



Australian Government
Australian Taxation Office

Running a self-managed super fund

A guide to help you understand your role and obligations in running your self-managed super fund (SMSF)

This publication was current at September 2024.

**To ensure you have the most recent information
you can check ato.gov.au/SMSF**

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PUBLISHED BY

Australian Taxation Office
Canberra
September 2024

NAT 75612-09.2024 DE-61991

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What is an SMSF?

An SMSF is a trust run for the sole purpose of providing retirement benefits to its members or to their dependants if a member dies before retirement.

Managing your own super is a major commitment. You need to be confident you have the knowledge, time, and skills to do it.

When you start a self-managed super fund (SMSF), you're in charge – you make the investment decisions for the fund and you're personally responsible for complying with the super and tax laws.

All trustees are equally responsible for running the fund and making decisions that affect the retirement interests of every fund member. This means you are responsible for decisions made by other trustees, even if you're not actively involved in making the decision. All trustees should be actively engaged in the running of their fund, as research shows this is closely tied to success. If you appoint an SMSF professional to help you, the responsibility and accountability remains with you, as the trustee.

The Australian Taxation Office (ATO) is the regulator of SMSFs, which means we are responsible for ensuring SMSFs comply with the relevant super and tax laws. We provide support products to:

- help you understand your responsibilities as a trustee
- make it as easy as possible for you to meet your obligations.

➔ Before setting up your fund, read our [Starting a self-managed super fund](#) publication. It will help you decide if an SMSF is right for you, provide a detailed outline of your obligations, and show you how to set one up.

It can be illegal to:

- access retirement savings early
- invest in a related business
- use the fund's assets for personal use – for example, by holidaying in your SMSF's investment property
- be paid for your duties or services as a trustee.

Actions we may take when SMSF trustees do not comply with super and tax laws include:

- disqualifying the trustee
- imposing penalties
- taxing the fund or members at a higher rate
- making the fund non-compliant.

We recommend trustees undertake an SMSF education course to improve their understanding of trustee responsibilities.

➔ When we say 'the trustee' we are referring to individual trustees or the directors of a corporate trustee.

Consider professional advice

Running an SMSF is a major responsibility and getting it wrong can have a significant financial impact. Consider getting professional advice and support.

Even if you use a professional or rely on other trustees to help run the fund, responsibility for the fund still rests with you.

How a professional can help you

Professional

How they can help you

Tax agents and accountants

- Help you prepare financial accounts and lodge the SMSF annual return (SAR) and Transfer balance account report (TBAR).
- Check your tax agent is registered at tpb.gov.au

Fund administrators

- Help set up the fund and advise on its structure and operation.
- Help you meet your reporting and administrative obligations.
- Help you manage the day-to-day running of your fund.
- Provide you with services, including accounting, tax and record keeping.

Legal practitioners

- Prepare, review, and update your fund's trust deed.
- Provide advice on whether certain actions are allowed under the law.
- Provide advice on the legal implications of issues such as divorce, estate planning or trustee disputes.

Financial advisers

- Provide advice on whether an SMSF is the right retirement savings option for you.
- Help prepare, review and update your fund's investment strategy.
- Advise on the types of investments and insurance to consider and what is allowed under the law.
- Advise which trustee structure is suitable.
- Help you prepare an exit strategy.
- Check your financial adviser is registered at moneysmart.gov.au/financial-advice/financial-advisers-register

Approved SMSF auditors (mandatory)

- Examine your fund's financial statements and assess your fund's overall compliance with super laws, including checking that:
 - investments comply with its investment strategy and super laws
 - it meets the sole purpose test
 - any contributions and benefit payments comply with super laws
 - it has met all lodgment and administrative obligations.
- Advise you and report to us if they:
 - find you have breached certain super laws
 - have concerns about your fund's financial position.
- Check your auditor is registered at asic.gov.au/smsf-auditor

Actuaries

- Provide an actuarial certificate if required.
-

Contributions and rollovers

As a trustee, you can generally accept contributions and rollovers for your members from various sources’.

There are some things you need to do to prepare for contributions and rollovers to be successful.

Make sure:

- you obtain an active electronic service address (ESA) that offers contributions and rollover services
- advise us of your ESA – you can only record one ESA with us, so check that your ESA provider offers both services should you require this
- your SMSF has an Australian business number (ABN)
- your SMSF has a ‘Complying’ or ‘Registered’ status on Super Fund Lookup
- your SMSF has a separate bank account, that is not the trustee’s personal or business account, recorded with us
- member and fund details held by us, the sending fund and the receiving fund are up to date and identical
- you contact the transferring fund to understand any proof of identity (POI) requirements.

ESA subscriptions can expire. Check with your provider that yours is still active, to help ensure contributions and rollovers are processed successfully.

To record your fund’s active ESA details with us, you can:

- use the **Profile** menu in Online services for business
- use a registered agent
- phone us on **13 10 20**.

Contributions

A contribution can be certain assets transferred to your SMSF, or money deposited into your SMSF financial institution account on behalf of a member.

Make sure you properly document contributions, including the amount, type and breakdown, and allocate them to the members' accounts within 28 days from the end of the month in which your fund receives them.

Contributions you can accept

Whether a contribution is allowable will depend on certain factors, including:

- the type of contribution
- whether you have the member's tax file number (TFN) – if not, you can't accept non-mandated contributions
- the age of the member.

👉 You need to report all member contributions in your SMSF annual return (SAR), even if they were rolled out to another fund later.

Types of contributions

Contribution	Description
Mandated employer contributions	<p>Contributions made by an employer under a law or industrial agreement for the benefit of a fund member. They include super guarantee contributions.</p> <p>You can accept mandated employer contributions for members at any time, regardless of their age or the number of hours they work.</p>
Non-mandated contributions	<p>Contributions made by employers over and above their super guarantee or award obligations (such as salary sacrifice contributions), and member contributions which are made by or on behalf of a member, such as:</p> <ul style="list-style-type: none">■ personal contributions■ eligible proceeds from primary residence disposal (downsizer contribution)■ super co-contributions■ eligible spouse contributions■ contributions made by a third party, such as an insurer. <p>For members under 75 years old, you can accept all types of non-mandated contributions, except downsizer contributions (these can only be made if the member has reached eligible age).</p> <p>For a member turning 75, contributions must be received no later than 28 days after the end of the month they turn 75.</p> <p>For members over 75 years old, you generally can't accept non-mandated contributions. However, you can accept downsizer contributions if you have the member's TFN.</p>
In specie (asset) contributions	<p>In-specie contributions are allowable contributions to your fund in the form of a non-monetary asset.</p> <p>Generally, you must not intentionally acquire assets from related parties of your fund. There are some exceptions to this rule, which may include certain:</p> <ul style="list-style-type: none">■ listed shares and other securities■ business real property (land and buildings used wholly and exclusively in a business).

Recording your members' tax file numbers

It's important you have each member's TFN and provide it to us. If you don't:

- there may be administrative delays if we can't identify the member
- your fund must pay extra tax on some contributions made to that member's account
- the member may not be able to receive super co-contributions
- your fund can't accept non-mandated contributions for them, such as personal and eligible spouse contributions.

Contributions – tax implications

Before members make a contribution to an SMSF, they need to be aware of the financial implications this can have. Limits apply on the amount that can be contributed for a member in each financial year without having to pay extra tax. These limits are called 'contribution caps'. If a member's total contributions in a year exceed the contribution caps, they may be liable for additional tax on the excess contributions.

