

**Self-Managed Superannuation Funds (SMSF's) and superannuation in general has become a major focus of the government and therefore the ATO.**

**There have been significant changes made to the super rules in the last 12 to 18 months with one of the major changes being the introduction of the \$1.6m Transfer Balance Cap.**

**The ATO has also now introduced further reporting requirements for all Self-Managed Superannuation Funds as a result of the Transfer Balance Cap rules.**

**The most recent budget also proposed hopefully a positive change when it comes to audits.**

**Here is a brief summary of some of those changes.**

If you have any questions regarding the above points, or any other issues relating to your SMSF please call our office on 5986 2189 to discuss.

### **NEW REPORTING REQUIREMENTS (TBAR)**

The ATO has introduced new reporting requirement for SMSF's paying pensions. This is a result of the new Transfer Balance Cap rules introduced from the 1<sup>st</sup> July, 2018 and for the ATO to keep a track of members in pension phase.

The report is called the Transfer Balance Account Report (TBAR).

The following events are the main events that need to be recorded for each member on the TBAR:

- All pre-existing pensions (income stream) entered into before the 1<sup>st</sup> July, 2017. (TBAR must be lodged by 30<sup>th</sup> June, 2018)
- Any new pensions (income stream) entered into after the 1<sup>st</sup> July, 2017
- Any fully or partial commutation of a pension (income stream) after the 1<sup>st</sup> July, 2017.

There are a number of other more specific events that need to be recorded.

The timeframe for reporting the above events depends on the size of the members balances in the fund.

If your SMSF fund has a member with a Total Super Balance (TSB) of over \$1million then they must report the events impacting members within 28 days of the end of the quarter.

If all members have a TSB of less than a \$1m then they can report annually with the lodgement of the annual tax return.

### **TRANSFER BALANCE CAP**

Prior to the 1<sup>st</sup> July, 2017 there was no restriction on the amount of capital a member of a super fund could transfer from accumulation phase into pension phase.

As of the 1<sup>st</sup> July, 2017 that amount has now been capped at \$1.6million and this limit is referred to as the Transfer Balance Cap.

For the majority of clients whose balance was over this amount we have dealt with in the lead up to the 30<sup>th</sup> June, 2017.

If you believe that your individual super balance is going to be close to this amount then you need to contact us to discuss further.

The reporting requirements above have been introduced to ensure compliance with the Transfer Balance Cap rules.

## **PROPOSED AUDIT CHANGES IN BUDGET**

The government has proposed in their recent budget a change to the audit requirements of Self-Managed Superannuation Funds. The proposed changes will allow SMSF's that have a solid history of good record-keeping, good compliance and all lodgements being made on time to have their super funds audited every three years instead of annually. The requirement to lodge an annual tax return for your SMSF's will not change.

This change is proposed to begin from 1<sup>st</sup> July, 2019.

## **TRUSTEE RESPONSIBILITIES**

**As super in general becomes a major ATO and government focus, so will the compliance requirements for SMSF's.**

**It is very important that trustees of every SMSF are fully aware of their responsibilities. Some issues for trustees to review are briefly discussed below.**

## **INVESTMENT STRATEGY**

All super funds must have an up to date investment strategy. This is one of the first rules of operating a SMSF.

The investment strategy needs to reflect your investment goals and the assets of the fund need to be reflected in the investment strategy.

Any new asset purchases should be reviewed in conjunction with your investment strategy and minuted accordingly.

## **MINUTES / RESOLUTIONS**

All major transactions or investment decisions made by trustees should have an appropriate minute or resolution of trustees attached.

These minutes/resolutions for investment decisions as discussed above should refer to the investment strategy.

## **MARKET VALUES**

At the 30<sup>th</sup> June each year, your SMSF must include all of its assets at their market value in the financial reports.

This is readily available for ASX listed shares however it is not as easy to calculate for other assets.

For all property & other assets owned by your SMSF you need to have a reasonable market value at the 30<sup>th</sup> June, 2018 and where possible provide evidence to back up the valuation. **This is a yearly requirement even if the proposed audit cycle changes come in to place from 1<sup>st</sup> July 2019.**

This will become an increased area of review by the ATO on the basis of the balance cap reporting resulting in the balance of your fund having more taxation implications.

## DEATH BENEFIT NOMINATIONS

All members of your SMSF should have provided the trustees of the SMSF with details of their beneficiaries for the distribution of funds should they die.

You can either have a binding nomination which holds the trustee to fulfil your wishes as stated or a non-binding nomination which provides the trustees with a guide to base the distribution of funds on.

In recent years we have had issues with SMSF's without appropriate death benefit nominations delaying payments to beneficiaries and in some circumstances having tax payable on a death benefit that could have been avoided with appropriate planning.

A binding death benefit nomination is valid for three years from the date it's signed.

This needs to be reviewed in line with your estate planning and we recommend you seek appropriate legal advice.

## LIFE INSURANCE

As a trustee of your SMSF it is your responsibility to inform all members that they are entitled to have life insurance within the SMSF. All members should at least review their insurance needs annually.

Life insurance premiums are tax deductible to a super fund.

If you would like a life insurance quote please contact our office and we will arrange our financial services partner to contact you.

## PENSIONS

If your SMSF is in pension phase, is this appropriately documented? The SMSF should have documentation confirming that a member has commenced a pension (income stream). You should also document all pension withdrawals from the super fund.

If you don't believe that you have appropriate documentation for your pensions please contact our office.

If your SMSF members have a mix of accumulation and pension phase accounts the fund must have an actuarial certificate prepared each year confirming your pension balance. We will purchase this certificate when completing your SMSF return.

## EXTRA SUPER DEDUCTIONS

If you are receiving contributions that are more than the compulsory 9.5% employer contributions or personal contributions, you need to ensure the following:

- For personal contributions - ensure that the notice of deductibility form has been completed, signed and received by the super fund prior to the lodgement of the tax return of the member and the super fund.
- For a salary sacrifice contribution – ensure that there is a written agreement between the employee and employer.

The super contribution limits have changed from the 1<sup>st</sup> July, 2017 if you would like to discuss these in more detail please contact our office.

Please Note: For a super contribution to be deductible it must be banked and cleared by the super fund prior to the 30<sup>th</sup> June.