BDO AUSTRALIA

Article: Is your SMSF ready for the new financial year?

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Now is the time to finalise your end of financial year planning and ensure your self-managed super fund (SMSF) is prepared to enter the new financial year. To help you stay ahead, we have created a checklist of important considerations to address before 30 June 2023.

Have you paid your minimum payments?

To ensure compliance and avoid financial implication, it is essential to withdraw your minimum pension payment from your fund's bank account before 30 June 2023. If the minimum pension payment is not withdrawn before 30 June 2023, the fund may not be able to claim Exempt Current Pension Income, meaning the fund may have to pay up to 15 per cent tax on income generated from pension assets. This oversight could prove to be a costly error.

Your minimum pension is calculated by multiplying your pension account balance as of 30 June 2022, by the percentage applicable based on your age at 30 June 2022:

Age at 1 July 2022	**Standard Minimum Percentages**	**Reduced Minimum Percentages** Applicable for 2019/2020, 2020/2021, 2021/2022 & 2022/2023
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 +	14%	7%

As part of the COVID-19 relief measures announced in March 2020, the Federal Government declared a 50 per cent reduction in the minimum pension requirements. This concession continues to apply for the 2023 financial year, but standard drawdown rates will apply from 1 July 2023.

Timing of pension payments

When scheduling pension withdrawals, it is important to consider the notice period required by some financial institutions when processing transactions. To avoid complications, we advise withdrawing your pension payments by no later than 15 June 2023.

2023 contribution caps

When making contributions to your fund, it's important to ensure that you do not exceed your contribution caps. Exceeding these caps can result in additional tax obligations. The contribution caps for the 2023 financial year remain the same as the 2022 financial year.

Type of Contribution	Cap
Concessional (pre-tax)	$27,500
Non-Concessional (after-tax)	$110,000

Carry forward rule (concessional contributions)

You can 'carry forward' your unused pre-tax contributions from previous years. The carry forward rule allows individuals to make additional concessional contributions in a financial year by utilising unused concessional contribution cap amounts from up to five previous financial years. The first available year for this rule is FY19.

To 'carry forward' your unused cap, your total superannuation balance must be less than $500,000 at 30 June of the previous financial year.

If your total superannuation balance was under $500,000 at 1 July 2022, and you have not contributed the maximum concessional contribution each year since 1 July 2018, you may be eligible to make 'catch up' contributions prior to 30 June 2023.

If you are interested in making 'catch up' contributions and would like assistance in determining if you meet the requirements, please reach out to your local BDO adviser.

Bring forward non-concessional contributions

The bring forward rule allows you to bring forward your contributions cap (or limits) from future years and use them in a shorter period. This cap is three times the non-concessional contribution cap and remains the same as in prior years.

To access the non-concessional, bring forward arrangement for 2022/23, you must:

- Be under 75 years of age, and
- Have a total superannuation balance of less than $1.7 million as at 30 June 2022.

Please speak with your BDO adviser before making any contributions that may trigger the bring forward rule.

Work test

Following 1 July 2022, an individual under the age of 75 will no longer need to meet either the work test or work test exemption to make or receive non-concessional super contributions and salary sacrificed contributions.

Although, if you are between the ages of 67 and 74 , you will need to meet the work test to claim a personal superannuation contribution deduction.

The work test requires an individual to be gainfully employed for at least 40 hours in a period of no more than 30 consecutive days in a financial year. Gainful employment refers to being employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation, or employment.

Timing of contributions

To be eligible for a tax deduction, all concessional contributions made to the fund during this financial year must be received into the fund's bank account by 30 June 2023. This includes concessional contributions made by employers on behalf of employees, along with individuals making concessional contributions who intend to claim a deduction for their personal tax return.

To avoid any complication, BDO advises making any final contributions to the fund at least two weeks before 30 June 2023. This particularly applies to employers making contributions using a clearing house facility, as these facilities can require up to 14 days for processing. It's not uncommon for contributions intended to be banked in June being delayed until July, causing headaches, and potential tax implications for members.

Have you considered other strategies to maximise contributions?

Contributions splitting

You can split up to 85 per cent of your taxable contributions with your spouse to increase their super balance. This can be a useful strategy if your spouse has a low account balance, or to level out your balances for retirement. There are some restrictions in place, so ensure you contact your BDO adviser to determine your eligibility.

Government superannuation co-contribution

The Federal Government continues to make a tax-free co-contribution to your super fund, provided the relevant conditions are satisfied. The Government will make a maximum co-contribution of $500 for a non-concessional contribution of $1,000 made to a superannuation fund. If the non-concessional contribution is less than $1,000, the Government will contribute half of the non-concessional contribution made.

Low-income superannuation tax offset

The low-income super tax offset (LISTO) is a Government superannuation payment of up to $500 to help low-income earners save for retirement. Those with an adjusted taxable income of $37,000 or less may be entitled to a LITSO payment to their superannuation fund. This offset is calculated at 15 per cent of the total concessional contributions made in the income year, up to a maximum of $500.

Spouse Superannuation Tax Offset

For those who have contributed to a fund on behalf of your spouse, you are able to claim a maximum tax offset of $540 provided the relevant requirements are met.

You may be able to claim either a:

- Full tax offset of $540, if you pay $3,000 or more and your spouse earns $37,000 or less
- **P**artial tax offset, if you pay less than $3,000 and your spouse earns more than $37,000, but less than $40,000.

You will not be entitled to the tax offset if your spouse has exceeded their non-concessional contribution cap for the year ($110,000 for the financial year ending 30 June 2023), or your spouse has a total superannuation balance equal to or exceeding the transfer balance cap of $1.7 million before 1 July 2022.

Have you reviewed your paperwork?

Now is an ideal time to ensure your super fund records are up to date and include the necessary supporting documentation for every asset and transaction carried out throughout the year. Having comprehensive records can save time and money when preparing the annual compliance work for your SMSF.

Your accountant will likely request various records including:

- Bank statements
- Purchase and sales contracts for investments
- Investment valuations
- Current lease agreements
- Rental statements
- Expense invoices
- Insurance policy documents.

Investment Strategy

All SMSF’s are required to have a current investment strategy. An investment strategy is a plan for purchasing, holding, and realising assets that is consistent with your objectives and retirement goals.

Super laws require a trustee of an SMSF to:

- Prepare and implement an investment strategy
- Give effect to and review the strategy regularly.

As we enter a new financial year, it is time to review the investment goals of your fund and ensure that your current strategy reflects these goals.

Do you need help?

Superannuation is a complex area and implementing the right actions and strategies before 30 June 2023 is vital to ensure your superannuation savings are maximised. We have created an SMSF checklist to help you navigate the important matters to consider before 30 June.
If you require any assistance, BDO's Superannuation team is here to help. Contact your local BDO adviser for assistance and ensure your savings are working for you.

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