ADAMS ACCOUNTING
CHARTERED ACCOUNTANTS/BUSINESS ADVISORS/TAXATION SPECIALISTS

JUNE 2020 **SMSF UPDATE**

SELF MANAGED SUPERANNUATION FUNDS

AS WE COUNT DOWN TO 30 JUNE 2020, WHAT STEPS DO YOU NEED TO TAKE?

Timing – Make sure all contributions to your super fund are cleared through the funds bank account by Tuesday 30th June. We suggest you have all transactions processed by the week ending Tuesday the 23rd June.

<u>IF YOU HAVE ANY QUESTIONS REGARDING SUPERANNUATION TRANSACTIONS PLEASE CALL US</u>

Things to do or consider before June 30:

1. Make sure 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 our article on page 4)

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 the June 30th.

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IMPORTANT UPDATE!

Minimum pension payments for funds in pension/transition to retirement phase have been temporarily reduced

For many retirees, the significant losses in financial markets as a result of the COVID-19 crisis have had a negative effect on the account balance of their superannuation pension. In response, the government has reduced the minimum annual payment required for account-based pensions by 50% in the 2019–20 and the 2020–21 financial years. Please see the below table for updated 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Consequently, in order to be able to claim the exemption it is imperative that you have withdrawn your minimum pension payments in full prior to 30 June.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 of the closing balance of your super account at the 30th June 2019 (refer to your members statement for year ended 30/06/2019).

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.

The concessional contribution limit for the 2019-20 year is $25,000.

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 include:

- Personal contributions up to $100,000 for which no income tax deduction has been claimed.
- People under 65 years can make advance contributions up to three times their annual cap – or $300,000 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 65 years of age in an income year can "bring forward" three years' worth of future non-concessional contributions entitlements. This is triggered automatically if contributions exceed the annual cap (i.e. $100,000 in 2019/20) are made in the financial year.

Carry forward concessional contributions allowed from July 1st 2019

From 2018/2019, individuals who contributed less than $25,000 in concessional contributions can accumulate the unused amounts for use in future years. This means that the first year of the increased cap will start **for this financial year**.

Example: if you made concessional contributions of $10,000 in the 2018/2019 year, $15,000 of unused contributions will be brought forward to the 2019/2020 year, allowing you to contribute up to $40,000.

***Note** – Individuals must have a super balance **less than $500,000** at the end of the previous financial year to be eligible. Any unused amounts will expire after 5 years.

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 are allowed to 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 normal requirement that a minimum of 4% and a maximum of 10% of the member's account balance must be drawn and paid to you each year. **The minimum withdrawal amount will depend on your age - see article and table on page 1**

Getting some superannuation from the Government…
Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2019-20 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 $38,564 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 $53,564.

How much could I get?

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
$38,564	1000	500
$38,564	600	300
$45,000	1000	285
$45,000	600	285

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.

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 farm land) 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.

Safe Tax cover for 2020-21
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.

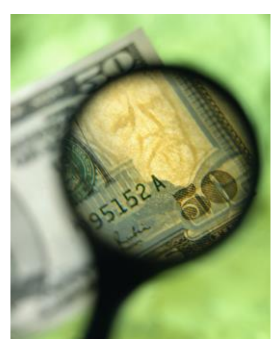
Our Safe Tax service includes access to specialist taxation advisors and includes your BAS and IAS returns.
This means we will be there when the Government is!

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 as soon as possible to ensure that your SMSF is covered for the 2020-21 year.



Downsizing your home? You can put the proceeds in to super.

Many Australian retirees find they want a smaller home as they get older. For some Australian, selling the family home can be a great way to release built-up equity to pay for retirement living expenses or in-home support that will allow them to stay at home longer.

Older Australians are the people targeted by the governments law to allow homeowners aged 65 years or over, to downsize their family home and invest the surplus into their super account.

From 1 July 2018, Australians aged 65 years or older will be able to make a non-concessional (after tax) contribution into their super account of up to $300,000 from the proceeds of their family home if they have owned the property for at least 10 years.

The home must be your main residence and couples can contribute up to $300,000 each, bringing the total contribution up to $600,000 per couple.

Note 1 – to be eligible, downsizer contributions must be made within 90 days of the settlement date of sale.

Note 2 - You can only make downsizing contributions for the sale of one home. You can't access it again for the sale of a second home.

Note 3 - If you sell your home, are eligible and choose to make a downsizer contribution, there is no requirement for you to purchase another home.

Adams Accounting
Superannuation Fund tax preparation checklist

- If records are prepared on computer
  - Backup disk of accounts (e.g. QuickBooks) including bank reconciliation at year end
  - Bank statements
- If records are not prepared on computer
  - Bank statements with details of each transaction (either receipts or notes on bank statements) for whole year.
  - Cheque books
  - Deposit books
- Term deposit statements (if any)
- Details of contributions (i.e. who made contributions and how much)
- Details of rollovers including rollover forms received from old 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 notice 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)
- Any other details of asset transactions i.e. purchases, sales etc.
- Government co-contribution correspondence received during the year.