

# SMSF Newsletter

June 2018



## Dear SMSF Trustees

The end of another financial year is fast approaching! We hope the last 12 months have been kind to you.

The recent Federal Budget – the 3rd Budget delivered by Treasurer Scott Morrison and likely to be the final Budget before the next Federal Election - promised a suite of tax cuts for individuals at various income levels as well as a range of incentives to support older Australians. We will discuss the Budget in more detail later in our newsletter.

In office news, it has been a busy 12 months as we transitioned ownership of the business from Bob and Jill to Jill and Jessica. Jill and Jessica have enjoyed getting to know more of our clients and it has been very much “business as usual”. Whilst enjoying a work / life balance now more tilted towards “life” Bob is still very active at JSA in the role of Manager – Financial Planning, and also auditor to our SMSF clients. Enjoying a long weekend every weekend, you will find Bob in the office on Tuesday – Thursday.

We have welcomed new staff members – Jen at reception, Nicola an accountant all the way from Scotland and Maggie our graduate accountant.

The move of our city office to 60 Ormond Street, Hindmarsh has proved a great success. Clients and staff are enjoying the city fringe location and easier parking. Our staff are available at both locations so if it would be easier for you to discuss your super needs at Hindmarsh, let us know.

The team at JSA Accounting thank you for your support over the last 12 months and we look forward to working with you in the coming year.

*Jill Hoadley and Jessica Ni, Directors*

*Bob, Ian, Amy, Nicola, Maggie, Emma, Kristy, Jen and Nicolle*

## Budget 2018 Snapshot

### Tax Changes

- A 7 year personal income tax plan, delivered in 3 stages
- Maintaining the Medicare Levy at 2%
- Increasing the Medicare Levy's low income thresholds
- Extending the accelerated depreciation for small business

### Superannuation Adjustments

- A work test exemption for retirees
- Increasing SMSF membership from 4 to 6 members
- Introducing a 3 year audit cycle for some SMSFs

### Supporting older Australians

- New means testing rules for certain lifetime income streams
- Expanding the Pension Work Bonus
- Extending eligibility for the Pension Loan Scheme
- Increasing the availability of home care packages
- Additional funding for residential aged care and short term restorative care.

Please note – these measures are sometime in the future and depend on the Government getting its budget bill passed into legislation.

## Have You Withdrawn Your Minimum Pension?

Pension payments need to be drawn by 30 June 2018. If you need to confirm your minimum pension draw down, please contact our office.



## ATO Supervisory Levy

The Supervisory Levy is a fee charged by the ATO to all SMSFs. The Levy is added to the Fund's annual tax return and needs to be paid to the ATO. **We anticipate the Levy for the 2018 tax return will remain at \$259.**

## Retirement / Pension account balance limit - \$1.6 million

Pension accounts have a cap of \$1.6 million as at 30 June 2017 – any excess balance must be held in an accumulation account.

If you wish to commence a new pension please see us as we need to report these key events to the ATO.

### In this guide read more about

- 2018 Federal Budget
- Tips from the SMSF Auditor
- Top 10 tips pre 30 June
- Our Services
- Checklist of information we need for your tax return

## Opportunities from 1 July 2018

- People aged 65 and over can make “downsizer” super contributions of up to \$300,000 from the proceeds of selling their home
- First home buyers who have made super contributions under the First Home Super Saver Scheme can access their money for eligible property purchases
- Where the annual concessional contribution cap is not fully utilised, it may be possible to accrue unused amounts for use in subsequent financial years. The CC cap is currently \$25,000. Unused cap amounts can be accrued for up to 5 financial years. 2019/20 is the first financial year it will be possible to use carried forward amounts. To be eligible, super balance must be below \$500,000.

## Contribution Caps

### Concessional Contributions

Including employer contributions and personal contributions claimed as a tax deduction: CAP = \$25,000

### Non Concessional Contributions

Personal contributions for which tax payers do not claim an income tax deduction: CAP = \$100,000

## Minimum Annual % Factors for Super Income Streams

Age	%	Age	%
Under 65 years	4%	85 -89	9%
65 – 74	5%	90-94	11%
75 – 79	6%	95 or more	14%
80-84	7%		

Note – there is no maximum balance other than the balance of your super account, unless it is a TRIS (Transition To Retirement Pension) in which case the maximum amount is 10% of the account balance.

## Federal Budget 2018

***\*\*It is important to remember that the Budget announcements are still only proposals at this stage. Each of the proposals must be passed by Parliament in due course before they are legislated\*\****



### 1) Increasing the number of SMSF members from 4 to 6 members

- Effective from 1 July 2019 the Superannuation Industry (Supervision) Act will be amended to allow the number of members in new and existing SMSFs to increase from 4 to 6.

