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Frequently Asked Questions

Transfer Balance Account Reporting

1. What is Transfer Balance Account Reporting?

The 2016 budget announcements introduced three new, inter-related concepts that are now a reality:

• Transfer Balance Cap (TBC) – This is the maximum amount that each individual can transfer into the retirement phase, and is measured as a lifetime cap. Unused portions are indexed to inflation in $100,000 increments.

• Transfer Balance Account (TBA) – Think of this like a bank account. It is used to monitor how much has been transferred in or out of the retirement phase, and the balance changes by way of credits (starting new pensions) or debits (stopping existing pensions).

• Transfer Balance Account Report (TBAR) – This is the report that is sent to the ATO to inform them of events that 'use up' your TBC. Ultimately, these events are transactions in your TBA.

2. Is my Transition to Retirement Income Stream impacted by these reforms?

Previously a Transition to Retirement Income Stream (TRIS) was accessible to a large number of individuals who had met a partial condition of release, allowing them to begin a tax free pension. Under new legislation if a member is under 65 and only meets a partial condition of release, income attributable to that pension will be taxable at 15%, like an accumulation balance and be known as a 'TRIS Not in Retirement Phase'. Once a member notifies their fund that they have met a full condition of release, or attains age 65, this pension will automatically convert to a TRIS in Retirement Phase.

3. Who prepares the TBAR?

Usually the fund's accountant or administrator will oversee the TBAR function, however this can be picked up by the fund's trustee if desired. Accountants and administrators who are also elected as the fund's tax agent can benefit from online reporting via the tax agent portal, allowing them to lodge via bulk data exchange, online form or bulk spreadsheet. If the TBAR function is overseen by a trustee they may only be able to prepare and lodge a paper form.

4. How do I know if I need to complete a TBAR?

Any member in receipt of a superannuation income stream on or after 1 July 2017 must complete a TBAR for the commencement (or existence) of each superannuation income stream. Specific 'events' that require a TBAR are detailed at question 9.

5. What is the purpose of TBARs?

TBAR provides a scope for effective monitoring of tax free superannuation monies. Further, with the changes to TRIS's this helps ensure the integrity of the superannuation system to reduce tax avoidance schemes.

6. When is the TBAR due?

The due date for a TBAR is dependent on the Total Super Balance (TSB) of each member. If any member of the fund has a TSB over $1 million, then the TBAR is due on a quarterly basis. If all members of a fund have TSB below $1 million, then the TBAR is due annually. The due dates for quarterly lodgements are 28 days after the end of the quarter in which an event occurred.

Quarter	Coverage	Due Date
Quarter 1	July to September	Due 28 October
Quarter 2	October to December	Due 28 January
Quarter 3	January to March	Due 28 April
Quarter 4	April to June	Due 28 July

For funds reporting annually, the TBAR is to be lodged with the annual tax return and due on the same date, usually 15 May.

7. Can the TBA have a negative value?

Yes, the TBA can have a negative value where, due to asset value growth the commutation value (value when the pension ceases) exceeds the pension commencement value.

For example:

• A pension starts on 1 July 2017 for $1 million, resulting in a credit to the TBA, which now has a balance of $1 million.
• Growth in assets has increased the market value to $1.2 million at 30 June 2018 (after pension payments have been drawn). The member decides to commute the full pension back to accumulation.
• The TBA now receives a debit of $1.2 million, giving it a negative balance of $200,000.
• A new pension could now be started for up to $1.8 million, incorporating the original cap of $1.6 million, plus the negative balance of $200,000.

8. What events need to be reported in a TBAR?

Debit (decrease balance)	Credit (increase balance)
Stopping a pension *Full or partial commutation*	Starting a pension *Including a TRIS moving into Retirement Phase*
Failure to comply with pension standards or a commutation authority	Receiving a reversionary pension *To be reported in the quarter or year the death occurs but the credit does not appear in recipient's TBA until 12 months from the date of death*
Payment splits upon divorce / marital breakdown	Excess Transfer Balance earnings that accrue
Structured settlement contributions	Some LRBA payments *If the LRBA was started after 1 July 2017*
Other events such as fraud, dishonesty or bankruptcy	

9. How often am I likely to have an event to report?

Some funds may report the initial pension commencement, and never have a need to report again. This is likely to occur for individuals who only have superannuation amounts up to the cap of $1.6 million and take regular pension payments. Another TBAR is not likely to occur until the member passes, if they still have a balance remaining, or decide to switch superannuation funds. Where the full pension is depleted by pension payments no further reporting is required.

10. What if I have a Market Linked Pension?

Market Linked Pensions (MLP) do not receive a debit when they are commuted due to a technicality within the legislation. This is because MLPs are, historically, not able to be commuted. However the ATO have expressed that where a MLP debit is reported, they will not take further compliance action. Similarly, where an individual breaches their cap due to a MLP commencement, (or the initial value exceeds $1.6 million) they will not take further compliance action.
This is detailed in *Super client relationship team alert 066/2018.*

11. What if I want to withdraw more than my minimum pension each year?

You may be able to withdraw the excess over your minimum pension as a Lump Sum Withdrawal (LSW) to 'free-up' some of your TBC. This works by processing a partial commutation from the pension equal to the LSW amount. The partial commutation triggers a TBA debit, freeing up some of the TBC for a new pension to be started. Alternatively the excess amount may be taken from an accumulation account, if available. This allows a larger portion of the fund to remain in a tax-free phase moving forwards.

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