LCR 2016/12 - Superannuation reform: total superannuation balance

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Superannuation reform: total superannuation balance

Relying on this Ruling

This publication is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Further, if we think that this Ruling disadvantages you, we may apply the law in a way that is more favourable to you.

[**Note:** This is a consolidated version of this document. Refer to the ATO Legal Database (**ato.gov.au/law**) to check its currency and to view the details of all changes.]

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What this Ruling is about

1. The *Treasury Laws Amendment (Fair and Sustainable Superannuation) Act 2016* introduces the concept of an individual's total superannuation balance, which is a method for valuing an individual's total superannuation interests.

1A. All legislative references are to the *Income Tax Assessment Act 1997* (ITAA 1997) unless otherwise stated.

2. This Ruling provides guidance on how your total superannuation balance is calculated from 30 June 2017[A1] and is relevant for determining your:

- eligibility for unused concessional contributions cap carry forward – if your total superannuation balance is less than $500,000 just before the start of the financial year you may be able to increase your concessional contributions cap.[1] To do so you must also have unused concessional contributions cap for one or more of the previous 5 years.[2]
- non-concessional contributions cap and for the bring forward of your non-concessional contributions cap – if immediately before the start of the financial year your total superannuation balance is below the general transfer balance cap you will be eligible for a non-concessional contributions cap of four times your concessional contributions cap (not taking into account increases under the concessional cap carry forward measure) for the year.[3]

  You may also be eligible to bring forward your non-concessional contributions cap of two or three times the annual non-concessional cap depending on your total superannuation balance.[4]
- eligibility for the government co-contribution – in addition to the existing eligibility requirements, you will be eligible for the government co-contribution in an income year if:
  - (i) your non-concessional contributions for the financial year corresponding to the income year do not exceed your non-concessional contributions cap for the financial year, and

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[A1] The fourth component of a total superannuation balance (in relation to limited recourse borrowing arrangements) will apply to contracts entered into on or after 1 July 2018. Refer to paragraphs 28AA to 28A of this Ruling.

[1] Paragraph 291-20(3)(b).

[2] Paragraph 291-20(3)(c).

[3] Paragraph 292-85(2)(a).

[4] Subsections 292-85(3) to 292-85(7).

(ii) immediately before the start of that financial year, your total superannuation balance is less than the general transfer balance cap for that financial year.[5]

- eligibility for the tax offset for spouse contributions – in addition to the existing eligibility requirements, you will not be entitled to the tax offset if:

  (i) your spouse's non-concessional contributions for the financial year that corresponds to the income year exceeds their non-concessional contributions cap for the financial year, or

  (ii) immediately before the start of the financial year, your spouse's total superannuation balance equals or exceeds the general transfer balance cap for the financial year.[6]

3. Your total superannuation balance is also relevant to self-managed superannuation funds (SMSFs) and complying superannuation funds with fewer than seven members (small APRA funds) for determining their eligibility to use the segregated assets method to determine their exempt current pension income (ECPI) – SMSFs and small APRA funds will not be able to use the segregated assets method for an income year if:

- at a time during the income year there is at least one superannuation interest in the fund that is in retirement phase
- just before the start of the income year a member of the fund has a total superannuation balance that exceeds $1.6 million and they are a retirement phase recipient of a superannuation income stream. The member's total superannuation balance includes the member's superannuation interests in all funds. The superannuation income stream does not have to be from their SMSF/small APRA fund as it can be from another superannuation income stream provider, and
- at a time during the income year this member has a superannuation interest (in accumulation or in retirement phase) in the fund.[7]

4. The eligibility requirements discussed in paragraphs 2 and 3 of this Ruling use the terms 'immediately before' (for example the non-concessional contributions cap) and 'just before' the start of the financial/income year (for example eligibility for unused concessional contributions cap carry forward) as the relevant time for calculating your total superannuation balance. The Commissioner's view is that both refer to the same point in time, which is at the end of 30 June of the previous financial/income year.

5. [Omitted.]

Total superannuation balance

6. Your total superannuation balance[8] at a particular time, is the sum of:

- the **accumulation phase value**[9] of your superannuation interests that are not in the retirement phase. This is explained further at paragraphs 7 to 13 of this Ruling
- if you have a superannuation income stream in the retirement phase, **your transfer balance or your modified transfer balance** (but not less than

[5] Paragraphs 6(1)(da) and 6(1)(db) of the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*.
[6] Subsection 290-230(4A).
[7] Section 295-387.
[8] Section 307-230.
[9] Paragraph 307-230(1)(a) and subsection 307-205(2).

nil).[10] If you are the recipient of certain account-based superannuation income streams in the retirement phase[11] and/or have made any structured settlement contributions, your transfer balance is subject to modifications for the purpose of calculating your total superannuation balance. This is explained further at paragraphs 14 to 25 of this Ruling

- the amount of any **roll-over superannuation benefit**[12] not already reflected in your accumulation phase value of your superannuation interests or your transfer balance. This is explained further at paragraphs 26 to 28 of this Ruling, and
- in certain circumstances, the outstanding balance of any limited recourse borrowing arrangement (LRBA amounts) you have in an SMSF (or another regulated superannuation fund with less than seven members).[12A] This is explained further at paragraphs 28AA to 28A of this Ruling.

reduced by the sum of any **structured settlement contributions**.[13]

Accumulation phase value – Step 1

7. The first component of your total superannuation balance is the accumulation phase value of your superannuation interests that are not in the retirement phase.

