

# EXPOSURE DRAFT

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Inserts for

## Treasury Instruments Autumn 2017: TSY/45/029 Capped defined benefit income stream

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### Commencement information

Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. Sch Capped DB	1 July 2017	

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## Schedule Capped DB—Amendments

### *Income Tax Assessment Regulations 1997*

#### 1 After Division 293

Insert:

#### Division 294—Transfer balance cap

#### Subdivision 294-D—Modifications for certain defined benefit income streams

##### 294-130.01 Meaning of capped defined benefit income stream

- (1) For the purposes of subsection 294-130(2) of the Act, a superannuation income stream is prescribed if subregulation (2) or (3) applies to the income stream.
- (2) This subregulation applies to a superannuation income stream if it is a pension for the purposes of the SIS Act that is provided under rules:
  - (a) that are in existence at the date of registration of the *Superannuation Industry (Supervision) Amendment Regulations 2007 (No. 3)*; and
  - (b) that would meet the standards of subregulation 1.06(2) of the SIS Regulations except for the circumstances in which those rules allow for either or both of the following:
    - (i) the pension to be commuted;
    - (ii) the variation or cessation of pension payments in respect of a child of the deceased primary or reversionary beneficiary.
- (3) This subregulation applies to a superannuation income stream if it is a pension for the purposes of the SIS Act that is provided:
  - (a) on the grounds of invalidity under a government superannuation scheme of the Commonwealth or a State or Territory; and

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- (b) under rules that would meet the standards of subregulation 1.06(2) of the SIS Regulations except to the extent that those rules allow for the variation, suspension or cessation of pension payments due to any of the following:
  - (i) the primary beneficiary's level of incapacity being reclassified;
  - (ii) the primary beneficiary's personal earnings changing;
  - (iii) the primary beneficiary being employed by a participating employer of the relevant superannuation scheme;
  - (iv) the primary beneficiary failing to provide information as required by the rules.

## **294-135.01 Transfer balance credit—determining special value of a superannuation interest**

For the purposes of subsection 294-135(4) of the Act, the *special value*, at a particular time, of a superannuation interest that supports an income stream that is, or was at any time, a superannuation income stream prescribed by regulation 294-130.01, is the amount worked out using the formula:

Annual entitlement × 16

where:

*annual entitlement* means the amount worked out by:

- (a) dividing the amount of the first superannuation income stream benefit you are entitled to receive from the income stream just after that time by the number of whole days to which that benefit relates; and
- (b) multiplying the result by 365.

## **294-145.01 Transfer balance debits—determining debit value of a superannuation interest**

For the purposes of subsection 294-145(7) of the Act, the *debit value*, at a particular time, of a superannuation interest that supports an income stream that is, or was at any time, a superannuation income stream prescribed by regulation 294-130.01, is:

- (a) the amount of the transfer balance credit that arose in your transfer balance account in respect of the income stream; less
- (b) the amount of any transfer balance debits (apart from debits arising under item 4 of the table in subsection 294-80(1) of the Act) that have arisen in your transfer balance account in respect of the income stream before that time.