REDUCED ECPI RED TAPE

The Government proposes to introduce legislative changes effective from 1st July 2020 to simplify actuarial certificate exempt current pension income (ECPI) requirements.

Currently, some SMSFs are required to get an actuarial certificate that is unnecessary. Even if a SMSF only has assets supporting account-based pensions (i.e. 100% exempt) but has a member with a total super balance in excess of $1.6 million, current laws require it to obtain an actuarial certificate. This situation could happen if that member – independently of their SMSF entitlements – had entitlements in another fund. Trustees rightly find it difficult to understand why they need to get an actuarial certificate for a fund with a 100% ECPI – something they already know. The proposed legislative changes will fix this.

Also, in the past, industry practice allowed SMSF's to obtain an unsegregated actuarial certificate for the whole of the financial year – even if for part of the year the liabilities were solely in retirement phase. The fund may have received a contribution towards the end of the year or swapped at some stage to pension mode. In 2017 the ATO clarified that the Commissioner's view was that if for any part of the year the funds were segregated (by default being 100% exempt) the fund must calculate their ECPI using the segregated method for that period of the year. The government is proposing to allow SMSFs with both accumulation and retirement phase liabilities during the year to choose their preferred method of calculating ECPI in a single certificate for the whole year. This will simplify the administration and calculations.

NetActuary will continue to assist with the current ECPI calculation restrictions in 2019/20 until the simplifying legislation is enacted.

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