

# Flow Chart to Manage \$1.6m Transfer Balance Cap and CGT Relief

**i** Check all funds/pensions held by member including defined benefit pensions.



**Does the member have a total pension balance greater than \$1.6m?**

→ No



No action

**i** To be considered segregated, SMSF must be either 100% in pension phase for full year or have documentary evidence of segregation (prudent to confirm with SMSF accountant). Netwealth Super Wrap Income Stream is segregated.

**CGT relief is available for individuals adjusting their assets to comply with the new transfer balance cap rules. Relief applies differently depending on whether the assets are segregated or unsegregated at 9/11/16.**

**i** How do you comply? Reduce the pension balance by 30/06/17 by moving back into accumulation to reflect the level required by the transfer balance cap of \$1.6m.

## Segregated assets

## Unsegregated assets

↓  
Yes

↓  
Yes

Did the fund hold the segregated current pension asset as at 9/11/16?

Did the unsegregated (proportionate) method apply anytime during the 2016/17 FY?

↓  
Yes

↓  
Yes

Was the fund complying at all times from 9/11/16 to the date when the asset ceases to be a segregated current pension asset?

Was the fund complying at all times from 9/11/16 - 30/06/17?

↓  
Yes

↓  
Yes

Did the fund hold the asset for the period from 9/11/16 - 30/06/17?

Between 9/11/16 - 30/06/17, was the asset an unsegregated current pension asset of the fund or an unsegregated non-current asset of the fund?

↓  
Yes

↓  
Yes

Did the asset cease to be a segregated current pension asset between 9/11/16 - 30/06/17?

Was the asset held for the whole of the period 9/11/16 - 30/06/17?

↓  
Yes

↓  
Yes

Will the fund apply for CGT relief on the asset on or before the date the fund is required to submit its Annual Tax Return for 2016/17?

Will the fund apply for CGT relief on the asset on or before the date the fund is required to submit its Annual Tax Return for 2016/17?

↓  
Yes

↓  
Yes

Segregated fund eligible to apply CGT relief to selected assets. Will trustees elect CGT relief?

Unsegregated fund eligible to apply relief to any or all of its assets held as at 9/11/16.

↓  
Yes

↓  
Yes

Election of CGT relief on an asset results in a deemed disposal and acquisition of the asset on the date when the asset ceases to be a segregated current pension asset. The Deemed disposal results in a Capital Gain being realised which is fully exempt as it is segregated. The 12 month discount period restarts for the asset.

Electing CGT relief on an asset is a deemed disposal and acquisition of the asset at 30/06/17. Deemed disposal results in a Capital Gain being realised and part of it will be taxable given that it is unsegregated. The 12 month discount period restarts for the asset.

Choice to defer a Capital Gain. Must be made at the same time and in the same manner as the choice to apply CGT relief. Election irreversible.

↓  
Yes

↓  
Yes

No

Yes

Yes

No



Asset not eligible for CGT relief

### Record keeping responsibilities:

All Funds: Records must be kept for every act, transaction, event or circumstances that can reasonably be expected in working out whether a Capital Gain or loss arises. **Unsegregated Funds (SMSFs):** Where the super fund has chosen to defer a Capital Gain then it must, at a minimum, keep records of the assets to which CGT relief was applied and the 2016-17 non-exempt proportion of the deferred notional gains for these assets so that when Capital Gains or losses are later realised it can be brought to account in that future income year.



Asset not eligible for CGT relief