8. A superannuation interest will be in retirement phase if it supports a superannuation income stream that is in the retirement phase at that time.[14] This will be the case if the interest:

- supports a superannuation income stream where a superannuation income stream benefit is currently payable from it (subject to paragraph 8A of this Ruling)[15] or
- if it is a deferred superannuation income stream[16] that has not yet become payable but the member has met a relevant condition of release (such as retirement, terminal medical condition, permanent incapacity, or attaining age 65), or
- if it is a transition to retirement income stream, transition to retirement income pension, non-commutable allocated annuity or a non-commutable allocated pension (collectively known as TRIS), when the person receiving the TRIS:
  – is 65 years old or older
  – has met a relevant condition of release with a nil cashing restriction (retirement, terminal medical condition, permanent incapacity) and they have notified the superannuation provider for the TRIS of that fact[17], or

[10] Paragraph 307-230(1)(b).
[11] Subsection 307-230(4).
[12] Paragraph 307-230(1)(c). Subsection 995-1(1) provides that a 'roll-over superannuation benefit' has the meaning given by section 306-10.
[12A] Paragraph 307-230(1)(d) and section 307-231.
[13] Subsection 294-80(2).
[14] Paragraph (b) of the defined term 'retirement phase' in subsection 995-1(1).
[15] Subsection 307-80(1).
[16] Subsection 995-1. A 'deferred superannuation income stream' has the meaning given by the *Superannuation Industry (Supervision) Regulations 1994.*
[17] Paragraph 307-80(2)(c).

– is a reversionary beneficiary.[17A]

8A. Certain superannuation income streams are excluded from the retirement phase by operation of the law, either because the law specifically excludes the superannuation income stream from being in the retirement phase or because the superannuation income stream fails to meet the definition of a superannuation income in the retirement phase.[18] The following superannuation income streams are excluded from being in retirement phase and are therefore in accumulation phase:

- a deferred superannuation income stream that has not yet become payable and the member has not yet met a relevant condition of release is included in the accumulation phase value. For example if you purchase a deferred superannuation income stream before meeting a relevant condition of release it will form part of the accumulation phase value until you meet a relevant condition of release or it starts to become payable
- a TRIS when the person to whom the benefit is payable is not a reversionary beneficiary, and:
  - is under 65 years of age, or
  - has not met a relevant condition of release with a nil cashing restriction (retirement, terminal medical condition, permanent incapacity), or
  - they have met a relevant condition of release with a nil cashing restriction (retirement, terminal medical condition, permanent incapacity) but have not notified the superannuation provider for the TRIS of that fact[19]
- superannuation income streams that stop being in the retirement phase.[20]

9. [Omitted.]

10. [Omitted.]

11. [Omitted.]

12. The accumulation phase value[21] of your superannuation interest, at a particular time when the interest is not in the retirement phase, is:

- if the regulations specify that value or a method for determining that value – that value, or
- otherwise – the total amount of the superannuation benefits that would become payable if you voluntarily cause the interest to cease at that time.

13. The time that a contribution is made to your superannuation provider may be relevant for calculating your total superannuation balance. For example, when you initiate a transfer of funds to your superannuation provider on 29 June 2018 to make a contribution and this amount is received by your superannuation provider on 1 July 2018. As the contribution is received by your superannuation provider in the 2018–19 financial

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[17A] Paragraph 307-80(3)(aa).
[18] Subsection 307-80(3) and (4).
[19] Subsection 307-80(3).
[20] See section 307-80. A superannuation income stream stops being in the retirement phase when a commutation authority is not complied with - subsection 307-80(4) or when a superannuation income stream ceases to be a superannuation income stream because it has failed to comply with the pension or annuity standards under which it is provided. See paragraphs 18 to 20 and paragraphs 96 to 102 of Taxation Ruling TR 2013/5 *Income tax: when a superannuation stream commences and ceases*.
[21] Subsection 307-205(2).

year, this contribution is made in the 2018–19 financial year and is not included in your total superannuation balance at the end of 30 June 2018.[22]

Transfer balance or modified transfer balance – Step 2

14. The second component of your total superannuation balance is, if you have a transfer balance account, your transfer balance (but not less than nil).[23] Law Companion Ruling LCR 2016/9 *Superannuation reform: transfer balance cap* provides guidance on how to calculate your transfer balance.

15. However, for the purpose of calculating your total superannuation balance, your transfer balance is modified if you have a prescribed account-based superannuation income stream in the retirement phase and/or you have made a structured settlement contribution to:

- disregard certain credits and debits that have arisen in your transfer balance account in respect of the account-based superannuation income streams; and
- reflect the current value of superannuation interests that support those prescribed account-based superannuation income streams in the retirement phase.[24]

16. The requirement that the transfer balance cannot be less than nil is applied after both the modifications discussed in paragraphs 17 and 22 of this Ruling (where applicable) have been made.

