


TD 1999/D35 - Income tax: how are assets to be valued in determining the balance of a member's account in a superannuation fund that provides an allocated pension?

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Draft Taxation Determination

Income tax: how are assets to be valued in determining the balance of a member's account in a superannuation fund that provides an allocated pension?

Preamble

Draft Taxation Determinations (DTDs) present the preliminary, though considered, views of the Australian Taxation Office (ATO). DTDs should not be relied on; only final Taxation Determinations represent authoritative statements by the ATO.

1. In Taxation Determination TD 97/21, the method for calculating the capital value of an allocated pension for the purposes of the reasonable benefit limits (RBLs) was determined.
2. There are a number of methods that may be used to value the purchase price or account balance of the allocated pension in some funds - historical cost, net realisable value and net market value of the assets that provide the pensions. Under subsection 140ZO(2) of the *Income Tax Assessment Act 1936* and for the purposes of measuring the pension against a person's lump sum or pension RBL, the assets of the fund that provide the pensions must be valued at their net market value on the commencement day of the pension. It is this value that must be reported to the ATO.
3. In recognition of the costs involved for superannuation funds in obtaining valuations, the ATO will accept the most recent valuation obtained within the last 12 months of the commencement date of the pension. This would include valuations obtained for other statutory purposes.

Example 1

4. *The Cross Superannuation Fund has two members and has assets that will provide pensions of \$200,000 valued on historical cost. Alister and Caroline have account balances of \$150,000 and \$50,000 respectively.*
5. *Alister decides to retire in February and commences to receive an allocated pension. The net market value of the fund's assets underlying Alister's pension is \$300,000. This amount is used to calculate the value of the account balance and should be reported to the ATO as the purchase price of the pension.*

Example 2

6. *In September of the same year, Caroline decides to retire. Providing no later valuations have been obtained, the superannuation fund can use the valuation of the fund's assets that was originally obtained when Alister retired in February. At that time the net market value of assets underlying Caroline's allocated pension was \$100,000. This is the amount that should be reported to the ATO for RBL purposes.*

TD 1999/D35

Your comments

7. If you wish to comment on this draft Determination, please send your comments by Friday 18 August 1999 to:

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Commissioner of Taxation

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Previous draft:

Not previously released in draft form

Related Rulings/Determinations:

TD 97/20, TD 97/21, IT 2617

Subject references:

reasonable benefit limits; valuation of capital value of an allocated pension; valuation of fixed term pensions

Legislative references:

ITAA 1936 140ZO(2), 140C

Case references:

ATO references:

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