

MBH Super Newsletter

The 30th June is fast approaching so it's a good time for trustees of Self-Managed Super Funds to review and make sure you are ready for the end of the financial year

Funds paying pensions should ensure that the minimum pension has been paid by the 30th June 2020. Most funds would have been advised of the minimum pension requirements when the 2019 accounts were prepared. If you have any doubt please send me an email and I will clarify.

As part of the [COVID-19 stimulus measures](#) announced in March 2020, the Federal Government announced a 50% reduction in the minimum pension requirements. This concession will apply for the 2020 and 2021 financial year to allow trustees flexibility when it comes to managing their superannuation assets.

Your minimum pension is calculated by multiplying your pension account balance as at 1 July 2019 by the percentage prescribed in Schedule 7 of the Superannuation Industry (Supervision) Regulations (see table below).

Age at 1 July of the relevant financial year	Standard minimum percentages	Reduced minimum percentages Applicable for 2019/2020 and 2020/2021
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 or more	14%	7%

Contributions 2020

When making contributions into your superannuation account, you must not exceed your contribution caps. If the caps are exceeded, you may have to pay additional tax. The contribution caps for the 2020 financial year remain the same as the 2019 financial year.

Type of contribution	Cap
Concessional (deductible)	\$25,000
Non-concessional (non deduct)	\$100,000

Bring forward non-concessional contributions

The bring-forward cap for non-concessional contributions still applies for those under 65 years of age*. This cap is three times the non-concessional contribution cap, which remains the same as prior years.

Subject to bring forward rules and the individual's **Total Superannuation Balance being less than \$1,600,000.*

Timing of contributions

All concessional contributions made to the fund for this financial year must be received by the fund's bank account by 30 June 2020 to secure a tax deduction. This includes concessional contributions made by employers on behalf of employees and individuals who wish to make a concessional contribution with the intent to claim the contribution as a deduction in their personal tax return.

We highly recommend making any final contributions into the fund at least two weeks before 30 June 2020. This applies to employers making contributions using a clearing house facility, as these facilities require up to 14 days processing time. We see many examples of contributions intended to be banked in June not showing up in the fund until July, and it can cause headaches for members (including additional tax).

Carry-forward concessional contributions

The carry-forward concessional contribution rules allow an individual to carry forward unused portions of their concessional contributions cap in a given year. This is on a rolling basis, for up to five years, provided the individual has a total super balance of less than \$500,000 at the end of the previous financial year.

The first income year's unused concessional caps that could be carried forward were for the 2019 financial year, which means 2020 is the first income year additional concessional contributions can be made.

Work test

Generally speaking, individuals aged 65 years or over must meet the 'work test' before making any contributions into their super fund. The work test requires an individual older than 65 years of age to work at least 40 hours in a 30-day consecutive period before contributions can be made.

If you have a super balance of \$300,000 or less, the Federal Government has recently introduced a one-year exemption to the work test. For the first year you no longer need to meet the work test, you are allowed to make non-concessional contributions (up to the cap of \$100,000).

Common Audit issues

I thought it would be a good idea to outline a few of the issues we have encountered in preparing the 2019 financials so that fund trustees may be able to rectify if they apply to your fund.

1. The asset (share, property etc) are not held in the correct name, the trustees name and the Super Fund name both need to be shown on the asset – so if the bank account, shares or property for instance only have one of two trustees shown on the ownership paperwork or where the trustee is a company and its name is missing on the paperwork then this has to be rectified. This is a big issue with the tax office and is now being scrutinised in the audit process.
2. Where the fund owns unlisted assets such as units in an unlisted unit trust then these assets need to be recorded at market value in the Super Funds accounts so it will mean a market valuation will need to be undertaken for this investment each year.
3. The fund's investment strategy doesn't reflect the same percentages of the fund's investments as at the 30th June each year, so we recommend that trustees review the investment strategy each year to ensure it matches to the investments held by the fund.
4. When the fund is renting out a property to an associated entity it will need to provide some sort of evidence that the rental value is at market value (something like a rental appraisal from a local real estate agent), the fund will also need to produce monthly rental statements, a commercial rental agreement and rent should be paid regularly and on time like a normal tenant. If rent has been reduced because of the current Covid situation then there should be correspondence between the parties evidencing the discussion of the rent reduction and an acceptance that the reduction was in line with current market expectations.
5. Old Trust deeds (deeds over 7-10 years old) can cause a problem and we recommend that if you deed is in this age bracket you should look at having it upgraded to take into account all the recent changes. The cost to amend the deed is about \$300+ gst

New Accounting Software

For the 2020 year we will be upgrading all our funds to new software. This software will enable us to either take direct data feeds from your financial institution (if you agree) or enable us to upload all of the years banking transactions via a .csv file from your bank account. Eventually when fully operational it will be possible for interested trustee's to be given user access to the software.

If you would like to set up direct data feeds for your fund now please send an email to ross@mbhaccountants with details of the name of your fund plus the bank account name and number. Otherwise we can talk about it when the 2020 accounts are prepared.

If you have any questions please give me a call.

David Motteram

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