Modifications for account-based income streams

17. For the purpose of calculating your total superannuation balance, your transfer balance is modified if a credit has arisen in your transfer balance account in regards to the following prescribed account-based superannuation income streams:

- allocated annuities
- allocated pensions
- account-based annuities
- account-based pensions
- market linked annuities
- market linked pensions.[25]

18. Your transfer balance is modified by disregarding certain debits and credits that have arisen in your transfer balance account in respect of these prescribed account-based superannuation income streams. In practice, disregarding certain credits and debits means that the credits are subtracted from, and the debits are added back to, your transfer balance.

[22] Refer to Taxation Ruling TR 2010/1 *Income tax: superannuation contributions* and Taxation Determination TD 2013/22 *Income tax: 'concessional contributions– allocation of a superannuation contribution with effect from a day in the financial year in which the contribution was made* for further information.
[23] Paragraph 307-230(1)(b).
[24] Subsection 307-230(3).
[25] Subsection 307-230(4).

19. The following credits and debits that have arisen in your transfer balance account are disregarded:

Credits that have arisen from

- you becoming a retirement phase recipient of the prescribed account-based superannuation income stream.[26]

Debits that have arisen from

- commutations of the prescribed account-based superannuation income stream in the retirement phase[27]
- an event that results in the superannuation interest that supports the prescribed account-based superannuation income stream being reduced (fraud or dishonesty; bankruptcy)[28]
- a payment split that applies to the prescribed account-based superannuation income stream (divorce or relationship breakdown)[29]
- a superannuation income stream provider failing to comply with a commutation authority in respect of the prescribed account-based superannuation income stream[30]
- a prescribed account-based superannuation income stream that fails to comply with the relevant pension or annuity standards.[31]

20. However, the following credit and debits that have arisen in your transfer balance account are not disregarded:

Credits that have arisen from

- excess transfer balance earnings.[32]

Debits that have arisen from

- structured settlement contributions[33] (a further modification to your transfer balance is required in regards to structured settlement contributions. This is explained further in paragraphs 22 and in Examples 5 and 6 of this Ruling)
- a notice issued under section 136-70 of Schedule 1 to the *Taxation Administration Act 1953* of non-commutable excess transfer balance.[34]

21. Your transfer balance is then increased by the total amount of superannuation benefits that would become payable if you had the right to and you voluntarily caused the superannuation interest that supports the prescribed account-based superannuation income stream to cease at that time.[35] This would equate to the superannuation lump sum that you could be paid at that time from that superannuation interest.

[26] Items 1 and 2 in the table in subsection 294-25(1).
[27] Item 1 in the table in subsection 294-80(1).
[28] Item 3 in the table in subsection 294-80(1).
[29] Item 4 in the table in subsection 294-80(1).
[30] Item 5 in the table in subsection 294-80(1).
[31] Item 6 in the table in subsection 294-80(1).
[32] Item 3 in the table in subsection 294-25(1).
[33] Item 2 in the table in subsection 294-80(1).
[34] Item 7 in the table in subsection 294-80(1).
[35] Paragraph 307-230(3)(b).

Modifications for structured settlement contributions

22. If you have made a structured settlement contribution,[36] a further modification is made to your transfer balance by disregarding the debit that has arisen in your transfer balance account in respect of the structured settlement contribution.[37] This modification applies to both account-based and non-account-based income streams.

23. The effect of this is that the structured settlement contribution debit is added back to the transfer balance. For account-based income streams, this will have the effect of negating the requirement discussed in paragraph 20 of this Ruling, where debits that have arisen because of structured settlement contributions relevant to account-based income streams are not initially disregarded. Refer to Examples 5 and 6 of this Ruling.

Transitional arrangements for calculating your transfer balance just before 1 July 2017

24. There are some instances when you may need to determine your total superannuation balance just before 1 July 2017. For example you will need to determine your total superannuation balance just before 1 July 2017 if you are determining your eligibility to access your bring forward non-concessional contributions cap in the 2017–18 financial year.

25. The transitional provisions apply so that your transfer balance just before 1 July 2017 (transitional transfer balance) is taken to be equal to the sum of your transfer balance credits in your transfer balance account just after 1 July 2017, less the sum of any transfer balance debits in your transfer balance account arising from a payment split (subject to the applicable modification rules).[38] Refer to Examples 7 and 8 of this Ruling.

Roll-over superannuation benefits – Step 3

26. The third component, if applicable, is the sum of any roll-over superannuation benefits that are not reflected in your accumulation phase value or your transfer balance.[39]

27. A roll-over superannuation benefit is included in your total superannuation balance at a particular time if it is:

- paid at or before that time, and
- received after that time by:
  - the complying superannuation plan, or
  - the entity from which the superannuation annuity is being purchased, and
- is not reflected in your accumulation phase value or your transfer balance.

