

To collect or not to collect.

SMSF Investments not too Collectable?



Amendments have been made to the Superannuation Industry (Supervision) Regulations to specify the rules that prevent SMSF trustees from gaining current day benefit from an investment in collectables and personal use assets.

This is to ensure that such investments are made for genuine retirement income purposes with the amendments to apply in relation to investments made by an SMSF before, on or after 1 July 2011.

What are collectables and personal use assets? They include artwork, jewellery, antiques, artefacts, coins, memorabilia, wine or spirits, motor vehicles and rare books.

The amended regulation prevents SMSF trustees from making an investment in such items for the purpose of leasing it to a related party or gaining current day benefits. A five year transitional period provides SMSF trustees with existing investments in collectables and personal use assets time to comply with the new rules.

The regulations also specify that each SMSF trustee commits an offence if the fund:

- stores collectables and personal use assets in the private residence of a related party,
- does not record its reasons for the decision on where to store collectables and personal use assets,
- does not insure collectables and personal use assets in the name of the fund within seven days of acquiring them, or
- disposes of collectables and personal use assets at a price other than a market price determined by a qualified independent valuer.

Per the explanatory memorandum that accompanied the bill which proposed the amendments in March 2011, it recognised,

“It is extremely difficult for the ATO to determine the true purpose for which an investment in a collectable or personal use asset is made, particularly where the asset is ‘stored’ in premises owned by the SMSF trustee. As such, there are insufficient regulatory tools available to prevent SMSF investment in collectables and personal use assets giving rise to current day benefits for SMSF members.

On 30 July 2010, the Government announced, as an election commitment, that it does not support the Super System Review recommendation to prohibit SMSF investment in collectables and personal use assets, in recognition that collectables can be a legitimate investment for some SMSF trustees. However, the Government also announced that it would tighten the legislative standards applying to SMSF investment in collectables and personal use assets to ensure that such investments do not give rise to current day benefit for SMSF trustees.”

We must be thankful that investments in collectables are still possible, and that the legislation was amended only to tighten the rules.

If you have any concerns about the investments which are held by your Self Managed Superannuation Fund please do not hesitate to contact the team at Marsdens.

David Lennon – Marsdens

“David has had the responsibility for our accounts for more than a decade. He is an excellent professional. His approach with clients is friendly, his knowledge of self-managed superannuation funds is unsurpassed in my experience and his efficiency level is consistently outstanding. We value his expertise and appreciate his demeanor and style with us as clients.” - Dr Ian Kerr, The Kerr Pension Fund

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