

Michael Oates

From: Palwasha Bahir on behalf of Michael Oates
Sent: Wednesday, 19 June 2013 10:03 AM
To: Michael Oates
Subject: SuperNews Alert - Year End Matters

With 30 June fast approaching we thought it timely to raise the following year end matters:

1. Contributions

Reminder – Concessional contributions limits have reduced this financial year

This year a concessional contributions cap of only \$25,000 applies as the concessional contributions cap for individuals aged 50 and over has reduced from the previous limit of \$50,000 to the standard limit of \$25,000 per annum.

Concessional contributions include employer contributions (including salary sacrifice) and personal contributions where a tax deduction is claimed.

Non-concessional contributions

The non-concessional contribution cap of \$150,000 continues to apply. Non-concessional contributions are generally personal contributions for which the individual does not claim a tax deduction. Members under age 65 at any time in the financial year may contribute up to \$450,000 by bringing forward up to two future years' entitlements.

If a member is age 65 or more at time of contribution a work test applies - the member must have worked at least 40 hours in not more than 30 consecutive days in the financial year. Generally contributions for individuals aged 75 and over are not permitted.

For detailed information on contribution eligibility and limits please contact our office.

Electronic Funds Transfer (EFT) of contributions

With the 30 June 2013 falling on a Sunday this year, care may be needed if paying contributions by EFT to ensure they are recorded in the fund's bank account before 30 June.

The Australian Taxation Office has noted in TR 2010/1, where there is an electronic transfer to a superannuation provider, the contribution is made when the funds are credited to the superannuation provider's account.

A contribution paid by EFT on Friday 28 June may not, due to the weekend, appear in the SMSF's bank account until after Monday 1 July (a different financial year). This could lead to an excess contribution and excess contributions tax in the 2014 financial year.

Making lump sum contributions close to year end

When making any lump-sum contribution, you should allow for any superannuation contributions you may be receiving from more than one source of employment so you do not exceed the contribution limits and therefore incur excess contributions tax.

If you are looking to make a lump-sum contribution closer to the end of the year, the contribution should be made to allow sufficient time for the contributions to be receipted in the relevant superannuation fund's bank account.

2. Pensions

Make pension payments prior to 30 June

For any fund members receiving Account Based Pensions or Transition to Retirement Income Streams please ensure that the minimum pensions including any PAYG withholding tax have been drawn from the fund. Additionally in the case of Transition to Retirement Income Streams, you should ensure the amount of the pension does not exceed the maximum allowable amount.

The last pension payment for the year should be drawn from the fund in sufficient time to allow for the pension to be received in the member's bank account and therefore the payment to be recorded in the fund's bank account prior to June 30.

3. Related Party Investments

Business property leased to a related party

Any lease of Business real property must be at arm's length. This essentially means that it must be entered into and maintained on a fully commercial basis. Therefore business property should be leased at current market rates and lease payments paid in accordance with the terms of the lease agreement and if applicable by 30 June.

In-house assets

Where a fund has in-house assets the level should be reviewed to ensure they remain less than 5% of the market value of the Fund's assets as in-house assets above this level are not permitted. The trustee/s should ensure any interest due on loans made to related parties is paid at commercial rates on an arm's length basis and if applicable by 30 June.

Unpaid distributions payable by related trusts

Where an SMSF is presently entitled to a distribution from a related or non-arm's length trust, and payment of this amount is not sought, contraventions of one or more provisions of Superannuation Law may occur.

The Australian Taxation Office regards distributions unpaid after a 12 month period as an in-house asset and count towards 5% limit. Where applicable these distributions should be paid to the Fund and before 30 June if possible.

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Regards

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