28. As explained in paragraphs 2 and 3 of this Ruling, your total superannuation balance at the end of 30 June of a financial year is relevant for a number of eligibility requirements. This component of your total superannuation balance ensures that roll-overs that occur just before the end of a financial year are included in your total superannuation balance calculated at the end of 30 June of that financial year. Refer to Example 4 of this Ruling.

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[36] Subsection 995-1(1) and 294-80(2).
[37] Subparagraph 307-230(2)(b)(i).
[38] Section 307-230 of the *Income Tax (Transitional Provisions) Act 1997.*
[39] Subsection 995-1(1) provides that a 'rollover-superannuation benefit' has the meaning given by section 306-10.

LRBA amounts – Step 4

28AA. The fourth component, if applicable, is the outstanding balance of a limited recourse borrowing arrangement (LRBA) which is covered by the exception in subsection 67A(1) of the *Superannuation Industry (Supervision) Act 1993* (SISA)[39A], subject to the further conditions as outlined in paragraphs 28AB to 28AD of this Ruling.

28AB. This component applies in respect of an LRBA which was entered into on or after 1 July 2018 by the trustee of an SMSF (or another regulated superannuation fund with less than seven members).[39B]

28AC. Where an LRBA, which is covered by subsection 67A(1) of the SISA, was entered into before 1 July 2018 and is refinanced on or after 1 July 2018, the refinanced LRBA is treated as being entered into before 1 July 2018 for the purpose of working out an individual's total superannuation balance if:

- the refinanced LRBA is secured by the same asset/s as the original LRBA, and
- the amount borrowed under the refinanced LRBA at the time it is entered into is equal to or less than the outstanding balance of the borrowing under the original LRBA just before the refinancing.[39C]

28AD. This component applies to you if:

- you have satisfied a relevant condition of release (at any point in time) with a nil cashing restriction (retirement, terminal medical condition, permanent incapacity, attaining age 65)[39D], or
- your superannuation interests are supported by assets which are subject to an LRBA where the lender is an associate of the superannuation provider.[39E]

28AE. The amount of this component is equal to the proportion of the outstanding balance of the LRBA which relates to your share of the total superannuation interests that are supported by the asset which is subject to the LRBA.[39F]

28AF. It should be noted that Part IVA of the ITAA 1936 may apply where a scheme is entered into to manipulate the allocation of assets that are subject to LRBAs against particular superannuation interests at a particular time.[39G] Part IVA applies to a scheme if a tax benefit has been obtained in connection with the scheme and the main purpose of a person who participated in the scheme, or a part of it, was to enable a taxpayer to obtain that tax benefit.

28A. If you have not made a structured settlement contribution then your total superannuation balance is the sum of Steps 1, 2, 3 and 4.[40]

Reduce by structured settlement contributions – Step 5

29. The last component of calculating your total superannuation balance is to reduce the sum of the accumulation phase value of your superannuation interests, your transfer

[39A] Paragraph 307-230(1)(d) and section 307-231.
[39B] Subsection 307-231(1).
[39C] Section 307-231 of the *Income Tax (Transitional Provisions) Act 1997.*
[39D] Subparagraph 307-231(1)(e)(i) and paragraph 307-80(2)(c).
[39E] Subparagraph 307-231(1)(e)(ii) of the ITAA 1997 and subsection 318(3) of the *Income Tax Assessment Act 1936* (ITAA 1936).
[39F] Subsection 307-231(3).
[39G] See paragraph 3.24 of the Explanatory Memorandum to the Treasury Laws Amendment (2018 Superannuation Measures No. 1) Bill 2019.
[40] Subsection 307-230(1).

balance or your modified transfer balance and any roll-over superannuation benefits by the sum of any structured settlement contributions.[41]

30. The effect of this is to exclude structured settlement contributions from counting towards your total superannuation balance.

Examples

Example 1: Account-based pension and defined benefit lifetime pension

31. *Shane commenced both an account-based pension ($500,000) and a defined benefit lifetime pension ($500,000) on 1 December 2017. He has no remaining superannuation interests in accumulation phase. Shane's transfer balance account commenced on 1 December 2017.*

32. *At the end of 30 June 2018, the amount that would be paid to Shane if he voluntarily ceased the account-based pension is $400,000.*

33. *Shane's total superannuation balance at the end of 30 June 2018 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

***Step 1** – Accumulation phase value = $0*

***Step 2** – Modified transfer balance*

Shane's transfer balance at the end of 30 June 2018 is $1,000,000:

		Credit	*Balance*
1 Dec 2017	*Account-based pension*	*$500,000*	*$500,000*
1 Dec 2017	*Defined benefit lifetime pension*	*$500,000*	*$1,000,000*

(a) *Disregard the amount of the credit that has arisen in respect of the account-based pension ($500,000).*

(b) *Increase the balance by the amount that would become payable if the account-based pension was voluntarily ceased at the end of 30 June 2018 ($400,000).*

The credit to Shane's transfer balance account relevant to his defined benefit lifetime pension is not disregarded.

Modified transfer balance is $1,000,000 – $500,000 + $400,000 = $900,000.