Concessional contributions

Contributions made into your SMSF that are included in the SMSF's assessable income are called concessional contributions. These include:

- employer contributions, such as super guarantee and salary sacrifice contributions
- personal contributions made by the member, for which they are allowed an income tax deduction.

Concessional contributions are subject to a yearly cap. Members may be able to utilise the unused concessional contributions cap amount carried forward, depending on:

- their total superannuation balance, and
- if they have unused concessional contributions caps from the previous 5 years on a rolling basis.

Non-concessional contributions

Generally, non-concessional contributions are contributions made into your SMSF that do not form part of the SMSF's assessable income.

Non-concessional contributions include:

- personal contributions made by the member for which no income tax deduction is allowed
- excess concessional contributions for the financial year where the member does not elect to remove them from the fund.

Non-concessional contributions don't include:

- super co-contributions
- structured settlements
- downsizer contributions
- orders for personal injury or capital gains tax related payments that the member has validly elected to exclude from their non-concessional contributions
- re-contribution of COVID-19 early release superannuation amounts made between 1 July 2021 and 30 June 2030.

If your members exceed their non-concessional caps they:

- will receive a determination explaining their options
- may have to release an amount of money from their SMSF equal to either
 - the excess non-concessional contributions and 85% of the associated earnings, or
 - the excess non-concessional contributions tax.

If a member's non-concessional contributions exceed their cap and they elect to retain their excess non-concessional contributions, a tax of 47% is levied on the excess contributions.

When an SMSF receives a valid release authority, it is authorised to release the amount from the member's super account based on the instructions of the specific release authority. The SMSF must action the release authority within 10 business days.

The Release Authority Statement should advise:

- the amount to be released to us
- whether any super benefits remain in the account if a partial release
- why the full amount could not be released, where the amount released is less than the authority.

Deductions for personal contributions – notifying the fund

If a member intends to claim an income tax deduction for personal super contributions, they must notify the fund of this intent using the *Notice of intent to claim or vary a deduction for personal super contributions* form. To obtain the form, search for NAT 71121 on ato.gov.au

The member must give you the notice by the earlier of:

- the time they lodge their personal income tax return for the financial year during which the contribution was made, or
- the end of the financial year following the year the contribution was made.

There are circumstances (or events) where the member will need to give their notice to you even earlier. These include where the member intends to claim an income tax deduction for personal super contributions **and** is:

- starting a pension from their SMSF
- drawing a lump sum from their accumulation account in their SMSF
- rolling over the benefits in their accumulation account to another super fund
- splitting their contributions with their spouse.

Members need to tell you of their plan to claim a deduction **before** any of these events happen. If they don't, they will not be able to claim a deduction for the personal contributions they made.

The trustee must acknowledge the member's notice of intent without delay. This acknowledgement must include specific information to ensure:

- members can claim the deductions they're entitled to
- super co-contributions and excess contributions tax are correctly applied.

For more information about contributions, visit ato.gov.au/SMSFacceptingcontributions

Rollovers

A rollover is when a member transfers some or all their existing super between funds.

SMSFs often receive rollovers from their members shortly after the fund has been established or when a new member has joined. Generally, all rollovers must be processed electronically, using a data message and a separate payment transfer.

Before your member makes a rollover

Before a member initiates a rollover, there are some steps you need to take for the rollover to be successful. Check your fund and member details are up to date and accurate, including the:

- member and fund names
- ESA
- ABN
- Super Fund Lookup status
- financial institution account details.

For more information, see [Contributions and rollovers](#) on page 4

Rollovers into your SMSF

The most common rollovers are those from an APRA-regulated fund into an SMSF. The key steps are set out below.

Requesting a rollover

Members should contact their APRA-regulated fund before requesting the rollover, to:

- ensure their APRA-regulated fund details are an exact match with the ATO record
- discuss any proof of identity (POI) documents required.

Members can request a rollover through:

- ATO online services – only whole of balance transfers
- the APRA-regulated fund – either whole of balance or partial transfers
- your SMSF's messaging provider – issue a rollover initiation request.

If the member doesn't provide all the required information, the rollover will be delayed or rejected.

If the APRA-regulated fund suspects illegal activity, it will report this to the Australian Transaction Reports and Analysis Centre (AUSTRAC) and any relevant law enforcement agencies.

Mandatory verification by APRA-regulated fund

The APRA-regulated fund will undertake mandatory checks to verify that the fund and member details match the ATO record.

To protect against potential fraud, we send members an ATO protective alert advising of the rollover request. If they're not aware of the request, they need to contact the transferring fund immediately, to stop the rollover.

Confirming the SMSF has received the rollover

When your SMSF receives the payment and associated data, check that the payment reference number (PRN) in the data message matches the PRN provided with the payment. Confirm receipt of the rollover by sending an outcome response message to the APRA-regulated fund within 3 business days.

Rollovers out of your SMSF

The things you need to know when making a rollover out of your SMSF to an APRA-regulated fund or another SMSF are set out below.

Requesting a rollover

Members can request a rollover:

- by sending a request to their SMSF in writing, ensuring the details in the request match the details recorded with the ATO and the details held by both funds
- when rolling super into an APRA-regulated fund, members can use their online option to initiate a rollover
- through ATO online services (this applies only to whole of balance transfers).

Actions required to complete a rollover

To make the rollover happen, as trustee you need to:

- ensure the fund has enough liquid assets, allowing for any fees
- check the fund's financial institution's daily transaction limit (where the rollover exceeds your daily financial transaction limit, you could either increase your daily limit or make multiple rollovers of smaller amounts)
- engage your SMSF messaging provider or SMSF administrator to send the data message ensuring mandatory verification checks are done
 - validate the member's TFN with [SMSFmemberTICK](#)
 - if rolling over to an APRA-regulated fund, verify details using the [Fund Validation Service](#)
 - if rolling over to an SMSF, verify details using the [SMSF verification service](#).

After you have done this, your SMSF messaging provider will either issue a PRN or advise if you need to generate your own. Quote this PRN when making the rollover payment. To find out how to create a PRN, see ato.gov.au/SMSFcreatePRN

Making a rollover payment

When making the rollover payment via your financial institution:

- use electronic funds transfer and make sure you include the unique PRN from the data message to link the amount with the rollover
- only make one payment for each PRN, paying the exact amount allocated to that PRN (for multiple payments you'll need multiple PRNs to align to each data message)
- ensure the payment is made as soon as possible after sending the data message.

Failure to do this will cause the rollover to be delayed or rejected. This can result in a regulatory contravention and the fund could be made non-compliant.

When your payment and associated data is received, that fund will send an outcome response message confirming this.

Starting an income stream

If a member of your SMSF was receiving an income stream with all or part of the amount rolled over and starts a new income stream with their new fund following the rollover, you need to report this to us as a commutation through the transfer balance account report (TBAR).

A commutation is the process of converting part or all of a pension into a super lump sum.

If you do not report the commutation to us when it happens, the member's income streams may be double counted.

If the new fund reports the pension to us before you report the commutation, the member could exceed their transfer balance cap and we may issue an excess transfer balance (ETB) determination. If this happens, you need to lodge a TBAR reporting the commutation to us as soon as possible.

