ADAMS ACCOUNTING
CHARTERED ACCOUNTANTS/BUSINESS ADVISORS/TAXATION SPECIALISTS

JUNE 2023 **SMSF UPDATE**

SELF MANAGED SUPERANNUATION FUNDS

AS WE COUNT DOWN TO 30 JUNE 2023, WHAT STEPS DO YOU NEED TO TAKE/CONSIDER?

Timing – Make sure all contributions to your super fund are cleared through the funds bank account by Wednesday 30th June. We suggest all transactions be processed by the week ending Friday 24th June.

IF YOU HAVE ANY QUESTIONS REGARDING SUPERANNUATION TRANSACTIONS, PLEASE CALL US

Things to do or consider before June 30:

1. Ensure you have paid the minimum pension amount that we advised you of during the year (if you are in pension or transition to retirement phase) - see table at right. If you are unsure of your minimum amount, please call us.
2. Consider making a contribution that may attract the Government co-contribution (see our article on page 3).
3. Make rent payments on freehold property owned by your SMSF that are rented to your business venture.
4. Make any tax-deductible contributions well before the end of June so that they are cleared through the funds bank account by June 30th.

Minimum pension payments for funds in pension/transition to retirement phase – reduced rate continues for 2022/23 year

In response to COVID-19 the Government reduced the minimum annual payment required for account-based pensions by 50% in the 2019–20 and the 2020–21 financial years. This has continued in the 2021-22 year and the 2022-23 year.
See the below table for minimum amounts.

AGE	Minimum pension amount
55 – 64	2%
65 – 74	2.5%
75 – 79	3%
80 – 84	3.5%
85 – 89	4.5%
90 – 94	5.5%
95 +	7%

One of the benefits of starting superannuation pensions is the tax exemption provided to some or all the fund's investment income as a result of being in pension phase.

Consequently, in order to be able to claim the exemption **it is imperative** that you have withdrawn your minimum pension payments in full prior to 30 June.

The minimum pension amount is the above percentage multiplied by the closing balance of your super pension account at the 30th June 2022 (refer to your members statement for year ended 30/06/2022).

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How much can I contribute?

Concessional contributions (tax deductible) include:

- Employer contributions (including contributions made under a salary sacrifice arrangement); and
- Personal contributions claimed as a tax deduction by a self-employed person or salaried employees.

The concessional contribution limit for the **2022-23 year is $27,500.**

If you have more than one fund, all concessional contributions made to all your funds are added together and count towards the cap.

Non-concessional contributions (non-tax deductible) include:

- Personal contributions up to $110,000 for which no income tax deduction has been claimed.
- People under 67 years can make advance contributions up to three times their annual cap – or $330,000 at any time over the three-year period. This is known as the 'bring forward' option.

Under a "bring forward" arrangement, a member who is under 67 years of age in an income year can "bring forward" the next two years' worth of future non-concessional contributions entitlements. This is triggered automatically if contributions exceeding the annual cap (i.e. $110,000 in 2022/23) are made in the financial year.

Catch up concessional contributions

Individuals who have had contributed less than the maximum deductible amount since the 1/7/2018, can accumulate those unused amounts for use in future years. Unused cap amounts are available for catch up for a maximum of five years, then the fifth year drops off.

Example: if you made or had concessional contributions made of $10,000 in the 2018/2019 year and $10,000 each of the next three years then you may have up to $62,500 of unused contributions at the 30/6/2022 which could be made up in the 2022/2023 year, allowing you to contribute up to $90,000.

***Note** – Individuals must have a super balance **less than $500,000** at the end of the previous financial year to be eligible.

Transition to Retirement (TTR) Phase

Under the transition to retirement rules, if you have reached your preservation age, you may be able to reduce your working hours without reducing your income. You can do this by topping up your part-time income with a regular 'income stream' from your super savings.

Under the transition to retirement rules you can only access your super benefits as a 'non-commutable' income stream. This generally means you cannot take your benefits as a lump sum cash payment while you are still working. You must take your super benefits as regular payments.

Your preservation age is generally the age you can access your super benefits when you stop working.

The table below shows your preservation age. Once you reach your preservation age, you can access your super benefits without retiring completely from the workforce.

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

Under the Transition to Retirement rules, there is a requirement that a minimum pension amount be withdrawn each year based on the member's account balance at the previous 30th June. **The minimum withdrawal amount will depend on your age - see article and table on page 1.**

The maximum withdrawal amount is 10% of your previous June 30 balance.