***Step 3** – Rollover superannuation benefits = $0*

***Step 4** – LRBA amounts = $0*

***Step 5** – Structured settlement contributions = $0*

34. *Shane's total superannuation balance at the end of 30 June 2018 is $900,000.*

Example 2: Partial commutation of account-based annuity

35. *Kathleen commenced an account-based annuity on 1 August 2018 with a value of $650,000.*

36. *On 1 March 2021 Kathleen partially commuted her annuity by $100,000. The account balance of her annuity just prior to the partial commutation was $500,000. She*

[41] Paragraph 307-230(2)(a) and sub-paragraph 307-230(2)(b)(ii).

received the superannuation lump sum of $100,000 which she took out of the superannuation system as a cash payment.

37. *The amount that would be paid to Kathleen if she voluntarily ceased the account-based annuity at the end of 30 June 2022 is $320,000.*

38. *Kathleen also has a superannuation interest in accumulation phase. The amount that would be payable to Kathleen from her accumulation phase interest if she were to voluntarily cease the interest at the end of 30 June 2022 is $20,000.*

39. *Kathleen's total superannuation balance at the end of 30 June 2022 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

***Step 1** – Accumulation phase value*

Value of Kathleen's superannuation interest not in retirement phase = $20,000.

***Step 2** – Modified transfer balance*

Kathleen's transfer balance at the end of 30 June 2022 is $550,000.

		Credit	*Debit*	*Balance*
01 Aug 2018	*Account-based annuity*	*$650,000*		*$650,000*
01 Mar 2021	*Partial commutation*		*$100,000*	*$550,000*

(a) *Disregard the amount of the credit that has arisen in respect of the account-based annuity ($650,000).*

(b) *Disregard the debit that has arisen from the partial commutation of the account-based annuity ($100,000).*

(c) *Increase the balance by the amount that would become payable if the account-based annuity was voluntarily ceased at the end of 30 June 2022 ($320,000).*

Modified transfer balance is $550,000 - $650,000 + $100,000 + $320,000 = $320,000.

***Step 3** – Rollover superannuation benefits = $0*

***Step 4** – LRBA amounts = $0*

***Step 5** – Structured settlement contributions = $0*

40. *Kathleen's total superannuation balance at the end of 30 June 2022 is $340,000.*

Example 3: Excess transfer balance credit

41. *On 1 April 2018 Erin commences an account-based pension. The value of the superannuation interest at the commencement of the pension was $2,000,000. The balance of her transfer balance account on 1 April 2018 is $2,000,000. Her transfer balance cap is $1,600,000. She has an excess transfer balance of $400,000.*

42. *On 1 May 2018, having realised her mistake in starting an account-based pension that exceeded her transfer balance cap, Erin partially commutes the pension to remove the excess amount and as a result receives a superannuation lump sum of $500,000 which is transferred to an accumulation phase interest in her superannuation fund.*

43. *For the 30 days that Erin's transfer balance account was in excess she accrued excess transfer balance earnings of $3,036 (assuming an earnings rate of 9.2%).*

44. *The amount that would be paid to Erin if she voluntarily ceased the account-based pension at the end of 30 June 2018 is $1,460,000. The amount that would be paid to Erin if she voluntarily ceased her interest in the accumulation phase at the end of 30 June 2018 is $500,000.*

45. *Erin's total superannuation balance at the end of 30 June 2018 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

***Step 1** – Accumulation phase value = $500,000*

***Step 2** – Modified transfer balance*

Erin's transfer balance account at the end of 30 June 2018 is $1,503,036.

		Credit	*Debit*	*Balance*
1 Apr 2018	*Account-based pension*	*$2,000,000*		*$2,000,000*
*2 Apr – 1 May 2018**	*Excess transfer balance earnings*	*$3,036*		*$2,003,036*
1 May 2018	*Partial commutation*		*$500,000*	*$1,503,036*

* Credits for excess transfer balance earnings arise on the start of the day after they have accrued.

(a) *Disregard the credit that has arisen in respect of the account-based pension ($2,000,000).*

(b) *The credit arising from the excess transfer balance earnings is not disregarded.*

(c) *Disregard the debit that has arisen from the partial commutation of the account-based pension ($500,000).*

(d) *Increase the balance by the amount that would become payable if the account-based pension was voluntarily ceased at the end of 30 June 2018 ($1,460,000).*

Modified transfer balance is $1,503,036 - $2,000,000 + $500,000 + $1,460,000 = $1,463,036.

***Step 3** – Rollover superannuation benefits = $0*

***Step 4** – LRBA amounts = $0*

***Step 5** – Structured settlement contributions = $0*

46. *Erin's total superannuation balance at the end of 30 June 2018 is $1,963,036.*

Example 4: Roll-over superannuation benefit

47. *MaiLin has $200,000 in the accumulation phase in her superannuation fund. MaiLin requests Fund A to roll-over $10,000 from Fund A to Fund B on 29 June 2019. It is received by Fund B on 1 July 2019.*

48. *MaiLin's total superannuation balance at the end of 30 June 2019 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

***Step 1** – Accumulation phase value*

MaiLin's roll-over superannuation benefit is not included in the accumulation phase value of her superannuation interests in Fund A or Fund B at the end of 30 June 2019.