For more information, visit ato.gov.au/EBR

Death benefit rollovers

If the rollover is a death benefit rollover:

- where the dependant beneficiary is a child, complete a [Death benefit rollover statement](#) (DBRS) and send this to the receiving fund
- for dependant adult and child beneficiaries, also provide the DBRS or a statement with the same information, to the dependant beneficiary, within 30 days of the rollover payment.

For more information about rollovers, visit ato.gov.au/SMSFrollovers

Managing your fund's investments

A key responsibility for a trustee is to manage the fund's investments in accordance with tax and super law, your trust deed and investment strategy.

All your SMSF's investments must be made and maintained on a commercial 'arm's length' basis. The purchase and sale price of fund assets should always reflect true market value, and the income from fund assets should always reflect a true market rate of return.

- ⚠ Beware of promoters or scammers who mislead trustees into investing in fake products or schemes that promise unusually high returns – with the aim of stealing their members' super.

Sole purpose test

Your SMSF must meet the sole purpose test to be eligible for tax concessions normally available to super funds.

To meet the sole purpose test, your fund needs to be maintained for the sole purpose of providing retirement benefits to its members, or to their dependants if a member dies before retirement. This means that every investment and management decision trustees make must be for this purpose.

Your fund may not meet the sole purpose test if you or anyone else, directly or indirectly, obtains a personal financial benefit when making investments. For example, if:

- you receive a commission or personal reward when investing your fund's assets in a particular investment group
- your fund invests in collectables such as art or wine, and a trustee or member displays, has access to or stores these assets in their private residence
- the asset provides a pre-retirement benefit to someone, such as using a fund asset by taking a family holiday in an SMSF investment property.

- ⚠ Contravening the sole purpose test is very serious. In addition to the fund losing its concessional tax treatment, trustees could be disqualified and face civil and criminal penalties.

Your fund's investment strategy

You must create and implement an investment strategy for your fund which takes into account each member's circumstances.

Consider using a licensed financial adviser to assist you in preparing, reviewing and updating your fund's investment strategy. They can also advise you on the types of investments and insurance to consider and help make sure your investments comply with the law.

Your investment strategy is a plan for making, holding and realising assets consistent with your investment objectives and the members' retirement goals. It should be in writing and set out why and how you've chosen to invest your members' retirement benefits to meet these goals. You should also document decisions or changes you make during a review.

The strategy needs to reflect the purpose and circumstances of your fund, and should consider:

- diversification, such as investing in a range of different assets and asset classes – to lower your portfolio's risk and help get more stable returns
- risk and likely return from investments – to maximise member returns
- liquidity of fund assets – ensuring the fund can pay expenses as well as benefits when members retire or die
- whether to hold insurance cover for each member and any of your SMSF's assets (if applicable)
- members' needs and circumstances, appetite for risk and when members plan to retire (for example, age, income level, employment pattern and retirement needs).

Reviewing your strategy

The investment strategy should be reviewed regularly and whenever there is a change to the fund, to ensure it still meets the needs of all members.

Review the strategy at least annually or when there is a significant event, including:

- a market correction
- when a member starts receiving a pension
- when a member joins or leaves the fund.

Evidence of a review should be given to the fund's auditor to show the requirement to review regularly has been met, and where necessary revised.

For more information about investment strategies, visit ato.gov.au/smsfinveststrgy

Ownership of your fund's assets

As trustee you need to ensure the fund has clear ownership of its assets and they are secure in the event of a creditor dispute.

To ensure this, the assets should be recorded in a way that:

- distinguishes them from anyone else's personal or business assets
- clearly shows legal ownership by the fund, not an individual.

If an SMSF is paying premiums on a life insurance policy over the life of a member, the policy should be held in the name of the fund – not the member.

Depending on your fund's structure, fund assets should be held in the name of the trustees, either individual or corporate, 'as trustee for' the fund.

For more information about ownership and protection of assets, visit ato.gov.au/smsfassetownership

Restrictions

Investment restrictions exist to protect members by making sure fund assets are not exposed to undue risks, such as a business failing.

While there are some exceptions, generally:

- you can't buy assets from, or lend money to, fund members or other related parties
- your fund can't borrow money.

Speak to a licensed financial adviser to make sure your investments comply with the law.

- ➔ Contravening the investment rules can result in your fund losing its complying status, and trustees could be disqualified or face civil and criminal penalties.

Types of restrictions

Restriction	Description
Loans and early access	<p>You can't lend money or provide direct or indirect financial assistance from your fund to a member, or a member's relative.</p> <p>Loans made by your SMSF must comply with your investment strategy. If a loan is made to a related party, trustees must observe the in-house asset rules. Where a loan arrangement is not in your members' best financial interests, your SMSF could be made non-complying and ineligible for concessional tax rates.</p> <p>Get professional advice before entering into loan arrangements. If you decide to lend money from your SMSF, make sure the loan is conducted on a commercial, arm's length basis.</p> <ul style="list-style-type: none">➔ Be cautious of scammers suggesting you can access your super early through a loan.
In-house assets	<p>An in-house asset is:</p> <ul style="list-style-type: none">■ a loan to, or an investment in, a related party of your fund■ an investment in a related trust of your fund■ an asset of your fund that is leased to a related party. <p>In-house assets can't be more than 5% of your fund's total assets. If they do exceed this at the end of a financial year, the trustees must prepare a written plan to reduce the market ratio of in-house assets to 5% or below. This plan must be prepared and complied with before the end of the next year of income.</p> <p>Exceptions include:</p> <ul style="list-style-type: none">■ business real property leased between your fund and a related party of your fund■ some investments in related non-g geared trusts or companies.

Restriction

Description

Acquiring assets from related parties

Generally, SMSFs are prohibited from acquiring assets from a related party.

Related parties of your fund include:

- members of your fund
- associates of fund members, such as relatives, business partners and any company or trusts the member controls or influences
- standard employer sponsors – employers who contribute to the fund under an arrangement between the employer and the trustee.

However, a fund may acquire the following assets from a related party if they are acquired at market value:

- a listed security (for example, shares, units or bonds listed on an approved stock exchange)
- business real property
- certain in-house assets, provided the market value of your fund's in-house assets does not exceed 5% of the total market value of your fund's assets
- an asset specifically excluded from being an in-house asset.

Collectables and personal use assets

Collectables and personal use assets can include artworks, jewellery, vehicles, boats or wine. Investments in such items must be made for genuine retirement purposes, not to provide any present-day benefit. This is because the fund's investments need to be managed in the best financial interests of fund members.

This means they can't be:

- leased to, or part of a lease arrangement with, a member or a related party
- used by members or a related party
- stored or displayed in a private residence of a member or related party.

Borrowing

Your fund can only borrow money in very limited circumstances, including:

- borrowing money for a maximum of 90 days to meet benefit payments due to members (the borrowings can't exceed 10% of your fund's total assets)
- borrowing money for a maximum of 7 days to cover the settlement of security transactions (if the borrowing does not exceed 10% of your fund's total assets)
- borrowing money using limited recourse borrowing arrangements (LRBA) that meet certain conditions.

A trustee can use an LRBA to fund the purchase of a single asset to be held in a separate trust. Any investment returns earned from the asset go to the SMSF trustee.

For more information about restrictions on investments, visit ato.gov.au/SMSFinvestrestrictions

Paying super benefits

Just like other superannuation funds, when you have an SMSF, members can't access their retirement benefits until they meet a condition of release.

Before you release any funds, it is your responsibility as trustee, to ensure:

- the member is entitled to access their super under super laws, and
- the governing rules of your fund allow it.

