of the self-managed superannuation fund (SMSF) sector, and the entry of younger clients into this sector. For a copy of this article <u>contact the knowledge centre</u>.

- ◆ Back to Top >
- > Online Superannuation Journals and Articles

Read the latest editions of the following magazine online:

- Taxation in Australia
- SuperReview
- Money
- Money Management

Click for the <u>latest Australian newspaper articles on Superannuation</u> via our online database ANZRC.

The Knowledge Centre can be contacted on 1800 809 828 or via email at mail to: knowledge@charteredaccountants.com.au.

↑ Back to Top >

TRAINING & DEVELOPMENT

> Face to Face

SMSF Conference 2013 - papers for sale

This year's National SMSF Conference was an overwhelming success. The feedback received highlights

the strengths of the conference lies in its technical content, high calibre speakers and the provision of guidance and solutions for the accounting profession and auditors working in the SMSF sector. If you missed the conference and want to obtain a copy of the papers, they are now available for purchase.

Quarterly SMSF Update Series 2014

Obtain vital updates in the world of superannuation, in particular SMSFs, over breakfast with your peers or online. The first session for 2014 will be in Sydney – 5 March and via LiveOne – 6 March.

↑ Back to Top >

> LiveOne - Online training sessions

Hot Superannuation Topics - In-house assets and business real property

Face the challenges involved with ensuring your clients meet the 'in-house assets' and 'business real property' requirements. Aimed at an intermediate practitioner level, this session will explain who are the 'related parties', what constitutes an 'in-house asset' and 'business real property' in a regulated superannuation fund and some practical issues that arise from holding them. LiveOne, 12 December 2013

SMSF Strategy in Practice Series

This series will help you take a broad strategic view of the SMSF industry covering key focus of pension and contribution planning, death and taxes, unit trusts, SMSF audit issues and much more. LiveOne, 6 February – 8 May 2014

₱ Back to Top >

MEMBER SERVICES

The fortnightly *Superannuation Bulletin* is an initiative of the Superannuation Team of the Institute Chartered Accountants Australia.

Superannuation Enquiry Service

The Institute's Superannuation Team responds to enquiries from members on SMSFs and Superannuation issues. This service provides general assistance and guidance only. Members have the responsibility to apply their own professional judgment. You can submit a query in writing by <u>email to: Superannuation</u>.

Our website

The <u>Superannuation</u> home page of the Institute website contains a wealth of material on current issues in this area and <u>back issues of the Superannuation Bulletin</u> as well as details on our SMSF Specialisation.

Manage your subscription >

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<u>
↑ Back to Top ></u>

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