Value of MaiLin's superannuation interest not in retirement phase = $190,000.

Step 2 *– Transfer balance = $0*

Step 3 *– Rollover superannuation benefits*

Roll-over superannuation benefit not reflected in accumulation phase value or transfer balance = $10,000.

Step 4 *– LRBA amounts = $0*

Step 5 *– Structured settlement contributions = $0*

49. *MaiLin's total superannuation balance at the end of 30 June 2019 is $200,000.*

Example 4A: LRBA amount – condition of release with nil cashing restriction

49A. *Harry and Beth are members of their SMSF, the H&B Superannuation Fund. Harry is aged 65 years and Beth is aged 60 years. They have not commenced any superannuation income streams from their SMSF. Neither Harry nor Beth holds an interest in any other superannuation fund.*

49B. *As at 28 June 2019, Harry's balance in the SMSF is $600,000 and Beth's balance is $400,000. These balances are held in cash.*

49C. *On 29 June 2019, the SMSF enters into an LRBA covered by subsection 67A(1) of the SISA with a commercial lender to borrow $1,000,000. It uses the $1,000,000 it borrows together with $500,000 that it held in cash to purchase a commercial property for $1,500,000.*

49D. *Of the $500,000 cash used to purchase the commercial property, 60% ($300,000) was supporting Harry's superannuation interest and the other 40% ($200,000) was supporting Beth's superannuation interest. These percentages also reflect the extent to which the commercial property supports Harry and Beth's superannuation interests.*

49E. *At the end of 30 June 2019, the SMSF has total assets of $2,000,000 made up of the market value of the commercial property of $1,500,000 and $500,000 in cash. The SMSF also has a liability of $1,000,000.*

49F. *Harry's total superannuation balance at the end of 30 June 2019 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

Step 1 *– Accumulation phase value*

Value of Harry's superannuation interest that is not in retirement phase is $600,000 (made up of $300,000 cash and $300,000, being 60% of the net value of the property)

Step 2 *– Transfer balance = $0*

Step 3 *– Rollover superannuation benefits = $0*

Step 4 *– LRBA amounts= $600,000*

As Harry is aged 65 years, he has met a relevant condition of release with a nil cashing restriction.[41A] *His total superannuation balance will include an LRBA amount. The value of Harry's LRBA amount is $600,000 which is 60% of the value of the outstanding balance of the LRBA of $1,000,000.*

Step 5 *– Structured settlement contributions = $0*

49G. *Harry's total superannuation balance at the end of 30 June 2019 is $1,200,000.*

[41A] Subparagraph 307-231(1)(e)(i) and subparagraph 307-80(2)(c)(iv).

49H. *Beth's total superannuation balance at the end of 30 June 2019 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

> ***Step 1*** *– Accumulation phase value*
>
> *Value of Beth's superannuation interest that is not in retirement phase is $400,000 (made up of $200,000 cash and $200,000, being 40% of net value of property)*
>
> ***Step 2*** *– Transfer balance = $0*
>
> ***Step 3*** *– Rollover superannuation benefits = $0*
>
> ***Step 4*** *– LRBA amounts = $0*
>
> *There is no LRBA amount to be included as Beth does not satisfy a relevant condition of release with a nil cashing restriction, nor is the lender an associate of the superannuation fund.*
>
> ***Step 5*** *– Structured settlement contributions = $0*

49I. *Beth's total superannuation balance at the end of 30 June 2019 is $400,000.*

Example 4B: LRBA amount – lender is an associate of the superannuation fund

49J. *Matt and Jodie are the trustees and members of their SMSF, the M&J Superannuation Fund. Both members hold superannuation interests in the accumulation phase supported by cash assets. Neither Matt nor Jodie holds an interest in any other superannuation fund.*

49K. *Matt and Jodie, as trustees, wish to diversify the fund's assets in accordance with the fund's investment strategy, and decide to purchase a parcel of listed shares with a market value of $500,000. On 1 August 2018, the SMSF enters into an LRBA covered by subsection 67A(1) of the SISA with Matt to borrow $250,000, under a 7–year loan term at 7.8% per annum. with monthly repayments. It uses the $250,000 it borrows together with $250,000 it held in cash to purchase the listed shares for $500,000.*

49L. *At the time just prior to the fund entering into the LRBA, the value of Matt's superannuation interest in the fund was $450,000 and the value of Jodie's superannuation interest was $150,000.*

49M. *Of the cash used, 75% ($187,500) was supporting Matt's superannuation interest and 25% ($62,500) was supporting Jodie's interest. These percentages also reflect the extent to which the listed shares support Matt and Jodie's superannuation interests.*

49N. *At the end of 30 June 2019, the SMSF has total assets of $875,000 made up of the market value of the listed shares of $520,000 and $355,000 in cash. The SMSF also has a liability in respect of the LRBA of $207,408.*

49O. *Matt is an associate of the SMSF.*[41B]

49P. *Matt's total superannuation balance at the end of 30 June 2019 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

> ***Step 1*** *– Accumulation phase value*
>
> *Value of Matt's superannuation interest that is not in retirement phase is $500,694 (made up of $266,250, being 75% of the cash and $234,444, being 75% of the net value of listed shares).*
>
> ***Step 2*** *– Transfer balance = $0*
>
> ***Step 3*** *– Rollover superannuation benefits = $0*

[41B] Paragraph 318(3)(a) of the ITAA 1936.