When can a member legally access their super?

Your member must satisfy a condition of release to access their super.

As a trustee, you have important responsibilities in working out if, and when, a member can receive their benefits. If you release super without the member meeting a condition of release, you may be subject to significant penalties.

The most common situations in which a member can access their super are when they:

- reach preservation age and start a transition-to-retirement income stream
- reach preservation age and retire (for most people this is when they are at least 60 years old)
- reach 65 years old even if they haven't retired.

➔ Be cautious if someone offers to help access super early.

Someone might suggest super can be accessed early for personal expenses, such as paying a debt, buying a house, or going on a holiday. This is false; using an SMSF to gain improper early access to super is illegal. If super is illegally released:

- we can apply significant penalties to you
- the withdrawn amount must be included in the member's assessable income, even if they return the super to the fund later.

Can a member access super early?

There are limited circumstances in which super benefits can be released early.

These circumstances include:

- compassionate grounds
- severe financial hardship
- a terminal medical condition
- permanent incapacity
- terminating gainful employment
- accessing the First home super saver (FHSS) scheme.

Each of these circumstances has specific rules. Some have restrictions on the way the benefits can be paid, and others require ATO approval first.

For more information about conditions of release, visit ato.gov.au/SMSFconditionsofrelease

Compassionate grounds

ATO approval is required before funds are released on compassionate grounds. A member may be able to have an amount released on compassionate grounds if the following applies:

- they don't have the financial capacity to pay for
 - medical treatment and/or medical transport for themselves or their dependant
 - palliative care for themselves or their dependant
 - making a payment on a home loan or council rates – so they don't lose their home
 - modifications to their home or vehicle to accommodate special needs arising from their or their dependant's severe disability
 - expenses associated with the death, funeral or burial of their dependant
- they are or have been a citizen or permanent resident of Australia or, a New Zealand citizen
- they provide all the required supporting evidence
- release is allowable under the governing rules of your fund.

Severe financial hardship

To release benefits under severe financial hardship, you need to be satisfied that the member:

- can't meet reasonable and immediate family living expenses
- has been receiving relevant government income support payments for a continuous period of 26 weeks and was receiving that support at the time they applied to the trustees.

The payment must be a single gross lump sum of no more than \$10,000 and no less than \$1,000 (unless the member's benefits are less than \$1,000), in each 12-month period.

If the member has reached their preservation age plus 39 weeks, you need to be satisfied they:

- have been receiving relevant government income support payments for a cumulative period of 39 weeks since reaching their preservation age
- were not gainfully employed on a full-time or part-time basis at the time of applying to the trustees.

There is no cashing limit for these members.

Terminal medical condition

If a member has a terminal medical condition, they may be able to access their super. They need documentation from 2 registered medical practitioners certifying that the condition is likely to result in the member's death in the next 24 months. One of the practitioners must be a specialist practicing in an area related to the condition.

Permanent incapacity

A member's benefits may be released if you are satisfied they:

- have a permanent physical or mental medical illness
- are unlikely to be gainfully employed in a job they were qualified to do by education, training, or experience.

First home super saver scheme

The First home super saver (FHSS) scheme allows fund members to save for their first home. They can do this by making voluntary concessional and non-concessional contributions to their super.

To receive their FHSS super savings, a member must:

- meet certain eligibility criteria
- request a FHSS determination and release from us.

If approved, we'll issue a release authority to your fund requesting you send the FHSS release amount to us. We will then forward it on to the member. You must not release the FHSS amount directly to the member.

Types of benefits

Benefits to members may be paid in the form of a lump sum, or an income stream.

Benefits can also be paid as a combination of both, as long as super laws and your fund's trust deed allow it. When a member has died, the benefits are paid to their dependant beneficiaries or the deceased estate.

When a member wants to commence receiving a super benefit, they need to provide the trustee with a written request confirming a condition of release has been met and notifying of their intention to access benefits.

The member needs to advise what type of super payment they're seeking (lump sum, income stream or both), and the account from which it will be paid from needs to be identified (if applicable). It's important you document this at the time the payment is requested and record it in trustee minutes.

For information about paying benefits, visit ato.gov.au/payingbenefits

- The type of payment chosen may affect the amount of tax paid and the amount of money the member has for retirement. We recommend members seek professional advice before requesting payment of a super benefit.

Lump sum

If your fund's trust deed allows it, a member may be paid all or some of their super benefit as a single payment. This is called a lump sum.

The member may be able to access several lump sums, but if they ask to set up a regular payment from the SMSF it is considered an income stream.

You must work out the taxable and tax-free components of the member's super benefit and how much tax (if any) to withhold.

Account-based income stream (pension)

- When we say pension, we are referring to a super income stream (reflecting the terminology used in superannuation law).

An account-based income stream, or pension, is like a personal retirement income account operating in a superannuation fund. It is the most common type of SMSF pension where a series of regular benefit payments are made to a member. Once an income stream starts, you're required to treat the amount supporting the income stream as a separate interest in accordance with the income tax laws. Remember, your fund's trust deed must allow the payment of an account-based pension.

When a member starts an income stream (other than a transition to retirement income stream), the SMSF is required to report the value of the income stream via the transfer balance account report (TBAR).

Before starting a pension, you must establish the market value of the assets that will support it. The valuation needs to be based on objective and supportable data.

For more information, read the section [Valuing your fund's assets](#) in this publication (page 21).

Requirements for account-based pensions

You must maintain appropriate records while running an account-based pension, including:

- the value of the pension at commencement
- the taxable and tax-free components of the pension at commencement
- the earnings from assets set aside to support the pension (where appropriate)
- the pension payments made
- any commutations made from the pension account (document these at the time the payment is requested; you can record them in trustee minutes).

Transition to retirement income stream

A transition to retirement income stream (TRIS) is a specific kind of pension, similar to an account-based pension, from where lump sum payments can only be made in limited circumstances.

Members who have reached their preservation age are able to access their superannuation benefits through a TRIS without having to retire or leave their job. The amount of pension paid:

- must be a minimum amount in each financial year
- is limited to a maximum of 10% of the SMSF's pension account balance (at the start of each financial year).

Minimum pension standards

All pensions that satisfy the minimum standards will generally be treated as super income stream benefits for income tax purposes. This means the fund may be able to claim an exemption for the income earned on pension assets, called exempt current pension income (ECPI).

The minimum standards are:

- The pension must be account-based, except in limited circumstances.
- You must pay a minimum amount at least once a year. Partial commutation payments do not count towards minimum annual pension payments.
- Once the pension has started, you can't increase the capital supporting the pension using contributions or rollover amounts.
- Where a member dies, their pension can only be transferred to a dependant beneficiary of that member.
- You can't use the capital value of the pension or the income from it as security for borrowing.
- Before you can fully commute a pension, you must pay a minimum amount in certain circumstances.
- Before you partially commute a pension, you must make sure there are sufficient assets to pay the minimum amount, if you haven't already done so.

For more information about the minimum pension standards, visit ato.gov.au/SMSFminpensionstandards

Death benefits

When a member dies, the SMSF generally pays a death benefit to a dependant or other eligible beneficiary of the deceased. A super death benefit can be paid either as an income stream or a lump sum, or a combination depending on who will receive it.

Death benefit nomination

If your fund's trust deed allows it, SMSF members can nominate who will receive their benefits when they die. This is done via a death benefit nomination, which directs the fund's trustee to pay their death benefit to their nominated beneficiaries.

