Australian
SMSF Audits

Registered SMSF Auditor
Registered Tax Agent
PO Box 32, West Beach SA 5Ø24
Ph: (Ø8) 8356 7384
Fax: (Ø8) 8356 5578
Email: auditor@aust-smsf-audits.net.au
Internet: www.aust-smsf-audits.net.au

SMSF NEWS - JUNE 2013

For Self-Managed Superannuation Funds there have been a number of significant changes in legislation that will take effect from 1 July 2013 and that will have an impact on the Financial Accounts and the Records required to be retained by SMSF Trustees.

A summary of the changes SMSF Trustees need to be aware is as follows:

INVESTMENT STRATEGIES

- Trustees must now consider and record in the Fund Investment Strategy the needs of members in relation to whether a Fund should hold a Contract of Insurance for any member of the Fund. This rule has been effective from 1 July 2012.

- The recorded Investment Strategy must be reviewed on a “regular basis”. There is no definition of a 'regular basis' but annually is recommended. This does not mean the Investment Strategy needs to be re-written each year, however, where a Fund does not comply with its recorded Investment Strategy, the Fund may be in breach of this requirement.

VALUATION OF ASSETS

- From 1 July 2013, the Fund's financial accounts must report all assets at market value.
- There have been no specific legislated requirements as to how the market value is to be attained in most instances; however the Trustees must be able to provide evidence as to how any valuation was calculated.
- The market value of an asset is the price a willing buyer will pay to a willing seller for an arm’s length transaction in an orderly market with proper marketing and both parties acting knowledgably and prudently.
- While market value can easily be ascertained for listed shares and without difficulty for most residential real estate, it may be far more difficult to attain for commercial real estate, unlisted investments and private companies and trusts.
- Evidence of all valuation calculations will need to be provided for auditing.
- Failure to correctly value assets in the Fund’s 2013 accounts will lead to a qualified audit, but will not be a reportable contravention. It is anticipated that from 2014, any failures to correctly report the valuation of assets will be reportable to the ATO.

CHANGES TO THE SUPERVISORY LEVY

- Up to 2012, the supervisory levy has been payable in the year after the period it relates to. As an example, the $200 levy for 2012 was payable when the 2012 Annual return was lodged, which occurred during the 2013 financial year.
- From 2013, the levy will be payable during the year it relates to, but will be phased in over 2 years.
- The 2013 levy of $191 and 50% of the 2014 levy of $259 will be payable during the 2014 financial year, when the 2013 Annual return is lodged.
- The total levy payable with the 2013 Annual return is $321.
- The 2015 levy is $259. This will be paid along with balance of 2014 levy ($129) when the 2014 Annual return is lodged.

CHANGES TO PENALTIES FOR BREACHES OF THE SIS ACT

- Up to 30 June 2013, the only penalty that could effectively be imposed onto a Self-managed Superannuation Fund in breach of legislation was for the Fund to be ruled as non-complying. Such a Fund would lose its concessional tax rate.
- From 1 July 2013, where a fund is in breach of the legislation, the Commissioner of Taxation can now impose penalties upon the Trustees of the Fund.
- The penalties can include a fine and/or a requirement for the Trustee to undertake training and a new Trustees' declaration may need to be signed.
- Fines can range from 5 to 60 penalty units for each breach. Each penalty unit is currently $170. Penalties can therefore range from $850 to $10,200 for each breach.
- Where the same breach occurs on several occasions during the year, each is regarded as a separate breach and penalties can be incurred for each breach.
- The legislation also states that any penalty must be paid by the Trustee and cannot be reimbursed by the Fund.

The following change is not applicable to 2013, but will need to be considered by Trustees over the coming year with regard to how it will affect their Fund in the future.

ELECTRONIC TRANSFER OF DATA

- The government is introducing a new data standards regulation as part of the Government's Super Reform package. They will provide a consistent, reliable electronic method of transacting linked data and payments for superannuation.
- The goal is to improve the efficiency of the superannuation system, to improve timeliness of processing of rollovers and contributions and reduce the number of lost accounts.
- From 1 July 2014, self-managed funds must use the standard to receive contributions from employers with more than 20 employees. Smaller employers will follow 12 months later. Some related party employers may be exempt.
- From 1 January 2015, it is expected that SMSFs will be required to use the new data standard for payments and receipt of rollovers.
- More details will be provided when available.