

SELF MANAGED SUPERANNUATION FUNDS

AS WE COUNT DOWN TO 30 JUNE 2021, WHAT STEPS DO YOU NEED TO TAKE?

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 25th 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 our article on page 4) 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 2020/21

In response to the COVID-19 crisis, the Government reduced the minimum annual payment required for account-based pensions by 50% in the 2019–20 and the 2020–21 financial years. 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Consequently, in order to be able to claim the exemption **it is imperative** that you have withdrawn your minimum pension payments in full prior to 30 June.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 of the closing balance of your super account at the 30th June 2020 (refer to your members statement for year ended 30/06/2020).

INSIDE THIS ISSUE

- 2 Personal Contribution Caps | Transition to retirement
- 3 Government Co-Contribution | Budget 2021 update
- 4 Safe Tax Cover | 2021 year tax Checklist

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 **2020-21 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 (non tax deductible) 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 2020/21) are made in the financial year.



Catch up concessional contributions

Individuals who contributed less than \$25,000 in concessional contributions in the previous 2 financial years can accumulate those unused amounts for use in future years. Unused cap amounts are available for a maximum of **five years and relate to contributions made after the 1/7/2018.**

Example: if you made concessional contributions of \$10,000 in the 2018/2019 year and \$5,000 in the 2019/2020 year, \$35,000 of unused contributions will be brought forward to the 2020/2021 year, allowing you to contribute up to \$60,000.

***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 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 coming into effect from 1st July 2021

- Increase of the Superannuation Guarantee for employers from 9.5% to 10%
- Superannuation caps increase:
 - Concessional (tax deductible) contributions cap to increase from \$25,000 to \$27,500 per year
 - Non-concessional cap to increase from \$100,000 to \$110,000 per year
- Bring forward rules: Individuals who are under 65 years old, may be able to make non-concessional contributions of up to \$330,000 in a single year, up from \$300,000
- The total superannuation balance (TSB) limit that determines if an individual has a non-concessional contributions cap of \$0 will also increase from \$1.6 to \$1.7 million.



Budget 2021 - Proposed changes to come into effect from July 1st 2022 (if legislated)

Removing the work test for voluntary contributions

Individuals aged 67 to 74 years will be able to make or receive non-concessional contributions and salary sacrifice contributions without meeting the work test, subject to existing contribution caps. These individuals will still have to meet the work test to make personal deductible contributions.

Reducing the age limit for downsizer contributions

The age limit for eligible individuals will be reduced from 65 to 60 years of age.

Removing the \$450 per month threshold for Superannuation Guarantee eligibility

Superannuation Guarantee payments will be required on all employee wages and not be subject to the current \$450 per month minimum income threshold.

Relaxing the residency requirements for SMSF's

SMSF members and small APRA fund members will be able to continue to contribute to their superannuation fund whilst temporarily overseas.

Getting some superannuation from the Government... Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2020-21 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 \$39,837 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 \$54,837.

How much could I get?

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
\$39,837	1000	500
\$39,837	600	300
\$45,837	1000	300
\$45,837	600	300

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 2021-22 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 2021-22 year.



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 for whole year.
- 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
 - annual 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.