BWA

ACCOUNTANTS +
BUSINESS ADVISORS

SMSF NEWSLETTER

May 2015

SPECIAL POINTS OF INTEREST:

1. **Special year end planning edition**

INSIDE THIS ISSUE:

YEAR END PLANNING OPPORTUNITIES

With the 2015 income year drawing to a close, it is a good time to review any superannuation planning opportunities and ensure that your SMSF administrative obligations are in order. In this special edition, we outline a number of key issues to consider.

Employment-related issues

Employees often arrange with their employer to 'salary sacrifice' additional amounts into superannuation.

'Salary sacrifice' involves you agreeing with your employer to give up part of your salary in exchange for other benefits of an equivalent value (such as superannuation). Important issues to consider with salary sacrifice arrangements are:

- you can only salary sacrifice unearned income. For example, with a 'year end bonus', ensure that you agree with your employer about any salary sacrifice arrangements pertaining to the bonus before your entitlement arises.
- salary sacrificed contributions count in the income year your SMSF receives them. Hence, it is important to check when your employer expects to make your remaining year-end contributions.
- review your current and expected concessional contributions from all sources to see how you are placed against your limits for this income year, which are:

Age	Contribution cap (2015 income year)
Individuals aged 49 + on 30 June 2014	$35,000
Other individuals	$30,000

Annual pension payments

If you (or another fund member) receive a pension from your SMSF, check that the minimum pension payment amount is physically paid by 30 June 2015.

One serious impact of failing to meet the **minimum** pension payment requirement is loss of the pension exemption for the income year you fail to make the payment (exceptions apply).

That is, income earned on pension assets will generally be **taxable** if the minimum payment requirement is not met. The minimum pension payment factors for the 2015 income year are:

Recipient age	Minimum
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%

You work out the minimum pension payment using this formula:

account balance x minimum (refer table)

INFO – When determining the minimum, use your age and account balance on 1 July 2014 (or the day you started the pension, if later). Also, if you started a pension during the current income year, the minimum pension payment is calculated proportionally from the date of commencement.

EXAMPLE – Paula, started a transition to retirement pension on 1 July 2013 (ie, last financial year). The pension balance on 1 July 2014 was $200,000, and Paula was aged 60 at this time. The minimum pension payment for the 2015 income year is:

$200,000 x 4% = **$8,000**

WARNING – If you are drawing a transition to retirement income stream, ensure that total pension payments made during the 2015 income year do not exceed the 10% maximum payment cap.

"A capital gain is generally taxable in the income year you signed the contract to sell the asset."

"If your situation has changed (eg, a trustee has fallen ill) double-check that your SMSF's compliance obligations are being met."

YEAR END TAX PLANNING CONTINUED

Personal superannuation claims

Superannuation contributions made by the self-employed, substantially self-employed or investors may be claimed personally if certain conditions are satisfied.

If you personally made a capital gain during the year (eg, you sold a rental property), a personal deductible superannuation contribution may help reduce your tax bill (where eligible).

That is, the personal contribution can validly reduce your overall taxable income, including income from investments (where eligible). Naturally, other considerations need to be taken into account (such as tax payable by the fund on the contribution it receives).

INFO – A capital gain is generally taxable in the income year you **signed the contract** to sell the asset. For example, if you sign the sale contract in May 2015, and settle on the property in July 2015, you generally include the gain in your tax return for the **2015 income year**.

A key condition for personally claiming superannuation contributions is the '10% rule'. You meet this rule if less than 10% of the following amounts are employment related:

- your gross income (before deductions); **plus**
- reportable fringe benefits and reportable superannuation contributions (refer to your payment summary).

Other important issues to consider are:

- if you are 65+, the 'work test' generally needs to be met in the year of making the contribution.
- important paperwork requirements need to be satisfied before you can claim a deduction for personal superannuation contributions in your personal tax return.

WARNING – Stringent paperwork obligations apply if:
- you plan to start a new pension by 30 June 2015, and
- you intend to make a personal deductible superannuation contribution by this time.

Other planning tips and traps

Item	Description
Planning opportunities	
Publicly listed shares held by you personally	Transferring publicly listed shares to your SMSF boosts your superannuation, but may trigger a capital gain or loss to you personally. The transfer is also subject to your contributions caps.
Splitting concessional contributions with your spouse	If you are splitting your concessional contributions made in the 2014 income year (ie, last income year) with your spouse, ensure the application form is submitted to your fund by 30 June 2015.
Making after-tax contributions for your spouse	If your spouse earns less than $13,800, you can potentially claim a personal tax offset of 18% (up to $540) for after-tax spouse contributions.
Co-contribution	You could be eligible for a Government co-contribution up to $500 if: • you earn less than $49,488; and • make after-tax superannuation contributions.
Incurring SMSF expenses by the end of the income year	If your SMSF is in accumulation phase, you could reduce your fund's tax bill by ensuring that fund expenses are incurred by 30 June 2015.
Check the timing of contributions made	Contributions physically received by your superannuation fund before 30 June 2015 will count towards your 2015 contributions cap.
Fund Administration	
Ownership records	Check that ownership of your SMSF assets is separate to assets held personally.
Change in circumstances	If your situation has changed (eg, a trustee has fallen ill) double-check that your SMSF's compliance obligations are being met.
Insurance	SMSF trustees are required to consider insurance as part of their investment strategy.

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