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June 2021

CHECKLIST FOR TRUSTEES OF SELF-MANAGED SUPER FUNDS

As we approach 30 June 2021 we recommend trustees go through the following checklist.

If, after reviewing this checklist, you have any concerns please contact us immediately, as in some cases there is limited time to address any issues.

Contents

CONTRIBUTIONS

1) Concessional (Before Tax) Contributions Caps:

- **employer contributions including salary sacrifice arrangements**
- **personal contributions claimed as a tax deduction**

Age at 30 June 2021	Need to pass work test	Cap amount pa* 2020-21	Cap amount pa 2021-22
Under 65	**No**	**$25,000**	**$27,500**
65 to 74 years	**Yes for 67 and over****	**$25,000**	**$27,500**
75 or Over	**N/A**	**Only 9.5% Super Guarantee**	**Only 10% Super Guarantee**

**The Cap includes the total of both personal deductible and all employer contributions (including compulsory super and salary sacrifice contributions).*

***From 2020-21, members 67 to 75 must satisfy the work test **BEFORE** they contribute. Members aged 65 and 66 do not need to satisfy the work test.*

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2) Non-Concessional (After Tax) Contributions Caps:

- **personal contributions for which taxpayers do <u>not</u> claim a deduction**

Age at first day of financial year	Need to pass work test***	Cap amount pa 2020-21	Cap amount pa 2021-22
Under 65	**No**	**$100,000 or a 3-year limit of $300,000***	**$110,000 or a 3 year limit of $330,000***
65 – under 75	**Yes** over 67**	**$100,000**	**$110,000**
75 or Over	**N/A**	**$0**	**$0**

** Under 65s may utilise the 3 year "bring forward" arrangements which allow up to $300,000 in non-concessional contributions to be made, spread over 3 financial years (e.g. a member under 65 could contribute $300,000 in one financial year but then nothing for the next 2 financial years).*

***From 2020-21, members 67 to 74 must satisfy the work test **BEFORE** they contribute. Members aged 65 and 66 do not need to satisfy the work test.*

Work test: At least 40 hours worked in 30 consecutive days during the year.

IMPORTANT NOTE FOR THOSE WHO ARE MEMBERS OF MORE THAN ONE SUPER FUND:

Where you are a member of more than one superannuation fund, the contribution limits discussed above are not per super fund, but are the **total** for the financial year **for all funds** of which you are a member.

1.6M SUPERANNUATION BALANCE RESTRICTION

To be eligible to make a Non-Concessional Contribution after 30 June 2017, an individual must have a total superannuation balance in all of their super funds of less than **$1.6 million.** The $1.6 million balance cap will be indexed in $100,000 increments in line with the Consumer Price Index.

UNUSED CONCESSIONAL CAP CARRY FORWARD

From 2018/19, individuals with a total superannuation balance of less than $500,000 can make additional concessional contributions if they have unused cap amounts. Unused carried forward amounts expire after five years.

INCOME EARNED BY THE SUPER FUND

All income earned by the super fund's investments must be deposited into the super fund's bank account(s) and cannot be deposited into a member's or any other entity's bank account. This includes all income such as interest, dividends, distributions and rental income.

PERSONAL EXPENSES AND WITHDRAWALS

Where your super fund is **not** paying a pension, no personal withdrawals or payments can be made from the super fund, other than when a condition of release has been met (typically retirement or reaching 65 years of age).

Where your super fund **is** paying a pension, withdrawals or payments from the super fund for personal expenses are allowed as long as they can be treated as pension withdrawals (which are subject to a maximum for most members between 55 and 60).

REDUCED MINIMUM DRAWDOWN AMOUNTS FOR SUPERANNUATION PENSIONS

If a member is in pension mode, there is a minimum pension that must be withdrawn by 30 June each year. The Government has temporarily reduced the superannuation minimum drawdown amounts for account-based pension by 50% for the 2021 and 2022 income years. Penalties apply if the minimum pension is not drawn.

