# Cooper Reviews –*What it means for you and your business!*

The Cooper review is a comprehensive review of Australia's superannuation system and it was charged with examining and analyzing the governance, efficiency and operation of Australia's superannuation system. The review was undertaken in three phases, Phase 1 dealt with governance, Phase 2 with operation and efficiency and Phase 3 with structure. A summary of the most relevant SMSF recommendations contained in Phase 3 and how they apply is contained below.

- **SMSF Borrowing is here to stay** –the review proposed a 'wait and see' approach with regards to SMSF borrowing through instalment warrants. It recommends reviewing these borrowing arrangements in two years time to ensure that borrowing has not become a 'significant focus' for SMSFs.

  This means that SMSFs will be able to take advantage of the new borrowing rules to finance the purchase of property and investments through installment warrant products for at least the next two years.

- **Assets to be valued at net market value** –a recommendation of the review is to abolish the practice of reporting SMSF assets at their purchase price in the financial statements, especially when it comes to real estate investments. It recommends that legislation should be passed to require SMSF trustees to value their assets at net market value and the ATO to publish valuation guideline to ensure consistent and standardized valuation practices.

- **No more collectables and personal use assets** –the review proposes a ban on all investments in collectable and personal use assets (i.e. paintings, jewellery, antiques, stamp collections, wine etc).

  This means that SMSF trustees would be prohibited from making any new acquisitions of these assets and those currently holding such assets would have until 30 June 2020 to dispose of them. This measure would ensure that all SMSF are being maintained for a proper purpose.

- **No more in-house assets** –currently a SMSF trustee can have up to 5% of the total fund assets invested in in-house assets. In-house assets are loans to or an investment in a related party to a fund. The review recommends that no SMSF assets may be invested in in-house assets. SMSF trustees that already have investments in in-house assets will have 10 years to dispose of them, however this will allow trustees with pre-1999 unit trust to retain their investment indefinitely. Business real property will still however be allowed.

- **SMSFs to be subject to the Superannuation Complaints Tribunal -** currently disputes with SMSFs are excluded from bringing action in the Superannuation Complaints Tribunal. The Superannuation Complaints Tribunal is like a quicker & cheaper version of the courts and the review recommends that the SCT be able to hear SMSF disputes.

The Government is due to report on the recommendations of the Cooper review in late June 2010. If you have any questions or would like any further details regarding the Cooper Review outcomes & recommendations please feel free to contact our team at dmca as we would be happy to assist you.