Summary of changes to superannuation that come into effect from 1st July 2023

- Increase of the Superannuation Guarantee for employers from 10.5% to 11%.
- Superannuation caps remain:
  - Concessional (tax deductible) contributions cap to remain $27,500 per year
  - Non-concessional cap to remain $110,000 per year
- Bring forward rules: Individuals who are under 67 years old, may be able to make non-concessional contributions of up to $330,000 in a single year.
- The total superannuation balance (TSB) limit that determines if an individual has a non-concessional contributions cap of $0 is $1.7 million.
- The minimum drawdown 50% reduction in account-based pensions will be CEASE AT 1ST JULY 2023.

Leasing your business premises from your SMSF

It is important to ensure that all lease payments for business real property, that your super fund leases to your business are paid to your SMSF before 30 June.

If your business rents business real property (e.g., commercial property or farmland) from your SMSF all lease payments need to be made prior to 30 June to ensure there is no breach of your lease agreement.

Any lease in place must be at market value and meet the terms and conditions in line with that of a typical commercial lease agreement **(if you have any doubt about the lease amount required to be paid please contact us)**.

Getting some superannuation from the Government…

Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2022-23 year with the maximum government co-contribution being $0.50 for every $1 personally contributed. The maximum co-contribution of $500 is available to taxpayers who earn less than $42,016 and contribute $1,000.

Above this income amount, the maximum co-contribution will be reduced by 3.333 cents for each dollar of income earned and to phase out completely when income reaches $57,016.

How much could I get - example?

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
$42,016	1,000	500
$42,016	600	300
$50,000	1,000	234
$50,000	600	34

If you are eligible, your co-contribution amount will be forwarded to your superannuation fund with remittance advice. It is important to include this remittance advice letter with your taxation information at year end.

IMPORTANT NOTE:

If you believe you would be eligible for the Government Co-Contribution, make sure your contribution is made to your SMSF by 30 June.

Safe Tax cover for 2023-24

Superannuation Funds (the growth area in compliance audits)

It is highly likely that your SMSF will be audited by an Australian Government Authority within the next five years.

The experience can be unpleasant and can disrupt your business and your life. The cost of professional advice and assistance given during a tax investigation will be a further unwelcome surprise.

Safe Tax offers you **professional support, pre-paid to agreed fee limits,** if your SMSF taxation affairs are subject to an audit.

For a fraction of the potential cost (a tax-deductible fee paid annually) we will support you when you are audited. Subject to an agreed limit, no additional professional fees will be rendered for our work.

Our Safe Tax service includes access to specialist taxation advisors and includes your BAS and IAS returns.
This means we will be there when the Government is!

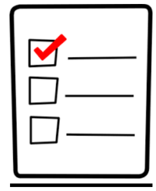
Those clients with their own self-managed superannuation fund should **DEFINITELY TAKE OUT THE SAFE TAX COVER** as it is likely that once every five years your fund will be audited.

The time involved in handling these audits is extensive and comes to a minimum of $2,000 per audit. The fees could get up to $5,000 with a complex fund.
The bottom line is that many more audits can be expected on superannuation funds.

If you have a superannuation fund you need this cover.

We will be sending Safe Tax invoices out during June, so please pay the Safe Tax invoice <u>as soon as possible</u> to ensure that your SMSF is covered for the 2023-24 year.

Adams Accounting
Superannuation Fund tax preparation checklist



- Bank statements for the whole year with details of each transaction.
- Cheque & deposit books
- Backup disk, if using a computer program that's not on the cloud
- Term deposit statements (if any)
- Details of contributions (i.e., who made contributions and how much)
- Details of rollovers made or received including rollover forms received from other super funds.
- All investment documentation:
  - dividend statements
  - <u>annual</u> managed trust taxation statements
  - share purchase/sale documents
- If you have property in your SMSF:
  - A copy of most recent rates notices showing Capital Improved Value (CAV)
  - Rental income statements and invoices for expenses paid
  - Lease agreements
  - Current water right notices (if any)
  - Current insurance policy documents
  - Copy of title (if new property purchased/transferred during year)
  - Invoices for all expenses
- Any other details of asset transactions i.e., purchases, sales etc.
- Government co-contribution correspondence received during the year.