Age	*Minimum % for 2020/21 Year & 2021/2022 Year*
Under 65	***2%***
65-74 `	***2.5%***
75-79	***3%***
80-84	***3.5%***
85-89	***4.5%***
90-94	***5.5%***
95 or more	***7%***

SIGNIFICANT TRANSITION TO RETIREMENT INCOME STREAM (TRIS) CHANGES

From 1 July 2017, a TRIS is no longer treated as a pension in 'retirement phase' for income tax purposes and hence no longer qualifies for the pension earnings exemptions. This means that, from 1 July 2017, income (including capital gains) derived in relation to assets supporting a TRIS is taxed.

55 to under 60
If a member has not retired and is under 60, the minimum annual pension that must be drawn is 2%. A PAYG Summary must be prepared by the SMSF and tax may have to be withheld. This pension is taxable.

60 to under 65
If a member has not retired and is under 65, the minimum annual pension that must be drawn is 2%. The pension is tax-free to members 60 and over.

65's and over
Refer to the above table. The pension drawn is tax-free.

COMMENCING A PENSION PRIOR TO 30 JUNE 2021

If you wish to commence a pension from your super fund during June 2021 and are eligible, there is no need to take any pension withdrawals during the remainder of the 2020-21 financial year, but please contact us to discuss your eligibility and the necessary administration.

CLAIMING A PERSONAL TAX DEDUCTION FOR SUPER

From 1 July 2017, all members who are under age of 75 can claim an income tax deduction for a personal super contribution made. Those over 67 will need to meet the work test, see Item 1 on page 2.

IN-HOUSE ASSET RULE

An in-house asset is a loan to or an investment in a related party of the fund (see below for loans).
An asset of the fund that is leased to a related party is also an in-house asset. You are restricted from lending to, investing in or leasing to a related party more than 5% of the fund's total assets with some exceptions such as business real property.

Assets owned by the super fund but used for private purposes are considered in-house assets but in addition, are also considered a breach of the "Sole Purpose" test. As an example, a residential rental property used by a member or related persons would be classed as an in-house asset and would be in breach of the sole purpose test and possibly the in-house asset rules and likely cause the fund to be a non-compliant fund and thus lose all tax concessions.

LOANS/FINANCIAL ASSISTANCE TO MEMBERS OR RELATED PARTIES

The superannuation regulations prohibit super funds from providing loans or financial assistance to any of its members or any persons or entities associated with its members (i.e. related parties) with some very limited exceptions. It is not possible for a member to borrow money from a fund, no matter how short the period.
There are stringent restrictions applying to assets transferred into or out of a super fund.

ASSETS HELD IN NAME OF TRUSTEE(S)

All super fund assets must be held in the name(s) of the trustee(s) whether a corporate trustee (a company) or individual trustees. Where there is more than one individual trustee, then assets must be held in the names of all the trustees, e.g. Alan John Smith & Alana Joy Smith ATF The Smith Super Fund.

$1.6 MILLION PENSION TRANSFER BALANCE CAP

At 1 July 2017 the maximum amount of tax free pension balance carried forward was $1.6 million per person. From 1 July 2017 the maximum (including any pension account carried forward from 1 July 2017) that can be added to a person's pension account is $1.6 million. From 1 July 2021, the general transfer balance cap will be $1.7 million as a result of indexation.

TRANSFER BALANCE ACCOUNT REPORT (TBAR)

From 1 July 2018, all funds paying retirement phase income streams must report events impacting their members' Transfer Balance Account 'TBA' as follows:

- If **all** members of the fund have a Total Superannuation Balance of **less than $1 million** – **annually**, when the SMSF Annual Return is due.
- If **any member** of the fund has a Total Superannuation Balance of **$1 million or more – within 28 days after the end of the quarter** in which the reportable event occurred.