Subject to the fund's trust deed, the nomination can be either:

- binding, directing the trustees to pay the death benefit to a legal personal representative or dependant
- non-binding, notifying the trustees of the member's preferred beneficiaries, leaving the trustees to make the final decision.

The trustees must ensure the nominated beneficiaries are entitled to receive death benefits under the trust deed and super law.

If the deceased member didn't nominate a beneficiary, the trustee may either:

- decide which dependant the death benefit is paid to, or
- pay it to the deceased's estate for the executor to distribute according to the instructions in the deceased's will.

Dependants

Generally, a dependant of the deceased can receive the death benefit as a lump sum or income stream.

The income stream can be new or a continuation of an existing income stream. Non-dependants can only receive the death benefit as a lump sum.

Under super law, a person is a dependant of a deceased member if, at the time of the member's death, that person was:

- a spouse, or de facto spouse
- in an interdependency relationship with the deceased – this is a close personal relationship between 2 people who live together, where one or both provides the financial, domestic, and personal care support of the other
- a child of the deceased.

For a child to be able to receive a death benefit as a pension, they must be:

- under 18 years old, or
- under 25 years old and financially dependent on the deceased, or
- have a permanent disability.

Unless they have a permanent disability, the pension must be cashed as a lump sum on the day they turn 25 years old.

Calculating tax on super death benefits

A death benefit paid as a lump sum to a dependant of the deceased is tax free. It's not assessable income or exempt income, so the:

- SMSF doesn't withhold tax from the payment
- recipient doesn't include it in their income tax return.

For income tax purposes, a person is a dependant of a deceased member if, at the time of the member's death, that person:

- was the deceased's spouse (or former spouse)
- was the deceased's child (younger than 18 years old)
- had an interdependency relationship with the deceased
- was wholly or substantially financially dependent on the deceased just before they died.

If the death benefit is paid as an income stream or is paid to a non-dependant, there may be tax to pay. Your SMSF will need to:

- determine the taxed and untaxed elements of the benefit
- calculate the applicable tax
- if appropriate, withhold tax from payments.

The taxable component of a super benefit may consist of an element taxed in the fund or an element untaxed.

For more information about death benefits, visit ato.gov.au/SMSFdeathbenefit

Reporting and administration

As trustee, you have administrative and reporting obligations you must meet.

Each fund is unique, so reporting obligations may vary.

Your key obligations are to:

- understand how SMSF income is taxed
- value your fund's assets and prepare your financial statements
- arrange and receive an SMSF audit each income year
- lodge the SMSF annual return
- meet PAYG obligations
- report transfer balance cap events
- keep records
- notify us of any changes.

Lodgment of the annual return is the most essential compliance obligation. You need to lodge an SMSF annual return with us each year, to report:

- income tax
- super regulatory information
- member contributions.

For more information about administering and reporting, visit ato.gov.au/SMSFreporting

➔ You should allow plenty of time to meet these obligations and ensure you lodge on time, to avoid financial penalties.

Tax on income

Generally, the income of your SMSF is taxed at a concessional rate of 15%.

To be eligible for this rate, your fund must be a 'complying' fund that follows SMSF rules and laws. 'Non-complying' funds are taxed at the highest marginal tax rate of 45%.

The most common types of assessable income for complying SMSFs are:

- assessable contributions
- net capital gains
- interest
- dividends
- rent.

Assessable contributions

Certain contributions received by a complying SMSF are included in its assessable income.

These include:

- employer contributions, including those made under a salary sacrifice arrangement
- personal contributions that a member has notified you they intend to claim as a tax deduction
- generally, any contribution made by anybody other than a member; limited exceptions include spouse contributions and government co-contributions.

A rollover is not included in the assessable income of your fund unless the rollover amount includes an untaxed element. If the rollover contains an untaxed element, you must include this amount in the assessable income of your fund, in the financial year in which the rollover occurs.

Exempt current pension income

An SMSF may be able to claim an exemption for the income earned on retirement phase income stream assets, called exempt current pension income (ECPI). When calculating the amount of income that is exempt from income tax, non-arm's length income and assessable contributions are excluded from the calculation.

The ECPI exemption can be claimed provided certain conditions are met, including when:

- the SMSF has started paying a retirement phase income stream
- all the SMSF's assets are re-valued at current market value
- the SMSF has paid the minimum annual payment for any pension paid in the year the SMSF is claiming ECPI
- if required, an actuarial certificate has been obtained before lodging the SMSF annual return.

There are 2 methods for calculating the amount of ECPI a fund can claim:

- segregated method
- proportionate method.

The segregated method is only used where a fund's assets are 'segregated'. This is where specific assets support retirement-phase income streams and are clearly held separately from other assets the fund holds in accumulation phase.

Actuarial certificate

You may need an actuarial certificate to calculate the amount of ECPI in your fund's annual return. Whether you need an actuarial certificate depends on the method used to calculate ECPI:

- Proportionate method – you'll need an actuarial certificate for each year you claim ECPI, regardless of the type of retirement-phase income stream being paid.
- Segregated method – you won't need an actuarial certificate to claim ECPI if at all times during the income year the only retirement-phase income streams paid were allocated pensions, market-linked pensions, or account-based pensions.

Capital gains

Your SMSF's assessable income includes net capital gains unless the asset is a segregated current pension asset. Complying SMSFs are eligible for a capital gains tax (CGT) discount of one-third if the asset had been owned for at least 12 months.

Capital losses such as losses from selling commercial premises:

- can't be claimed as a deduction
- can only be offset against capital gains.

If capital losses are greater than capital gains in a financial year, they must be carried forward to be offset against future capital gains.

Non-arm's length income

SMSFs must transact on an arm's-length basis. This means the purchase and sale price of the fund's assets should always reflect the true market value of the asset. The income from these assets should also reflect the true market rate of return.

Where income is deemed to be non-arm's length income (NALI), it is taxed at the highest marginal tax rate of 45%.

A fund has NALI if it has:

- an amount of ordinary or statutory income derived from a scheme where
 - the parties weren't dealing with each other at arm's length, and
 - the amount of income earned by the SMSF from the scheme is more than would be expected if the parties had been dealing at arm's length
- a dividend paid to an SMSF by a private company that is not consistent with an arm's length dealing
- income derived by an SMSF as a beneficiary of a trust (other than through holding a fixed entitlement to the income).

From 1 July 2018, a fund also has NALI if:

- an amount of income is derived from a scheme where the parties weren't dealing with each other at arm's length, and
- the fund incurs expenses when deriving the income and the amount of the expenses is less than would have been expected if the parties were dealing at arm's length (including nil expenses).

These expenses are classified as either:

- specific expenses, which are related to earning income from a particular asset of the fund (for example, maintenance expenses for a rental property), or
- general expenses, which are related to all expenses incurred otherwise than in gaining or producing income from a particular asset (for example, accountant fees).

When an SMSF incurs a specific expense, all income in relation to the particular asset or assets will be NALI. When an SMSF incurs a general expense, the NALI will be calculated as twice the difference between the amount of the actual expense and the expected market value of the expense.

Any NALI forms part of the non-arm's length component (NALC) of the SMSF's taxable income which is taxed at the highest marginal tax rate. However, the SMSF's total NALC cannot exceed the SMSF's assessable income minus deductions, excluding assessable contributions and deductions against them.