Step 4 *– LRBA amounts = $155,556*

As the LRBA lender is an associate of the SMSF, Matt's total superannuation balance will include an LRBA amount. The value of Matt's LRBA amount is $155,556, which is 75% of the outstanding balance of the LRBA of $207,408.

Step 5 *– Structured settlement contributions = $0*

49Q. *Matt's total superannuation balance at the end of 30 June 2019 is $656,250.*

49R. *Jodie's total superannuation balance at the end of 30 June 2019 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

Step 1 *– Accumulation phase value*

Value of Jodie's superannuation interest that is not in retirement phase is $166,898 (made up of $88,750, being 25% of the cash and $78,148, being 25% of the net value of listed shares).

Step 2 *– Transfer balance = $0*

Step 3 *– Rollover superannuation benefits = $0*

Step 4 *– LRBA amounts = $51,852*

As the LRBA lender is an associate of the SMSF, Jodie's total superannuation balance will include an LRBA amount. The value of Jodie's LRBA amount is $51,852 which is 25% of the outstanding balance of the LRBA of $207,408.

Step 5 *– Structured settlement contributions = $0.*

49S. *Jodie's total superannuation balance at the end of 30 June 2019 is $218,750.*

Example 5: Structured settlement contribution

50. *On 12 October 2018 Jack is awarded a structured settlement of $1,800,000. He contributes this payment to his existing accumulation phase interest of $200,000 in his superannuation fund which brings the balance of that interest to $2,000,000.*

51. *On 30 November 2018 Jack commences an account-based pension of $1,800,000.*

52. *At the end of 30 June 2019, the amount that would be paid to Jack if he voluntarily ceased his account-based pension is $1,650,000.*

53. *At the end of 30 June 2019 the amount that would be payable to Jack from his accumulation phase interest if he were to voluntarily cease the interest is $250,000 (increased as a result of earnings).*

54. *Jack's total superannuation balance at the end of 30 June 2019 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

Step 1 *– Accumulation phase value*

Value of Jack's superannuation interest that is not in retirement phase = $250,000

Step 2 *– Modified transfer balance*

Jack's transfer balance account at the end of 30 June 2019 is $0.

		Credit	*Debit*	*Balance*
30 Nov 2018	*Account-based pension*	*$1,800,000*		*$1,800,000*
30 Nov 2018	*Structured settlement contributions*		*$1,800,000*	*$0*

(a) *Disregard the amount of the credit that has arisen in respect of the account-based pension ($1,800,000).*

(b) *The debit arising from the structured settlement contribution is not disregarded.*

(c) *Increase the balance by the amount that would become payable if the account-based pension voluntarily ceased at the end of 30 June 2019 ($1,650,000).*

Transfer balance (modified for account-based pension) is $0 - $1,800,000 + $1,650,000= -$150,000.

Further modification of transfer balance for structured settlement

(d) *Disregard debit arising from the structured settlement contribution*

Modified transfer balance is -$150,000 + $1,800,000 = $1,650,000

***Step 3** – Rollover superannuation benefits = $0*

***Step 4** – LRBA amounts = $0*

***Step 5** – Structured settlement contributions = $1,800,000*

55. *Jack's total superannuation balance at the end of 30 June 2019 is $100,000.*

Example 6: Structured settlement contribution split between account-based pension and lifetime pension

55A. *On 1 May 2018 Desi is awarded a structured settlement of $1,200,000.*

55B. *On the same day she commences an account-based pension for $200,000 and a lifetime pension for $1,000,000.*

55C. *At the end of 30 June 2018, the amount that would be paid to Desi if she voluntarily ceased her account-based pension is $195,000.*

55D. *Desi's total superannuation balance at the end of 30 June 2018 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

***Step 1** – Accumulation phase value = $0*

***Step 2** – Modified transfer balance*

Desi's transfer balance account at the end of 30 June 2018 is $0.

		Credit	*Debit*	*Balance*
1 May 2018	*Account-based pension*	*$200,000*		*$200,000*
1 May 2018	*Lifetime pension*	*$1,000,000*		*$1,200,000*
1 May 2018	*Structured settlement contributions*		*$1,200,000*	*$0*

(a) *Disregard the amount of the credit that has arisen in respect of the account-based pension ($200,000).*

(b) *The debit arising from the structured settlement contribution is not disregarded.*

(c) *Increase the balance by the amount that would become payable if the account-based pension voluntarily ceased at the end of 30 June 2018 ($195,000).*

Transfer balance (modified for account-based pension) is
$0 - $200,000 + $195,000 = -$5,000.