TRUST DEEDS AND INVESTMENT STRATEGY

Super fund trust deeds must be upgraded periodically to keep up with legislative changes to super. Any trust deeds dated prior to 2013 should be updated and we can organize this for you.

An investment strategy is compulsory for all funds and indicates the preferred investments of the trustees. It must be reviewed regularly by the trustees. It is compulsory for all trustees to <u>consider</u> insurance for their members, and for the actual fund investments to be in accord with the fund's strategy.

DEATH BENEFIT NOMINATION

If you are concerned about how your superannuation benefits will be distributed following your death, a properly executed death benefit nomination can give you peace of mind. The law does not require an SMSF member to have a death benefit nomination to pay out death benefits. However, if the SMSF does have one, it will need to follow the requirements of the SMSFs trust deed and the operating standards of the law.

REVERSIONARY PENSION

A reversionary pension is an existing income stream which automatically becomes payable to a dependent/spouse (called the 'reversionary beneficiary') upon the death of the SMSF member who is receiving the pension. If a fund has more than one member and is in pension mode (not reversionary pensions) then on the death of a member the balance of their account needs to be paid out of the fund, often requiring the selling of assets of the fund to make the payment.

SUPERSTREAM CHANGES FOR SMSFs

All SMSFs where the members are employed (other than related party employers) must be able to receive contributions from employers and in order for this to happen the SMSF needs to obtain an "Electronic Service Address" which is used to identify where the contribution goes.
The providers which are free of charge are Click Super, SMSF DataFlow and SMSFflow.

VALUATION OF SMSF ASSETS

SMSF trustees are required to value their fund's assets at market value. This is particularly important where the assets of the fund include real estate or other assets that do not have published values. The ATO has published a "valuation guideline for Self-Managed Super Funds" which can be accessed from the ATO's website. Real estate property valuations need appraisal from real estate agents.

'DOWNSIZER' CONTRIBUTION

From 1 July 2018, superannuation fund members aged 65 years or older that meet the eligibility requirements may be able to choose to make a 'downsizer contribution' into their superannuation fund of **up to $300,000** from the proceeds of selling their home (main residence), if the exchange of contacts for the sale occurs on or after 1 July 2018.

A downsizer contribution is not a non-concessional contribution and will not count towards the contributions caps (and is not tax deductible and will be taken into account for determining eligibility for the age pension).

Announcement by the Government to reduce the age limit from which downsizer contributions can be made by eligible individuals, from 65 to 60 years of age, still hasn't been legislated at the time of writing.

CHANGES TO THE 'WORK TEST'

From 1 July 2020, all members aged 65 and 66 are allowed to make voluntary contributions to superannuation without having to meet the work test (that is, work a minimum of 40 hours in a period of not more than 30 consecutive days in the income year in which the contribution is made). In other words, the age at which the work test starts to apply is increased from 65 to 67.

The Government has announced that it will allow individuals aged 67 to 74 years (inclusive) to make or receive non-concessional contributions (including under the bring-forward rule) and salary sacrifice contributions without meeting the work test, subject to existing contributions caps. This still hasn't been legislated at the time of writing.

Individuals aged 67 to 74 years (inclusive) will still have to meet the work test to make personal deductible contributions.

INCREASING THE MAXIMUM NUMBER OF ALLOWABLE MEMBERS IN AN SMSF

Announcement by the Government to increase the maximum number of allowable members for new and existing SMSF and small APRA funds from four to six, still hasn't been legislated at the time of writing.

OTHER MATTERS:

SUPERVISORY LEVY

The Supervisory Levy payable for the 2020/2021 Year is $259.

PRESERVATION AGE

Assets and money in an SMSF are to provide for a member's retirement and can be paid to them as a benefit when they have reached the preservation age set by law and retired. A person's preservation age depends on their date of birth as set out in the table below:

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

PLEASE NOTE

From 1 July 2021, our fees will include an additional $100 to cover the increasing costs of our superannuation software.