Value your fund's assets and prepare financial statements

Your fund's assets must be valued each income year, to prepare its financial statements and lodge the annual return.

You must value your fund's assets at their market value. Market value is the estimated monetary worth of an asset on the open market at a particular time. This would be an amount that a willing buyer could be reasonably expected to pay to acquire the asset from a willing seller, if:

- the buyer and seller dealt with each other at arm's length in relation to the sale
- the sale occurred after proper marketing of the asset
- both parties acted knowledgeably and prudently in relation to the sale.

Once you have valued your fund's assets, you must prepare a statement of financial position and an operating statement for your fund. You must sign these financial statements and provide them to your auditor each year before the annual audit.

When to undertake a valuation

You need to value the fund's assets:

- each income year, to prepare your financial statements
- when reporting certain events for the purposes of the transfer balance cap
- if your fund sells assets to or purchases assets from a related party
- if you need to determine the percentage of in-house assets in your fund
- on the commencement day of a pension
- if your fund transfers a collectable or personal use asset to a related party (the valuation must be done by a qualified independent valuer).

Who can undertake a valuation

It's usually the valuation process undertaken, rather than who conducted it, that determines the acceptability of a valuation. The person conducting the valuation must base their valuation on objective and supportable data.

A valuation may be undertaken by a:

- registered valuer
- professional valuation service provider
- member of a recognised professional valuation body
- person with specific experience or knowledge, even if they don't have valuation qualifications.

Evidence of valuations

Each year an approved SMSF auditor will check the valuation of your fund's assets to make sure that:

- all assets are valued at 'market value' when preparing the fund's accounts and statements
- the valuation is based on objective and supportable data.

As part of our compliance activities, we may review a valuation. During a review you may be asked to provide evidence of the valuation method, to allow us to decide whether to accept the valuation.

- ➔ It's your responsibility to provide your auditor with objective evidence to support the valuation of a fund asset, including any documents they specifically request.

For more information on valuation requirements see ato.gov.au/smfvaluations

Arrange and receive an SMSF audit

Before you can lodge your SMSF annual return (SAR), an approved SMSF auditor must undertake an independent audit on your fund.

The auditor will:

- examine your fund's financial statements
- assess whether your fund has complied with super law.

You need to appoint an auditor to audit your fund each year, no later than 45 days before you need to lodge your SAR.

Make sure your auditor is registered with the Australian Securities and Investments Commission (ASIC). If they are, they'll have an SMSF auditor number, which you need to provide on your SAR.

➔ Check whether your auditor is registered at asic.gov.au/smsf-auditor

Auditors are required to be independent. They should **not** audit a fund:

- in which they hold any financial interest
- where they have a close personal or business relationship with the members or trustees.

Before your auditor can begin an audit, you or your professional adviser must provide them with relevant documentation about your accounts and transactions for the previous financial year. If your auditor requests more information, provide it to them within 14 days of their written request.

Your auditor must:

- provide you with the audit report
- advise you of any breaches of the rules
- report certain contraventions to us.

Remember, the audit must be completed before lodging your SAR, as you'll need information from the audit report to complete the SAR. Ensure the correct auditor details are recorded, otherwise penalties may apply.

Even if you terminated an auditor engagement or the auditor does not finish the audit, they are still obligated to report to us if they have identified a reportable contravention.

➔ An audit is required even if no contributions or payments are made in the financial year.

If your auditor advises you of any breaches of the rules, you should rectify these as soon as possible.

We encourage you to use our early engagement and voluntary disclosure service to let us know about any regulatory contraventions that remain unrectified. We expect you to have a plan to correct the contravention. This should be sent to us with the *SMSF regulatory contravention disclosure* form.

We take into account any voluntary disclosures made when we consider possible compliance actions.

For more information about the early engagement and voluntary disclosure service, visit ato.gov.au/smsfdisclosure

Lodge your SMSF annual return

You must lodge an SMSF annual return (SAR) each financial year, even if your fund does not have a tax liability.

Lodgment of the annual return is the most essential compliance obligation for an SMSF, and you need to make sure it is up to date. If your SAR lodgment is more than 2 weeks overdue, the Super Fund LookUp (SFLU) status may change to **regulation details removed**. This restricts the SMSF from receiving rollovers and employer contributions.

You must report all contributions you receive for all members in the annual return, for each financial year your SMSF operates. Make sure you categorise member contributions correctly, as this information is used to:

- work out if your members are entitled to a super co-contribution and where to pay any entitlements
- work out if your members have exceeded their contributions caps
- check employer compliance with super guarantee.

An SMSF completes and lodges its annual return and pays the amount it is required to pay (if any) to us.

SMSFs do not receive a notice of assessment. However, we will issue a notice of amended assessment if subsequent amendments are made.

For more information about lodging your SAR, visit ato.gov.au/SMSFlodge

Include your ABN

We encourage you to include your ABN when lodging your SAR. This ensures the SMSF's account details are displayed in:

- ATO online services (for a fund member)
- Online services for agents (if the member uses a tax agent).

Funds without assets

If your fund had no assets in the first year it was registered, you won't need to lodge a return for that year. Instead, you must ask us to either:

- cancel the fund's registration, or
- flag the SMSFs record as return not necessary (RNN), if the SMSF confirms in writing that it
 - had no assets and did not receive contributions or rollovers in the first financial year
 - has evidence of the date it first held assets and started operating
 - will be lodging future returns.

Lodgment due dates

Your lodgment due date depends on a range of factors, such as whether:

- you're a self-preparer or lodging through a tax agent
- your SMSF is newly registered.

If you lodge your own SMSF return

If you didn't lodge on time for the previous year, your fund's return will be due on 31 October.

If it's your fund's first year, the income tax liability payment is due on 1 December.

Otherwise, the lodgment and payment due date is 28 February following the financial year.

If a tax agent lodges your SMSF return

When using a tax agent for the first time, or using a different tax agent, contact them before 31 October to be part of their lodgment program due dates. They'll provide the due date for lodgment and payment. For your first year, the due date will be 28 February.

Client to agent linking

You need to nominate your registered agent in Online services for business before they can access your account and act on your behalf.

For **new SMSFs** using a tax agent, you can link to your agent by lodging your SMSF ABN registration form and nominating your tax agent as your representative.

For **existing SMSFs**, if you add or change a tax agent, you'll need to follow the client-agent linking steps in Online services for business.

For more information about the agent nomination process, visit ato.gov.au/agentnomination

Supervisory levy

You are required to pay a supervisory levy to us on an annual basis. You need to pay the supervisory levy with your SAR. The amount payable is stated on the return.

- ➔ Corporate trustees must lodge ASIC company returns each year by the due date, ensuring payment of fees.

PAYG withholding obligations

You may have pay as you go (PAYG) withholding obligations to withhold tax for super benefits you pay.

You must withhold tax from super benefits you pay to recipients who are:

- under 60 years old and the benefit is an income stream (pension) or a lump sum
- 60 years old or over and the benefit is a pension which is a capped defined benefit income stream
- under 60 years old, where the death benefit is a pension that is a capped defined benefit income stream, and the deceased member was 60 years old or over when they died.

You also need to withhold tax from super benefits paid to a non-dependant.

