

S M S F F A C T S H E E T



Satisfying 30 June 2012 obligations

CAVENDISH

As 30 June 2012 approaches there are a number of important issues that all Trustees should be aware of. This fact sheet summarises the key issues of contributions and pensions and outlines the new requirements relating to collectable assets introduced during the year.

CONTRIBUTIONS

For a contribution to be counted in the 2011/12 Financial Year it must be received by the Fund by 30 June 2012.

If a contribution is made via Electronic Fund Transfer (EFT) and is credited to the Fund bank account on or after 1 July it will not be considered a contribution this year. As 30 June is on a weekend, contributions via EFT should be made prior to 30 June to ensure they are correctly allocated.

If a contribution is made via cheque then the contribution is received when the Trustee receives the cheque. Given the related nature of Self Managed Superannuation Fund Trustees, it is prudent to ensure the cheque is banked by 29th June 2012.

A fund receiving assets from a related party, in the form of a contribution, receives the contribution when the appropriate paperwork, in most instances an off-market transfer form, is received fully executed. A fully executed transfer form is one that is signed and dated by all parties to the transfer.

The consideration for an off-market transfer is the value of the shares on the date the form is executed. A Fund does not have the ability to choose a valuation applicable to a date other than that on the form.

Paying fund expenses

If a member or an employer pays an expense on behalf of a fund and the amount is not reimbursed the payment will be treated as a contribution. All fund expenses should be met by the Fund payable from its bank account.

CONTRIBUTION CAPS

The contribution limits for the 2011/12 Financial Year are as follows:

CONTRIBUTION TYPE	MEMBER UNDER 50	MEMBER 50 - 65	MEMBER 65 – 75
CONCESSIONAL	\$25,000	\$50,000	\$50,000
NON-CONCESSIONAL	\$150,000	\$150,000	\$150,000

Bring-forward provisions

The bring-forward provision allows members aged under 65 on 1 July to bring forward up to two years non-concessional contributions. The current maximum contribution a member can make in a three year period is \$450,000.

To be eligible to make a contribution, members aged between 65 and 75 must be gainfully employed for 40 hours in a 30 consecutive day period in the Financial Year prior to making the contribution.

Gainfully employed means employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment.

NOTE: THE CONCESSIONAL CAP FOR ALL MEMBERS FROM 1 JULY 2012 IS \$25,000

PAYING A PENSION

The pension standards entitling a fund to an exempt pension income deduction require the Trustees to pay the minimum pension prior to 30 June 2012.

A payment made via EFT must be debited to the Fund bank account by 30 June, otherwise the payment is deemed to be made in the following Financial Year. A payment by way of cheque must be provided to the member by 30 June and the member must bank that cheque within a reasonable timeframe, usually 2 or 3 business days.

The minimum pension requirements for an Account-based Pension for the 2011/12 and 2012/13 Financial Year are as follows:

Age	Percentage
Under 65	3%
65 to 74	3.75%
75 to 79	4.5%
80 to 84	5.25%
85 to 89	6.75%
90 to 94	8.25%
95+	10.5%

How to pay a pension

Pension payments must be made via cash payments, either EFT or cheque. Transferring an asset to a member is possible but is considered to be a lump sum withdrawal not a pension payment. Lump sum withdrawals will count towards the minimum pension requirement. It is not possible to create a journal entry treating one side as a pension payment and the other as a contribution.

Transition to retirement

When a member commences a "Transition to Retirement" pension, any additional contributions made to their fund are not added to the existing pension. If a member wants to add the contributions to an existing pension they are required to commute (stop) the existing pension and start a new one.

Cavendish can provide a pension reset service for members with a Transition to Retirement pension where the pension is commuted and recommenced annually. Alternatively a member can commence a new pension with the additional contributions.

The maximum pension payable for a transition to retirement pension is 10% of the pension account balance.

COLLECTABLE AND PERSONAL USE ASSETS

New laws were introduced from 1 July 2011 for any SMSF that acquired an asset described as a "Collectable or Personal use" asset.

Any acquisitions made from 1 July 2011 must ensure the following is in place prior to the completion of the 2012 Financial Year:

- The asset must be insured in the name of the SMSF (should occur within 7 days of acquisition)
- The asset must not be stored or displayed at the private residence of the members or a related party
- The asset must not be leased to a related party
- Any decision to store the asset must be documented and the documentation retained for 10 years
- A fund selling an asset to a related party must have the asset valued by a qualified independent valuer

Assets acquired before 1 July 2011 do not need to satisfy these requirements until 1 July 2016.

Collectable and personal use assets are defined as:

- Artwork
- Jewellery
- Antiques
- Artefacts
- Coins, medallions or bank notes
- Postage stamps or first day covers
- Rare folios, manuscripts or books
- Memorabilia
- Wine or spirits
- Motor vehicles
- Recreational boats
- Memberships of sporting or social clubs

CONCLUSION

To maximize the tax effectiveness of a SMSF and a member's benefit, the Trustees need to be diligent in the undertaking of their responsibilities. The ATO have provided very little leniency for members that have made contributions in excess of the contribution caps and they are likely to maintain this approach. Similarly they are likely to take a firmer stance against funds that don't meet their pension obligations in a Financial Year as evidenced in their ruling based on when a pension commences and ceases.

Trustees who ensure they only accept the appropriate level of contributions and pay the correct level of pension will continue to receive the tax concessions provided to complying superannuation funds.

The introduction of tighter rules for certain fund investments is a mechanism to make sure funds are investing for the purposes of providing retirement benefits for members rather than potentially providing a current day benefit which contrary to the sole purpose test applicable to all superannuation funds.

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