(d) *Disregard debit arising from the structured settlement contribution*

Modified transfer balance is -$5,000 + $1,200,000 = $1,195,000

***Step 3** – Rollover superannuation benefits = $0*

***Step 4** – LRBA amounts = $0*

Further modification of transfer balance for structured settlement

***Step 5** – Structured settlement contributions= $1,200,000*

55E. *Desi's total superannuation balance at the end of 30 June 2018 is $5,000.*

Example 7: Transitional arrangements for total superannuation balance at the end of 30 June 2017 – account-based pension

56. *Tatsuya commenced an account-based pension on 16 November 2016 for $500,000. The value of the superannuation interest that supports the pension at the end of 30 June 2017 is $470,000. Accordingly, the value of the superannuation interest that supports the account-based pension just after the start of 1 July 2017 is also $470,000.*

57. *Tatsuya's total superannuation balance at the end of 30 June 2017 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

***Step 1** – Accumulation phase value = $0*

***Step 2** – Modified transfer balance*

The earliest that Tatsuya can commence to have a transfer balance account is 1 July 2017. The transitional arrangements apply so that his transitional transfer balance at the end of 30 June 2017 is equal to the sum of his transitional transfer balance credits just after the start of 1 July 2017.

On 1 July 2017 a credit arises in Tatsuya's transfer balance account equal to the value of the superannuation interest that supports the account-based pension at the end of 30 June 2017.

Tatsuya's transitional transfer balance just after the start of 1 July 2017 is $470,000.

		Credit	*Debit*	*Balance*
1 Jul 2017	*Account-based pension*	*$470,000*		*$470,000*

(a) *Disregard the amount of the credit that has arisen in respect of the account-based pension just after the start of 1 July 2017 ($470,000).*

(b) *Increase the balance by the amount that would become payable if the account-based pension voluntarily ceased just after the start of 1 July 2017 ($470,000).*

Transitional modified transfer balance at 30 June 2017 is
$470,000 - $470,000 + $470,000 = $470,000

***Step 3** – Roll-over superannuation benefits = $0*

***Step 4** – LRBA amounts = $0*

***Step 5** – Structured settlement contributions = $0*

58. *Tatsuya's total superannuation balance at the end of 30 June 2017 is $470,000.*

Example 8: Transitional arrangement for total superannuation balance at end of 30 June 2017 – structured settlement contribution and payment split

59. *On 12 October 2015 Cameron is awarded a structured settlement of $1,200,000. He contributes this payment to superannuation to commence an account-based pension.*

60. *At the end of 30 June 2017 the value of the superannuation interest supporting Cameron's account-based pension is $1,000,000. Accordingly, the value of the superannuation interest that supports the account-based pension just after the start of 1 July 2017 is also $1,000,000.*

61. *On 1 January 2016 Cameron also commenced defined benefit lifetime pension. Under a payment split, Cameron is entitled to 40% of the superannuation income stream benefits payable from the defined benefit lifetime pension. At the end of 30 June 2017 the special value of the interest supporting Cameron's lifetime pension is $600,000.*

62. *Cameron's total superannuation balance at the end of 30 June 2017 is the sum of Steps 1, 2, 3 and 4 reduced by Step 5.*

> ***Step 1** – Accumulation phase value = $0*
>
> ***Step 2** – Modified transfer balance*
>
> *The earliest that Cameron can commence to have a transfer balance account is 1 July 2017.*
>
> *The transitional arrangements apply so that his transitional transfer balance at the end of 30 June 2017 is equal to the sum of his transfer balance credits just after the start of 1 July 2017 less the debit for his payment split that arose on 1 July 2017.*

Cameron's transitional transfer balance just after the start of 1 July 2017 is $1,240,000.[42]

		Credit	*Debit*	*Balance*
1 July 2017	*Defined benefit lifetime pension*	*$600,000*		*$600,000*
1 July 2017	*Payment split*		*$360,000*	*$240,000*
1 July 2017	*Account-based pension*	*$1,000,000*		*$1,240,000*

(a) *Disregard the amount of the credit that has arisen in respect of the account-based pension just after the start of 1 July 2017 ($1,000,000).*

(b) *Increase the balance by the amount that would become payable if the account-based pension voluntarily ceased just after the start of 1 July 2017 ($1,000,000).*

Transitional modified transfer balance at 30 June 2017 is $1,240,000 - $1,000,000 + $1,000,000 = $1,240,000

***Step 3** – Rollover superannuation benefits = $0*

***Step 4** – LRBA amounts = $0*

***Step 5** – Structured settlement contributions = $1,200,000*

[42] Section 307-230 of the of the *IT(TP)A 1997* only applies to count certain credits and debits that arise on 1 July 2017 in the value of a person's transitional transfer balance on 30 June 2017. A debit for a structured settlement contribution is not a debit that is counted.

63. *Cameron's total superannuation balance at the end of 30 June 2017 is $40,000.*

Commissioner of Taxation
20 March 2017

References

ATOlaw topic(s)	Superannuation ~~ Income tax - individuals (superannuation) ~~ Other
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