When tax is withheld

If you have obligations to withhold tax, you need to:

- register for PAYG withholding – visit ato.gov.au/paygwregistration
- obtain a tax file number (TFN) declaration from the member
 - if they don't provide their TFN before the payment is made, you must withhold tax at the top marginal rate (47% for residents or 45% for non-residents from 1 July 2017) from the taxable component
- calculate the rate of withholding that applies in accordance with
 - *Schedule 13 – Tax table for superannuation income streams*, and
 - *Schedule 12 – Tax table for superannuation lump sums*
- issue a PAYG payment summary to the recipient of the benefit
 - *PAYG payment summary – superannuation lump sum* within 14 days of making the lump sum payment
 - *PAYG payment summary – superannuation income stream* by 14 July following the end of the financial year in which the payment was made
- lodge a *PAYG withholding payment summary statement* with us, usually by 14 August following the end of the financial year in which the payment was made, even if the amount you needed to withhold from the income stream was nil.

Providing information to the recipient of the benefit

You must provide the recipient of the benefit with a PAYG payment summary where the:

- super lump sum is paid to a
 - member under 60 years old
 - non-dependant
 - trustee of a deceased estate (although no tax is withheld, this allows the trustee of the deceased estate to withhold the correct tax from payments they make)
- super income stream is
 - paid to the member until they turn 60 years old
 - a capped defined benefit income stream you pay to a member after they turn 60 years old
 - a capped defined benefit income stream that is a death benefit income stream paid to a member who is 59 years old or younger and the deceased was 60 years old or over at the time of death (the payment summary needs to show this is a death benefit).

Each pension payment summary must include details of the payment, including the:

- tax-free component
- taxable component
- tax offset (if applicable)
- tax withheld (if applicable).

Payment summaries should be issued in the situations listed above, even if no tax was withheld.

When tax is not withheld

You don't need to withhold tax if the member:

- is 60 years old or over and the benefit is from an income stream that is not a capped defined benefit income stream
- has died and the benefit is paid to a dependant beneficiary as a lump sum
- has died and the benefit is paid to a dependant beneficiary as an income stream that is not a capped defined benefit income stream and either the dependant or member were 60 years old or over
- has a terminal medical condition.

Reporting transfer balance cap events

An SMSF must report certain events that affect a member's transfer balance account.

Use the super Transfer balance account report (TBAR) to advise us:

- a transfer balance account event has occurred
- if you are responding to a commutation authority notice we have issued to the SMSF
- if you are correcting information about a transfer balance account event you have previously reported.

What you need to report

You must report events that affect a member's transfer balance account.

When a member starts a retirement phase income stream (including death benefit income streams), provide details including:

- type of income stream
- value
- start date.

Where the death benefit income stream is paid to a reversionary beneficiary (this occurs when an income stream automatically reverts to a nominated beneficiary when the current recipient dies), the:

- start date will be the date the member died
- value will be the value of the income stream on the date of death of the member.

For commutations of retirement phase income streams (including commutations that occur before an income stream is rolled over or requested by a member after an excess transfer balance determination has been issued to them), provide details including:

- value
- date of the commutation.

Other events affecting a member's transfer balance account that you need to report include:

- limited recourse borrowing arrangement (LRBA) payments (including the value and date of each relevant payment), if
 - the LRBA was entered into on or after 1 July 2017 (or a pre-existing LRBA was re-financed on or after 1 July 2017), and
 - the payment results in an increase in the value of the member's interest that supports their retirement phase income stream
- compliance with a commutation authority issued by us
- details (including value) of personal injury (structured settlement) contributions.

If no event occurs, you have nothing to report.

When you need to report

You must report transfer balance cap events quarterly. This means you must report the event affecting a member's transfer balance account within 28 days after the end of the quarter in which the event occurs.

If a member exceeds their personal transfer balance cap, report the following events sooner:

- A voluntary member commutation of an income stream in response to an excess transfer balance (ETB) determination – report this within 10 business days after the end of the month in which the commutation occurs.
- Responses to commutation authorities – these must be reported within 60 days of the date the commutation authority was issued.

You can also report events as they occur, as earlier reporting can:

- help manage transfer balance accounts and avoid exceeding personal transfer balance caps
- help ensure our calculation of a member's personal transfer balance cap is based on accurate information, particularly for events occurring in the income year prior to indexation
- avoid incorrect excess transfer balance determinations being issued.

For more information about how and when you need to report, visit ato.gov.au/EBR

Keep accurate records

You must maintain proper and accurate tax and super records.

Depending on the type of records, you must keep them for a minimum of either 5 or 10 years.

Record-keeping requirements

Records to keep for a minimum of 5 years

- Accurate and accessible accounting records that explain the transactions and financial position of your SMSF
- Documentation showing decisions made about what benefit payment type was paid (pension, lump sum, or a combination of both) and the account the payment was paid from
- An annual operating statement and an annual statement of your SMSF's financial position
- Copies of all SMSF annual returns lodged
- Copies of transfer balance account reports lodged
- Copies of any other statements you are required to lodge with us or provide to other super funds.

Records to keep for a minimum of 10 years

- Minutes of trustee meetings and decisions (for example where you reviewed the fund's investment strategy, or the commencement or commutation, in part or in full, of an income stream)
- Records of all changes of trustees
- Trustee declarations recognising the obligations and responsibilities for any trustee, or director of a corporate trustee, appointed after 30 June 2007
- Members' written consent to be appointed as trustees
- Copies of all reports given to members
- Documented decisions about storage of collectables and personal use assets.

Corporate trustees will also be required to keep Australian Securities and Investments Commission (ASIC) company records.

Notify us of any changes

You need to notify us within 28 days if there are any changes to your fund.

This includes changes in:

- trustees
- directors of the corporate trustee
- members
- contact details (contact person, phone, and email addresses)
- address (postal, registered or address for service of fund notices)
- fund status.

You can update the above details of your SMSF:

- online through the Australian Business Register at abr.gov.au
- through a registered agent
- by phone on **13 10 20** – you must be the authorised contact for your SMSF.

You can update your fund's financial institution account details, tax refund account or electronic service address (ESA):

- through Online services for business
- by contacting your tax agent
- by contacting us.

For more information, visit ato.gov.au/SMSFchangenotice

Our compliance approach

The majority of SMSF trustees do the right thing, but sometimes things just go wrong.

When that happens, our primary focus is to guide and support trustees who want to get themselves back on track and willingly comply with the super laws. But there are occasions when strong enforcement responses are necessary.

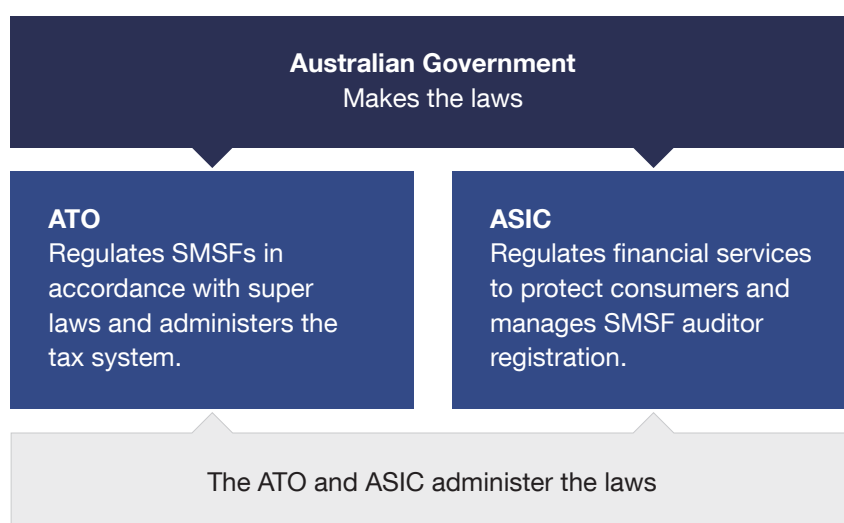
The treatment we apply will depend on the nature of the breach and the trustee's attitude to their obligations. In serious cases, we can make a fund non-complying. This has a significant tax consequence where the fund assets and income are taxed at 45%, rather than the 15% that applies for complying funds. If we believe a trustee is unable or unwilling to perform their role adequately, we will disqualify them. This prevents them from acting as a trustee of any superannuation fund. We may take these actions in conjunction with other enforcement options; for example, in instances where there are severe breaches of the law, we can also move to prosecute the trustees.

