



Important tax changes from 1 July 2017



Please read this important information as these changes may apply to you

These changes were announced in the 2016 Federal Budget and passed into law during November 2016. The laws will be effective from 1 July 2017 and will impact you if your 2017-18 annualised RBF Life Pension is greater than the \$100,000 defined benefit income cap. We will explain to you how this is calculated further in this document.

The design of the defined benefit schemes that we administer has not changed. We want to make sure that you are aware of these Australian Government changes and can seek appropriate taxation and/or financial advice before considering any action you may wish to take in response to these changes in tax law.

Introduction of the \$1.6 million transfer balance cap

From 1 July 2017 a new transfer balance cap will apply to the amount of super that can be transferred to tax-free retirement phase income streams. The transfer balance cap for the 2017-18 financial year will be \$1.6 million and will be indexed in line with CPI (rounded down to the nearest \$100,000).

For account-based retirement income streams, any excess amounts over the transfer balance cap may need to be removed and additional tax payable on the notional earnings related to the excess.

RBF defined benefit members are not able to transfer or remove excess amounts from their RBF Life Pension and different tax rules will apply. Important information on these rules are summarised in this document.

Special values and the defined benefit income cap

Your RBF Life Pension is classified under these new rules as a 'capped defined benefit income stream' for taxation purposes. This means that the 'special value' of your RBF Life Pension will count towards your transfer balance cap.

Under the taxation rules, the 'special value' of your RBF Life Pension is based on annualising your first payment entitlement for the 2017-18 financial year. This is calculated by dividing your fortnightly payment by 14 and multiplying this result by 365. Your annualised RBF Life Pension is then multiplied by 16 to determine the 'special value' of your RBF Life Pension for purposes of the transfer balance cap.

If the special value of your RBF Life Pension exceeds the \$1.6 million transfer balance cap, you may need to include part of the excess amount in your assessable income and your entitlement to the tax offset may also be affected.

The defined benefit income cap is \$100,000 (1/16th of the \$1.6 million transfer balance cap) for 2017-18 and will increase in line with the indexation of the transfer balance cap.

The tax treatment of your RBF Life Pension will not change if your RBF Life Pension is less than \$100,000 each year. However as your RBF Life Pension will count towards your transfer balance you may need to consider the impacts of any retirement income from account-based pensions, to the extent that you have such arrangements over and above your RBF Life Pension.

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Tax treatment of excess defined benefit income

If your RBF Life Pension is more than \$100,000, the tax treatment of your excess defined benefit income will change according to the amount of your excess defined benefit income that is attributable to the taxed and untaxed components of your RBF Life Pension, with the taxed components being taken into account first.

If you exceed the cap, and all or part of the excess includes a taxed component, 50% of the taxed component will be included in your assessable income.

If you exceed the cap, and all or part of the excess includes an untaxed component, the 10% tax offset will no longer apply to the excess untaxed amount.

Your latest payment summary provides an explanation of the taxed and untaxed components of your pension.

Will I be impacted by these changes?

These changes will impact you if your 2017-18 annualised RBF Life Pension is greater than the \$100,000 defined benefit income cap.

If you exceed the defined benefit income cap you may need to lodge a tax return and you may have to pay tax on the excess.

If these changes mean that you will start paying tax, you should consider completing a **'Withholding declaration – short version for seniors and pensioners'**. This form is available on the RBF website. If applicable, please lodge the completed form with RBF prior to 1 July 2017 if you would like to start claiming the tax-free threshold.

Account-based retirement income streams

If you have other account-based retirement income streams, in addition to your RBF Life Pension, you will need to consider all retirement income streams when assessing your transfer balance cap. You will need to include the balances of your other account-based retirement income accounts plus your capped defined benefit (the special value of your RBF Life Pension).

If you exceed the \$1.6 million cap and you do not remove the excess account-based retirement income streams prior to 1 July 2017, you may still be required by the Australian Tax Office to remove the excess and you may have to pay excess transfer balance tax on the notional earnings on the excess.

Other taxation changes

There are other taxation changes from the 2016 Federal Budget which will also take effect from 1 July 2017. These were outlined in our 'Super rules passed: an overview of the changes' article which was published in the January 2017 edition of the RBF Member News. For reference, this is located on the **Forms and publications** page of the RBF website if you would like to refresh what these changes included.

What you need to do

Please consider the potential impact of these changes on your circumstances and whether or not you should seek further advice from a financial planner or a tax advisor. In some circumstances you may need to take action prior to 1 July 2017, for example if you have other account-based retirement income streams.

More detailed information is available on the Australian Taxation Office website, please refer to www.ato.gov.au/Individuals/Super/Super-changes.

Please contact the RBF Enquiry Line on **1800 622 631** if you have any specific questions relating to your RBF Life Pension.



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