

Welcome to the October edition of Connection Point. This month we cover:

- New Social Security rates and thresholds from 20 September 2015
- New aged care fees and thresholds from 20 September 2015
- Lost member account thresholds increased
- Look through tax treatment for LRBAs

New Social Security rates and thresholds from 20 September 2015

Social security rates and thresholds increased on 20 September 2015.

Age Pension	Current rates and thresholds	Rates and thresholds from 20 Sept 2015
Single	\$860.20 pf	\$867.00 pf
Couple (each)	\$648.40 pf	\$653.50 pf
Upper income threshold - single	\$1,882.40	\$1,896.00
Upper income threshold - couple	\$2,881.60	\$2,902.00
Homeowner Upper asset threshold - single	\$779,000	\$783,500
Homeowner Upper asset threshold - couple	\$1,156,500	\$1,163,000

For a comprehensive listing of new rates and thresholds refer to the Social Security Fact Sheet on www.onepath.com.au

Implications for clients

- The increased rates and thresholds may increase existing entitlements and clients previously ineligible may now become eligible for a benefit and should apply to Centrelink.

New aged care fees and charges from 20 September 2015

Aged care fees, charges and thresholds increased on 20 September 2015.

Fee/Charge/ Threshold	Rates and thresholds from 20 Sept 2015
Basic daily fee	\$47.86
Maximum accommodation supplement	\$53.84
Income free area - single	\$980.30pf
Income free area - couple	\$962.30pf
Home exemption cap	\$157,987.20
Annual cap on means tested fee	\$25,731.05
Lifetime cap on means tested fee	\$61,754.55
Minimum asset level for RAD or RAC	\$46,000
Maximum interest rate*	6.14%
Maximum RAD (without approval)	\$550,000

*Interest rate effective 1 October 2015

The asset thresholds for the asset tested component of the means tested fee also increased from 20 September 2015.

Asset threshold	Formula from 20 Sept 2015
≤ \$46,000	Nil
Between \$46,001 - \$157,987.20	(17.5% of amount exceeding \$46,000)/364
Between \$157,987.21 - \$381,961.60	(\$19,597.76 plus 1% of amount exceeding \$157,987.20)/364
\$381,961.61+	(\$21,837.50 plus 2% of amount exceeding \$381,961.60)/364

Lost member account thresholds increased

Tax and Superannuation Laws Amendment (2015 Measures No.4) Bill 2015 recently passed the Senate and is currently awaiting royal assent.

This Bill increases the account balance threshold below which a super fund must transfer lost member benefits to the ATO. The account balance threshold will increase from \$2,000 to \$4,000 from 31 December 2015, before increasing to \$6,000 from 31 December 2016.

Implications for clients

- Clients with low superannuation account balances risk having their benefits transferred to the ATO. Any insurance policies attached to these benefits would also be lost in the process.

Look through tax treatment for LRBAs

Tax and Superannuation Laws Amendment (2015 Measures No.2) Bill 2015 recently received royal assent. This Bill provides certainty about whether the trust relationship over an asset that arises in a limited recourse borrowing arrangement (LRBA) can be ignored for tax purposes.

While it has been the long-standing practice to ignore the existence of the trust for CGT purposes, these amendments confirm that a look-through treatment will apply in respect of assets acquired under an LRBA. This means that for tax purposes the SMSF will be treated as the owner of the assets of the trust, not the trustee of the trust.

The trust is effectively ignored for income tax purposes and any income received from the assets, such as dividends, franking credits and capital gains will form part of the SMSF's tax return.

The look-through provisions continue to apply after the borrowing is fully repaid until the trust arrangement ceases. This may be when the asset is transferred to the SMSF or is sold to a third party.

Implications for clients

- SMSF trustees with LRBAs in place now have certainty over the taxation treatment of their LRBA assets.