For more information about how we deal with non-compliance, visit ato.gov.au/SMSFcompliance

Help and more information

How your SMSF is regulated

The Australian Taxation Office (ATO) and Australian Securities and Investments Commission (ASIC) are co-regulators of the SMSF sector.



ATO

The ATO is a key regulator for SMSFs. We are responsible for administering the super and tax laws and ensuring compliance. We will make it as easy as possible for you to comply with your obligations and protect the future benefits of fund members.

For information on how we can help you, visit ato.gov.au/SMSF

ASIC

ASIC is the consumer protection regulator for financial services, including:

- investing
- super
- deposits
- insurance
- financial advice.

It regulates and enforces laws that promote honesty and fairness in financial products, services, and markets, as well as Australian companies.

ASIC also:

- regulates Australian financial services (AFS) licensees and their financial advisers – all financial advisers who provide personal advice must be licensed by an AFS license and registered with ASIC, for more information visit the Financial advisers register at moneysmart.gov.au/financial-advice/financial-advisers-register
- registers SMSF auditors – SMSF auditors must be registered with ASIC as an approved SMSF auditor on the SMSF auditor register before they can sign off on SMSF audit reports, for more information visit asic.gov.au/smsf-auditor
- regulates Australian companies, including companies that are corporate trustees of an SMSF.

There are 3 guides in this set

Read our guides to help you understand each stage throughout the life of your SMSF.



1



2



3

Information and learning resources

As a key regulator for SMSFs, we can help you understand your duties and legal responsibilities as a trustee.

We provide information through various channels:

- website – ato.gov.au/SMSF
- videos – ato.gov.au/SMSFvideos
- checklists – ato.gov.au/SMSF_checklists
- news and alerts – ato.gov.au/SMSFnews

For definitions or explanations of terms, visit ato.gov.au/definitions

SMSF support services

If you are having difficulties or think you have made a mistake, contact us as soon as possible through our early engagement and voluntary disclosure service. Visit ato.gov.au/SMSFdisclosure

You can request specific advice on how the super laws apply to a specific SMSF transaction or arrangement. Visit ato.gov.au/SMSFspecificadvice

You can also visit ATO Community, our online peer to peer platform to discuss your SMSF and general super questions with other trustees and professionals in the sector. Visit community.ato.gov.au

If you need to phone us

Phone our superannuation line on **13 10 20** from 8:00 am to 6:00 pm, Monday to Friday.

For help in other languages, phone the translating and interpreting service on **13 14 50** or **+61 392 688 332** if calling from overseas.

If you are deaf or have a hearing or speech impairment, phone us through the National Relay Service (NRS) using the below numbers and ask for the ATO number you need:

- TTY users, phone **13 36 77**
- Speak and listen (speech-to-speech relay) users, phone **1300 555 727**
- internet relay users, connect to the NRS at relayservice.com.au

Checklist

Contributions

- Before accepting contributions, check your fund and member details are up to date and accurate (this includes ESA, ABN, Super Fund Lookup status and financial institution account details)
- Check the member and fund details held by us are up to date
- Check the contribution is allowable under super law and the trust deed
- Make sure you have the member's TFN when accepting a member contribution
- Make sure you include any concessional contributions in the SMSF's assessable income for the year
- Make sure the member notifies the fund if they intend to claim an income tax deduction for personal super contributions

Rollover

- Before making a rollover, check your fund and member details are up to date and accurate (this includes ESA, ABN, Super Fund Lookup status and financial institution account details)
- Check the member and fund details held by us, the sending fund, and the receiving fund are up to date and identical
- For rollovers into your fund, check the PRN in the message data matches the PRN provided with the payment, and confirm receipt of the rollover to the APRA-regulated fund
- For rollovers out of your fund, undertake mandatory verification checks:
 - validate member's TFN using SMSFmemberTICK
 - if rolling over to an APRA-regulated fund – verify fund details using Fund Validation Service
 - if rolling over to another SMSF – verify fund and member details using SMSF Verification Service
- If a member of your SMSF was receiving an income stream and all or part of the amount is rolled over to a new fund following the rollover, you need to report this to us as a commutation through the TBAR
- For a death benefit rollover, complete a *Death benefit rollover statement* and send it to the receiving fund

Managing your fund's investments

- Ensure your SMSF always complies with the sole purpose test
- Manage the fund's investments in the best financial interests of fund members
- The investment strategy should:
 - consider the risks involved in investments and diversify where appropriate
 - ensure liquidity of fund assets to meet fund expenses
 - consider whether to hold insurance for each member and asset (if applicable)
 - consider needs and circumstances of all members
- Make sure the fund has clear ownership of its assets
- Generally, you can't acquire assets from, or lend money to, fund members or other related parties
- Don't use any of your SMSF's assets for your own personal use
- Don't store collectables and personal use assets in the private residence of any member or related party of the fund
- Regularly review your investment strategy to ensure it continues to meet the retirement objectives of members

Paying super benefits

- Before you release any funds, make sure the member is legally able to access their super under super laws and that the governing rules of your fund allow it
- Document the type of super payment (lump sum, income stream) and the account from which it will be paid and record it in trustee minutes
- Ensure any pension meets the minimum pension standards
- Ask the members to complete a valid death benefit nomination if your trust deed allows it
- Check if there is tax to pay for any benefits paid, including death benefits paid as an income stream

Reporting and administration

- Check which contributions need to be included in the assessable income of your fund
- Check if your fund can claim an ECPI exemption
- Check whether you need an actuarial certificate
- Value the fund's assets at market value
- Prepare financial statements each year, including:
 - a statement of financial position
 - an operating statement
- Arrange and receive an SMSF audit, including appointing an auditor. Check whether they are registered at asic.gov.au/smsf-auditor
- Lodge your SMSF annual return each year by the due date, ensuring you include your ABN and pay the supervisory levy
- Corporate trustees must lodge ASIC company returns each year by the due date, ensuring payment of fees
- Consider PAYG obligations to withhold tax for superannuation benefit payments. Check if you need to:
 - issue a PAYG payment summary
 - complete a PAYG withholding payment summary statement
 - send us a PAYG withholding payment summary annual report
- Use the TBAR to report any events that affect a member's transfer balance account
- Keep accurate records, including:
 - records to explain the transactions and financial position of your SMSF
 - documents showing how decisions were made about the type of benefits paid
 - copies of all SARs and TBARs lodged
 - records of trustee meetings and decisions
 - the original copy of the *Trustee declaration* with your records
 - ASIC company records for corporate trustees
- Notify us of any change of details for the SMSF, such as changes of trustees or members



Running a self-managed super fund