# Roll-in tax catches unaware

## Rollovers to SMSFs can carry a sting in the tail

**DIY SUPER**

*Monica Rule*

Tax may be payable when you transfer money from a retail superannuation fund into a self-managed super fund.

And if you don't pay the tax, you could face problems with the Australian Taxation Office.

All this comes down to super funds in Australia being "taxed" funds or "untaxed" funds.

Most government funds are untaxed funds and most retail and industry funds are taxed funds, as are self-managed superannuation funds. The difference between the two is the timing of when tax is paid on contributions and investment earnings received by the fund and benefits paid by the fund.

Some superannuation funds also have "taxed" schemes and "untaxed" schemes for their members.

For example, in WA, the Government Employee Superannuation Board has a taxed scheme GESB Super and untaxed schemes West State Super and Gold State Super.

Taxed funds, including SMSFs, can send a fair bit of money to the Federal Government every year.

For example, concessional contributions will attract 15 per cent tax when received by an SMSF. These include salary-sacrificed contributions and personal contributions where tax deduction is claimed on the amount put in.

An SMSF also pays a maximum of 15 per cent tax on its investment earnings.

This money is recorded as a "taxable" component in an SMSF's financial records.

Then when a superannuation benefit is paid from an SMSF, this money will be shown as a "taxable" component and may attract tax for recipients aged under 60 depending on the amount of the money.

On the other hand an untaxed superannuation fund does not pay any tax on these contributions or investment earnings received by the fund.

Due to no tax having been paid, the money is recorded as "untaxed" component in the fund's financial records.

When a superannuation benefit is paid from the untaxed superannuation fund, this money is shown as "untaxed" component and will attract tax for recipients of any age.

The rules for untaxed schemes are designed around the tax office getting its cut when the benefit is paid, which is usually when the person leaves the workforce.

Getting the money out of an untaxed scheme before retirement and into an SMSF effectively moves the money from one set of rules to another.

When money is rolled over or transferred from an untaxed superannuation fund into an SMSF, the rolled-over money will contain an "untaxed" component.

**Rolling over superannuation from certain types of funds to an SMSF can attract a transfer tax.** Image: Getty

> **(AN) 'UNTAXED' COMPONENT . . . WILL ATTRACT TAX FOR RECIPIENTS OF ANY AGE.**

The untaxed fund will pay tax at a flat rate of 49 per cent on the untaxed component that exceeds $1.445 million.

The 49 per cent comprises the top marginal tax rate plus Medicare levy and $1.445 is the untaxed plan cap for 2017-18.

The untaxed component that has been hit by the 49 per cent tax will be included as a tax-free component when it is rolled into the SMSF.

For the untaxed amounts below $1.445 million threshold, the SMSF will pay tax at a rate of 15 per cent.

It's important to understand what sort of fund you are rolling money out of and into your SMSF.

It can come as quite a shock when the tax office takes a big chunk of your super if you aren't prepared for it.

*Monica Rule is an SMSF specialist and author of The Self Managed Super Handbook – Superannuation Law for SMSFs in plain English www.monicarule.com.au.*

# Blackmores writes refill prescription for capital gain

**YIELDHUNTER**

*with Patrick Taylor*

Big rallies often lead to big pullbacks and these can create big opportunities. We have that here in Blackmores, Australia's leading health brand, as it recuperates from a sickly 18 months of weakness and shows fresh signs that a full recovery could be on its way.

Blackmores was founded by pioneering naturopath Maurice Blackmore in Sydney in 1930, with the company growing to become Australia's leading supplier of natural health products with business lines in vitamins, minerals, herbs and nutritional supplements.

Performance peaked on fever-pitched sales growth into Asian markets by the start of last year before the breaking on regulatory fears with lower sales leading to severe declines as the previously unbeatable uptrend collapsed.

Earnings fell until mid-2017 before improved reporting revitalised the stock, with pricing pushing out of the recovery base. Consensus forecasts show increasing sales, earnings, profit and yield to 2020 backed by steady domestic growth and strong Asian appetite.

Blackmores' yield sits about 3 per cent and leaves us needing 5.7 per cent from capital gain to meet our targeted minimum return. At the moment the price is 17 per cent above aggregate analyst valuations and while this would normally be a cause for concern, these targets lagged prices in both directions for much of their listed life and we expect the same slow diagnosis here. There are not many simpler charts to read than Blackmores with its many years of steady growth before a huge rally begins in 2014, leading to a halving decline in 2016 and then this small emerging uptrend shift, rallying up from its $90 recovery base and breakthrough linear resistance at the start of last month.

Prices then pushed up through the $100 ceiling and reached $110 before staging sideways beneath $120 resistance over the past three weeks. We catch it now as the $120 barrier breaks, ready to chase higher historical targets with good momentum building across most of our key timeframes.

We expect Blackmores to remain volatile and while there may be Chinese regulatory risks it is building a presence in Asian markets that should support robust price health. If you have a prescription for stocks with potential for strong growth in yield and capital gain, Blackmores could be your remedy.

*Patrick Taylor is director of Taylor Securities.*

### BLACKMORES

**Classification:** Consumer staples: Health products
**Current price:** $123.34
**Market capitalisation:** $2.05 billion
**Forecast EBITDA growth:** 30.02%
**Yield estimate:** 2.97%
**Consensus price target:** $102.50
**# Covering analysts:** 8
**Premium at current price:** 16.90%
**Price target trend:** Flat-Decreasing
**Signal timeframe:** Quarterly-monthly-daily
**Trend bias:** Up-down / long-short

#### INDICATORS

**Short-term:** Positive
**Medium-term:** Positive-Neutral
**Long-term:** Positive
**Recommendation:** Buy
**Focus:** Dividend Income & Capital Growth

#### PROGNOSIS

■ After 80-fold rally from 2014 to 2016 BKL then fell by 60 per cent by mid-2017. Two months ago pricing broke linear resistance and passed overhead resistance layers up to $120 before that barrier broke last week, leaving room to climb.

■ Strong fundamental forecasts into 2020 reflect expected growth in sales, profits, earnings and yield on the back of increasing margins and resurgent vigour in China.

■ Resistance breaks build an exciting technical set up with positive signalling across multiple time frames lining up well.

■ Pricing moving past the $120 ceiling opens targets at $130, $150 and $200 with support layered from $120 to $100 and $90 if needed.