**From:** Kym Bailey [mailto:Kym.Bailey@jbwere.com]   
**Sent:** Monday, 1 May 2017 11:47 AM  
**To:** Superannuation  
**Subject:** Superannuation - integrity of limited recourse borrowing arrangements

<http://treasury.gov.au/ConsultationsandReviews/Consultations/2017/Integrity-of-limited-recourse-borrowing-arrangements>

The measure seems to be somewhat contradictory to all that has come before in the Super Reforms package.

A SMSF with at least one member who has a TSB of at least $1.6m will not be permitted to segregate their SMSF.

Example 1.1 in the EM could not happen as the fund would not segregate a LRBA asset. If the member started a $500k super pension, that would be the credit to the TBA and no particular asset would be identified in support of the pension – it is a proportional method of determining the support.

If, for smaller balance funds that are permitted to segregate, how, in practice will this be managed? If a fund is making monthly repayments does the trustee have to report this at the time?

If it is likely to be similar to the RBL reporting, is it anticipated that each month, the trustee will be filing a form?

Further guidance on how trustees are to manage entries to the TBA would be appreciated.

Perhaps a more efficient method of achieving the objective of preventing TBA creep would be to add back the value of the outstanding debt and include that in the calculation of the member’s TSB at the time they are starting an income stream. That way the extent of the LRBA would be encapsulated in the TBA which, after all is just a running balance account of the ATOs.

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