#### What it means for you:

- More flexibility for larger families to be members of a single SMSF
- May increase the risk of disputes between members
- Important to consider the need for multiple investment strategies to cater for members with different risk profiles

### 2) Introducing a 3 year audit cycle for some SMSFs

- From 1 July 2019 SMSFs will have the option to move from an annual audit to a 3 year audit cycle if they have:-

- o 3 consecutive years of clear audit reports
- o Lodged the fund’s annual returns in a timely manner

#### What it means for you:

- If your SMSF has a good compliance and lodgement record this initiative will remove the need for an annual audit
- If a compliance breach does occur it might not be detected for up to 3 years, potentially making it more difficult and expensive to rectify.
- The cost of the audit for the 3rd year may be significantly greater as the audit will still need to review matters and events that occurred in the years since the last audit.

### 3) Work test exemption for retirees

- From 1 July 2019 people aged 65 – 74 who have a total super balance under \$300,000 will be able to make voluntary contributions for 12 months from the end of the financial year when they last satisfied the work test

#### What it means for you:

- This initiative will make it easier to keep contributing to super after you have left the workforce. The usual concessional and non concessional contribution caps will still apply.

### 4) Inadvertent concessional cap breaches

- Individuals who have a total income exceeding \$263,157 per annum and multiple employers will have the option to elect to no longer have SG contributions paid on certain income from their employers

#### What it means for you:

- This will overcome the inadvertent breach of the concessional contribution cap and associated tax penalties.

### 5) Notice of Intent

- Individuals will be required to confirm in their income tax returns that they have complied with “notice of intent” requirements in relation to their personal super contributions effective from 1 July 2018.

#### What it means for you:

- This change is intended to improve the integrity of the notice of intent processes for claiming personal super contribution tax deductions.

## From the desk of the SMSF Auditor – Bob Julian

One of the proposals in the May 2018 Federal Budget is to introduce a 3 year audit cycle for some Funds. I think this change could be a mixed blessing – audits are a useful prudential mechanisms for SMSFs and often detect issues that can be easily rectified in a timely manner. Whilst it may seem that a 3 year audit cycle will be a cost saving mechanism, it may be that the cost of the audit for the 3rd year is significantly greater as the audit will still need to review matters and events that occurred in the years since the last audit. We await further details which we will pass on to you.

All Funds will need to undergo an annual audit of the 2018 year financial statements.

Below are some of the common issues I see in the Funds I audit:-

- **Payment of Super Fund expenses from personal money**  
Expenses incurred by the Super Fund should be paid by the Fund. If you have paid super fund expenses from your

personal money, the super fund should reimburse you for the payment of these expenses prior to 30 June 2018. Otherwise, we will consider the payment of expenses to be a contribution to the Fund which may take you over the contribution cap limits.

- **Out of date or non existent Investment Strategies**  
The trustees are required to have a written investment strategy in place for their fund. This is a requirement under the SIS Act. The investment strategy should set out your investment objectives and detail the investment methods you'll adopt to achieve these objectives. This strategy should influence future investment decisions. Trustees must have regard to the strategy that has been agreed.
- **Minutes of Meetings**  
Trustees of a Self Managed Superannuation Fund should maintain minutes of events, decisions, and transactions of the fund throughout each financial year and they should be signed by each trustee. These minutes provide evidence that the trustees have ratified the transaction and that the transaction has been made giving consideration to the fund's investment strategy. Minutes of Trustee Minutes need to be kept for a minimum of 10 years.
- **Out of date SMSF Deeds**  
In order to ensure your SMSF Deed is kept up to date with legislative changes, we suggest you subscribe to the SuperCentral Annual Subscription service. If your Fund does not subscribe to this service, please contact our office for details.
- **Record Keeping**  
You are required to keep the following records for a minimum of 5 years:-
  - o Accurate & accessible accounting records that explain the transactions & position of your SMSF
  - o An annual operating statement and an annual statement of your SMSFs financial position
  - o Copies of all SMSF annual returns lodged
  - o Copies of any other statements you are required to lodge with us, or provide to other super funds.

If you would like to discuss any of these matters with me, or any other matters concerning your super fund, please contact me on 08 8322 5088 or email [robert@jsaaccounting.com.au](mailto:robert@jsaaccounting.com.au)

I am available for appointments on Tuesdays, Wednesdays and Thursdays.

Kind Regards, **Bob Julian**

## Top 10 Tips Pre 30 June

### Value the Assets

The SMSF assets must be valued each financial year – particularly where real estate is included in the assets of the fund

### Contributions

Need to be received in the SMSF bank account on or before 30 June 2018 if they are to count for this financial year. Don't exceed your contribution caps!

### Employer Contributions

Check when the Fund received your employer SG contributions for the June 2017 quarter. If received in July 2017, include them in your concessional contribution cap for the 2017/2018 financial year.

