

**SELF MANAGED SUPERANNUATION FUNDS****AS WE COUNT DOWN TO 30 JUNE 2014, WHAT STEPS SHOULD YOU BE TAKING?**

**Be prepared** – Make sure all contributions are cleared through the bank by Monday 30<sup>th</sup> June. It is better to do this by the week ending 27<sup>th</sup> June.

**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 co-contribution (see our article on page 3).
3. Make rent payments on freehold property owned by your SMSF in accordance with the rent figure discussed with Gerald.
4. Make any tax deductible contributions well before the end of June so that they are cleared through the bank by June 30.

**Leasing your business premises from your SMSF**

It is important to ensure that all lease payments for business real property 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.

**INSIDE THIS ISSUE**

- 2** Personal Contribution Caps | Excess Contributions
- 3** Government Co-Contribution | Safe Tax Cover
- 4** Minimum pension payments | Checklist

## How much can I contribute?

Concessional contributions 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 2013-14 year is:

- \$25,000 for all individuals under 60
- \$35,000 for all individuals over 60

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

Non-concessional contributions include:

- Personal contributions up to \$150,000 for which no income tax deduction has been claimed.
- People under 65 years are able to make contributions up to three times their annual cap – or \$450,000 – over a 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" two years' worth of future non concessional contributions entitlements. This is triggered automatically if contributions in excess of the annual cap (i.e. \$150,000 in 2013/14) are made in the financial year.

For instance, a member under 65 is able to make non-concessional contributions totalling \$450,000 in 2013/14 year provided that they make no more non-concessional contributions in the 2014/15 and 2015/16 financial years.

For the 2013-14 financial year onwards, excess concessional contributions are no longer subject to excess contributions tax. If your contributions exceed the cap, the amount will now be included in your assessable income and taxed at your marginal tax rate, rather than the excess concessional contributions tax rate of 31.5%.

## 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 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.



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

You may be eligible for the super co-contribution if all of the following apply to you:

- you make an eligible personal super contribution to a superannuation fund
- your income for the income year is less than the higher income threshold (see below)
- 10% or more of your total income comes from eligible employment-related activities, carrying on a business or a combination of both
- You are less than 71 years old at the end of the income year, and;
- You lodge your income tax return for the relevant income year.

Lower income threshold	Higher income threshold	What is my maximum entitlement?
\$33,516	\$48,516	Your maximum entitlement is \$500 for income below \$33,516. However, for every \$1 that your income is over the lower income threshold your co-contribution reduces by 3.333cents.

How much could I get?

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
\$33,516	1000	500
\$33,516	600	300
\$40,000	1000	284
\$40,000	600	170

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 and it is recorded as a member non-concessional contribution with your fund.

### Safe Tax cover for 2014-15 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 applications out during June, so please fill in the application and return to us as soon as possible to ensure that your SMSF is covered for the 2014-15 year.



**Minimum pension payments for funds in pension phase 2013-14**

AGE	Minimum pension amount
55 – 64	4%
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95 +	14%

One of the benefits of starting superannuation pensions is the tax exemption provided to some or all of 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 made your minimum pension payments in full prior to 30 June.



**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
  - 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 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 year.

