



SMSF

Being a Self Managed Superannuation Fund (SMSF) trustee is an enormous responsibility and the rules and regulations can be a veritable minefield to negotiate. You not only have to know the rules of super inside out, but you must also keep current on the rules – which change all the time! An SMSF has all the advantages and disadvantages of any other DIY activity. It can be satisfying and cheaper to install your own kitchen cabinets but you do risk hitting your thumb with the hammer! You also risk having a badly installed cabinet or badly painted walls, or even a structurally unsound extension with dodgy wiring that isn't safe to inhabit!

That's where VBA comes to the rescue! To assist our clients with the minefield of super rules, we will touch upon topics of interest in our newsletters. To start it off – here is an overview of contributions.

Contributions

- Contributions can be complex but your tax agent, accountant or adviser can assist you with this (yes – this means VBA!!).
- Contributions made to a superannuation fund by or on behalf of a member are subject to acceptance rules under superannuation and taxation legislation (SIS Act and ITAA).
- Contributions will generally be in the form of money.
- In-specie contributions can also be accepted by the fund. These are contributions of certain assets to the fund rather than cash. If you are considering contributing assets to your fund, please ensure that you check with your accountant or adviser first as there are specific rules surrounding this and some assets cannot be contributed to your fund (such as in-house assets).
- If a member contributes to the fund and exceeds the contributions cap limits, there may be an obligation on you as a trustee to refund the excess amounts or the member may be subject to excess contributions tax.

Gainfully employed

- Means employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment. Gain or reward means that you receive remuneration such as wages, business income, bonuses & commissions in return for personal exertion from these activities. It does not include gaining passive income such as rent or dividends
- Employed on a full-time basis means that you work for at least 30 hours each week.
- Employed on a part-time basis means that you work less than 30 hours each week
- The Work Test - for the purposes of a fund accepting contributions, this means gainful employment for at least 40 hours in a period of not more than 30 consecutive days in that financial year.

Superannuation Guarantee Contributions (SGC)

You should note that compulsory superannuation support under the Superannuation Guarantee scheme is not payable where an individual worker is:

- earning less than \$450 per month
- 70 years old or more (unless under an award – meaning mandated contributions)
- under 18 years old and working 30 hours or less per week
- a non-resident who works outside Australia
- a resident paid by a non-resident and who works outside Australia. (for example: you work in Vanuatu for an American company)
- SGC is also not applicable where you earn more than \$40,170 per quarter (which is \$160,680 per year). This is the upper limit for SG. This equates to \$14,462 at 9% which is within the annual contribution limit.

Contribution Caps for the year ended 30 June 2011

Age	Concessional	Non Concessional
Under 50	\$25,000	\$150,000
		\$450,000 (3 years bring forward)
50 – 64	\$50,000	\$150,000
		\$450,000 (3 years bring forward)
65 - 74	\$50,000 work test applies	\$150,000 work test applies
Over 75	\$50,000 only mandated	\$0

Contributions are subject to a yearly cap and amounts paid in excess of this cap are subject to additional taxes that **the member is personally liable for**. However the member can ask for the fund to release money to pay the excess tax. To do this, you need to complete the specified forms and lodge these with both your fund and the ATO.

Concessional Contributions

- Are contributions made that are included in the SMSF's assessable income.
- The most common are employer contributions & personal contributions that your members claim as an income tax deduction.
- Employer contributions include super guarantee & salary sacrifice contributions.
- These contributions are taxed in your super fund at a 'concessional' rate of 15%, which is often referred to as contributions tax.

Non-Concessional Contributions

- Contributions paid into your SMSF that are not included in the SMSF's assessable income.
- The most common type is personal contributions that members do not claim as an income tax deduction.
- Also include any excess concessional contributions for the financial year.
- Don't include super co-contributions, structured settlements, orders for personal injury and CGT related payments which the member has validly elected to exclude from their non-concessional contributions.
- The maximum non-concessional (i.e. after tax) contribution that can be made for a member before incurring excess contributions tax is \$150,000 per annum. This limit is subject to indexation. If the member is under 65 years of age, they are able to bring forward two years' worth of payments to contribute up to \$450,000 in one tax year. The total contribution of \$450,000 could also be split up over a three year period, into varying amounts.
- The bring forward provision will be triggered once contributions exceeding \$150,000 are made in any given year, meaning that no more than \$450,000 can be contributed in total in that year and the subsequent two years.

Member Contributions

- If the member wishes to claim a personal tax deduction for their contributions, then a form must be completed by the member and acknowledged by the trustee.
- This is required under Section 290-170 and includes:
 - Notice from Member to Fund
 - Response from Fund to Member
- Note that for a member to claim a personal tax deduction for their contributions that they must be substantially self employed. Employees are generally not entitled to a tax deduction for their personal contributions as they cannot satisfy the 10% rule in s290-160. This rule requires that less than 10% of the person's assessable income, reportable fringe benefits and reportable employer superannuation contributions for the year come from employment related activities.

Please note that the information above is general information and does not constitute specific advice.



Always remember that we are available to assist our clients with any questions regarding self managed superannuation funds. Please feel free to email your questions to our office or to give us a quick call if you are unsure of any actions surrounding your fund. Please also let our office know if there is any topic in particular that you would like to see in future newsletters.