### Salary Sacrifice

Avoid exceeding the concessional contribution cap

### Tax deduction on your contributions

If you are eligible to claim a tax deduction you need to lodge a "Notice of Intent to Claim a Tax Deduction" with your SMSF trustee before you lodge your personal tax return. Your SMSF trustee must provide an acknowledgement of your intention to claim the deduction.

### Contribution splitting

You are able to split your concessional contributions with your spouse. The maximum amount that can be split for a financial year is 85% of concessional contributions up to the concessional cap. You must make the split in the financial year immediate after the one in which your contributions were made.

### Super Co-Contribution

Government Co-Contribution – if you meet the 10% eligible income test and your total income is between the amounts of \$36,813 and \$51,813 and you make a \$1,000 after tax contribution to super, the government will contribute up to \$500 to your super account

### Low income super tax offset

From 1 July 2018 if you earn less than \$37,000 a year, and your employer or you made a concessional super contribution (before tax contribution), then you can expect a refund of the 15% contributions tax deducted from your super account up to \$500.

### Minimum pension payment

Ensure the minimum pension amount is withdrawn by 30 June 2018. If you are accessing a pension under the Transition to Retirement rules, then make sure you do not exceed the maximum limits.

**If you have paid Super Fund expenses from personal money, have the Fund reimburse you prior to 30 June 2018.**

## Royal Commission into the Financial Services Sector

You would be aware of the Royal Commission into the Financial Services Sector. Over recent weeks we have heard examples of poor behaviour by financial advisers where clients' best interests have not been front and centre.

At JSA Accounting we offer a financial planning service to our clients. We take acting in your best interest and meeting our service obligations to you very seriously.

The basis of remuneration for our financial planning services is on a fee for service basis. That is, we do not charge on a commission basis or on a percentage of funds under management basis.

We are committed to helping you achieve your financial objectives and believe that our advice can add value and wealth to your financial position.

We are able to provide advice and services in the following areas:

- Retirement Planning
- Recommendation and Investment of Funds
- Insurance
- Aged Care Advice and Planning
- Estate planning



## OUR SERVICES

### ACCOUNTING

We offer a no obligation chat to discuss your accounting needs

### TAXATION

Our qualified team provide tailored advice giving you maximum benefit

### FINANCIAL PLANNING

We develop effective strategies to grow your financial wealth

**Insurance** – we review your insurance needs and provide advice

**Retirement Planning** – we prepare cash flow projections and advice to assist you to meet your income needs in retirement

**Aged Care Advice** – we provide technical advice as to how best to structure your finances and assets to maximise aged care and aged pension benefits

**Estate Planning** – we assist with preparing your Will and structuring your estate for maximum benefit for your beneficiaries.

### SUPERANNUATION

By reviewing your super & investments, we can help you achieve your retirement goals

### BUSINESS MANAGEMENT

With 25+ years experience, let us share our wealth of knowledge & expertise

## SMSF End of Year Checklist

### For the year ending 30 June 2018

Please provide the following documents (if applicable) to assist in the preparation of your 2018 Super Fund Income Tax Return.

If you can not provide any of these documents please advise us so that we might be able to assist, in particular, an investment strategy for your fund is most important and is a required document by the auditor of your fund.

### Bank Accounts

- Copies of all bank statements for the period 1 July 2017 to 30 June 2018.
- Details of cheque payments
- Details of deposits

### Money Received by the Fund

- Employer contributions
- Employee contributions
- Other contributions - Govt co-contribution, spouse or child contributions
- Roll-overs received by the fund
- Roll-over notification forms, ETP Rollover Statements
- Benefit Transfer Schedules

### Income

- Dividend Advice Statements
- Interest Statements
- Trust Distribution advice notices
- Trust annual taxation statements
- Unit trust accounts and tax return
- Any other income documentation

### Sale of Assets

Please provide details if you have sold any of the following assets:

- Shares
- Units in a Unit Trust

- Property
- Other Assets

### Payments of expenses paid by the fund

- Insurance premium notices / invoices
- Share purchase contracts & certificates
- Property purchase contracts
- Audit & accounting fees
- Other payments

### Property

- If the fund purchased property during the year please forward to us a copy of the purchase contract and advise the date of construction of the property.
- If any depreciable items are included, we require purchase date & cost.
- Rental Property Annual Statements

### Valuations

- Please provide a value of the assets held as at 30 June for assets such as real property, unit trusts, non listed securities.

### Corporate Restructuring

- If any of your investments have been involved in mergers, demergers, takeovers, compulsory acquisitions, off market buybacks please provide copies of all documents.

### GST

- If the Fund is registered for GST, please provide copies of Business Activity Statements for the period 1 July 2017 to 30 June 2018.

### Instalments

- If the Fund has paid instalments during the year, please provide copies of Instalment Activity Statements for the period 1 July 2017 to 30 June 2018

### Investment Strategy

- Please enclose a copy of the Fund's current investment strategy.