



Australian Government

Australian Taxation Office

# Super Changes Webinar

Transition to Retirement  
Income Streams

27 April 2017



# Welcome – Super Changes

## Transition to retirement income streams

### ❖ **TRIS 101**

- Conditions of release and cashing restrictions
- TRIS policy background

### ❖ **Integrity of income streams measure**

- TRIS
- Lump sum election
- Retirement phase

### ❖ **Impacts with other measures**

- Transfer balance cap
- Total super balance

# Welcome – Super Changes

## Transition to retirement income streams

### ❖ **Implementation of TRIS changes**

- Segregated large funds – practical compliance issues
- CGT relief for segregated funds
- ‘Auto-conversion’ – what happens to a TRIS when a member meets a nil condition of release

### ❖ **Outstanding technical issues**

- Treasury Law Amendment (2017 Measures No. 2) Bill 2017: superannuation reform package amending provisions (Technical amendments bill)
- Income streams once you meet a nil condition of release

### ❖ **Reporting and administration**

# Status of law

- ❖ Law passed in November 2016 – giving effect to TRIS change
- ❖ Number of technical issues raised during consultation
- ❖ Exposure draft of technical amendments bill released – but law NOT final yet

# Conditions of release and cashing restrictions

## Schedule 1 of the SIS Regulations

Item	Condition of release	Cashing restriction
101	Retirement	Nil
106	Attaining age 65	Nil
110	Attaining preservation age	A TRIS (or other non-commutable pension or annuity)

# Definition of TRIS

## Regulation 6.01 SIS Regulations

- 1. Account based pension** – pension to which paragraph 1.06(9A)(a) of the SIS Regulations applies – an account based pension with minimum annual pension payment requirements
- 2. Maximum limit on annual payment** – no more than 10% of the pension account balance in total payments made in a income year
- 3. Commutation restrictions** – no lump sums generally payable except in some limited circumstances

# TRIS policy background

- ❖ Assist people to reduce working hours
- ❖ Supplement reduced income with limited amount of super
- ❖ TRIS is currently like any other pension – earnings from assets are currently tax free

# Integrity of income streams - TRIS

- ❖ TRIS used for tax minimisation – not to assist with transitioning to retirement
- ❖ TRIS still available – but need to be fit for purpose
- ❖ The change is to the fund's tax treatment of earnings from assets supporting a TRIS
- ❖ Currently tax free – will change to be included in fund's assessable income – taxed at 15%



# Integrity of income streams – lump sum election

- ❖ Removal of regulation 995-1.03 of the ITA Regulations
- ❖ Lump sum election – treat super benefit payments as lump sums for tax purposes
- ❖ Inconsistency between super law and tax law
- ❖ Removal improves integrity of income streams

# Retirement phase

- ❖ New concept of retirement phase - section 307-80 of the ITAA 1997
- ❖ When an income stream IS in the retirement phase
  - currently payable (subsection 307-80(1) ITAA 1997)
  - is a deferred income stream and the member has met a nil condition of release (subsection 307-80(2) ITAA 1997)
- ❖ When an income stream IS NOT in the retirement phase
  - if it is a TRIS
- ❖ If an income stream is in the retirement phase the earnings from assets supporting it are eligible for exempt current pension income (ECPI)

# Interaction with other measures – transfer balance cap (TBC)

- ❖ TBC – limit on the amount an individual can transfer into the retirement phase (tax free environment)
- ❖ TBC – starts at \$1.6 million – but will be indexed in future years
- ❖ TRIS won't be in the retirement phase - so does not count towards a person's TBC

# Interaction with other measures – total super balance (TSB)

- ❖ TSB – generally consists of
  - accumulation phase value of all super interests not in the retirement phase
  - PLUS a value for income streams in the retirement phase
  - MINUS structured settlement amounts
  
- ❖ TSB – impacts eligibility to
  - make non-concessional contributions
  - access carry forward concessional contributions caps,
  - receive co-contributions and
  - claim the spouse tax offset
  
- ❖ TRIS won't be in the retirement phase - so the accumulation phase value of the TRIS will count towards a person's TSB

# Implementation of TRIS changes

## Three significant implementation issues

- ❖ Practical compliance issues being faced by large segregated funds
- ❖ CGT relief for segregated funds impacted by TRIS changes and
- ❖ 'Auto-conversion' – what happens to a TRIS when a person met a nil condition of release.

# Segregated large funds – practical compliance issues

- ❖ Issue with implementing changes – segregating assets and deploying IT solutions
- ❖ Consultation and engagement with FSC and ASFA
- ❖ Development of PCG 2017/3
  - calculation of the fund's assessable income in relation to TRIS assets
  - fund's PAYG instalments for an interim period
  - fund's use of the segregated method for calculation ECPI
- ❖ Published on 30 March 2017 - [PCG 2017/3](#)

# CGT relief for segregated funds

- ❖ Current provisions – don't extend to segregated funds with current TRIS that continue on 1 July 2017
- ❖ Raised issue with Treasury – intention that CGT relief apply to all funds impacted by TRIS changes
- ❖ \*Technical amendment bill – proposes amending section 294-110
  - include assets that cease to be segregated current pension assets on 1 July 2017 because it is an asset supporting a TRIS
  - eligible for CGT relief on this date

\*(note law is not yet final)

# 'Auto-conversion' – what happens to a TRIS when a member meets a nil COR

- ❖ 'No 'auto-conversion' in law – but current industry practice had no practical consequences
- ❖ TRIS definition – once a pension starts as a TRIS, it remains the same income stream (the TRIS) until it ceases
- ❖ The limitations (10% maximum and commutation restrictions) can fall away once a member meets a nil condition of release
  - this happens through the operation of the definition of TRIS
  - it does not require conversion to a different account based pension



# What happens to a TRIS when a member meets a nil COR (cont)

- ❖ The current law would require a TRIS to be commuted and a new income stream in the retirement phase commenced to be eligible for the earnings tax exemption
- ❖ Administrative issues with that approach – Treasury advised
- ❖ \*Technical amendment bill proposes changes to subsection 307-80(3) that would mean:
  - a TRIS where a member has NOT met a nil condition of release would NOT be in the retirement phase
  - a TRIS where a member has met a nil condition of release would be in the retirement phase
  - there would be no requirement to commute the TRIS and start a new income stream to be able to benefit from the earnings tax exemption

**\*(note law is not yet final)**

# Taxable income streams once you meet a nil condition of release?

- ❖ Income streams once you meet a nil condition of release (based on technical amendment\*)
  - all income streams will be in the retirement phase except for a TRIS where the member has not met a nil condition of release
  - no scope of any other income streams to NOT be in the retirement phase
  
- ❖ Members who have met a nil condition of release can still access super as lump sums

**\*(note law is not yet final)**

# Technical amendment bill

- ❖ Treasury Law Amendment (2017 Measures No. 2) Bill 2017: superannuation reform package amending bill
- ❖ Amendments expected to be passed before 1 July 2017
- ❖ ATO will confirm view/position through guidance material once law is final

# Reporting and administration

- ❖ No fundamental changes in reporting
- ❖ Minor reporting changes being considered to better identify TRIS
  - Large funds – member account attribute service (MAAS)
  - SMSFs – SMSF annual return (changes from 17-18 return if required)

# Questions & Answers

Thank you for your participation.



# Guidance Material

## **Super changes**

[Super Changes ATO Webpage](#)

[Law companion guidelines](#)

[Super community on ATO Let's Talk](#)

## **TRIS**

[PCG 2017/3](#)

# How did you hear from us?



# More information



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**[ato.gov.au/superchanges](https://ato.gov.au/superchanges)**