

NEW STANDARDS FOR STORING COLLECTABLES AND PERSONAL USE ASSETS HELD BY SELF-MANAGED SUPERANNUATION FUNDS

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A re-elected Gillard Labor Government will ensure that from 1 July 2011 collectables and personal use assets owned by self managed superannuation funds (SMSFs) must be stored according to new rules to prevent them from giving rise to a personal benefit.

SMSFs can continue to invest in personal use and collectable assets provided they are held according to these new legislative standards that will ensure the assets do not give rise to a personal benefit and are held for the purposes of providing retirement benefits. Existing assets that cannot meet these rules must be sold within five years.

Federal Labor recognises that collectables like artworks can be a legitimate asset class, providing investment opportunities for self managed retirees as well as important commercial benefits to Australia's artists.

However, Labor acknowledges concerns over such assets attracting superannuation's concessional tax treatment while being available for 'personal benefit' (for example, being displayed in the home of a super fund member).

There are currently no enforceable guidelines around how these assets can be held to prevent them from giving rise to such personal benefits.

The Government acknowledges the concern and uncertainty that arose in the self managed fund and art and collectables community following the publication of the Super System (Cooper) Review report. The Review recommended that SMSFs that are not APRA regulated funds be prohibited from investing in such assets, and that a five year transition period should be applied to existing SMSFs, during which SMSFs would be required to convert to a small APRA fund or dispose of existing collectable and personal use assets (Recommendation 8.14).

That is why it was important that the Gillard Labor Government thoroughly consider and outline its detailed response on this issue as quickly as possible.

Labor's approach is broadly in line with the best practice artwork investing guidelines that were recently released by the Self Managed Super Funds Professionals Association of Australia (SPAA) and the Australian Artists Association (AAA).

A re-elected Gillard Labor Government will consult with industry and community groups on the details of legislation to implement these new standards.

This announcement will have no cost to the budget.