Australian Government
Australian Taxation Office

Self managed superannuation fund annual return instructions 2017

- https://www.ato.gov.au/Forms/Self-managed-superannuation-fund-annual-return-instructions-2017/
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Self-managed superannuation fund annual return instructions 2017

You can download the Self-managed superannuation fund annual return 2017 (NAT 71226).

This instruction guide is not available in print or as a downloadable PDF document.

These instructions will help you complete the *Self-managed superannuation fund annual return 2017.* However, they are not a guide to income tax or superannuation law. Seek help from us or a recognised tax adviser if these instructions do not fully cover your circumstances.

About the SMSF annual return

Who needs to complete an SMSF annual return

Your super fund must lodge a *Self-managed superannuation fund annual return 2017* if it was:

- a self-managed superannuation fund on 30 June 2017, or
- a self-managed superannuation fund that was wound-up during 2016–17.

Only self-managed superannuation funds (SMSFs) can use the *Self-managed superannuation fund annual return 2017.* Super funds that are not SMSFs at the end of 2016–17 must use the Fund income tax return 2017 and, where required, a separate Super member contributions statement.

Your SMSF must lodge an SMSF annual return even if it does not have a tax liability.

How to use these SMSF annual return instructions

Work through these SMSF annual return instructions from the start (Section A) to the finish (Section K).

- You must answer all mandatory questions
- You must answer all questions which apply to your SMSF.

Leave the answer box blank for all other questions. If you leave the answer box blank, you will have specified a zero amount or that the question is not applicable to you.

Read the instructions for each question to find out:

- whether you need to complete the question
- the information you must provide.

If a question does not apply to your SMSF, move on to the next question.

Sections of the SMSF annual return

The SMSF annual return is more than an income tax return. It has 11 sections, each described below.

You must complete at least six sections (A, C, D, (F and/or G), H and K). Complete the other sections only if they apply to your SMSF.

A: Fund information: Complete this section for the SMSF; provide general and identifying information about the SMSF and its auditor.

B: Income: Complete this section if the SMSF has assessable income to report.

C: Deductions and non-deductible expenses: Complete this section for the SMSF; report all the SMSF's expenses, both deductible and non-deductible.

D: Income tax calculation statement: Complete this section for the SMSF to calculate the amount due or refundable to the SMSF.

E: Losses: Complete this section if the SMSF has tax or capital losses to carry forward to later income years.

Sections F and G: Member information and supplementary member information: Complete either Section F or Section G (or both) for the SMSF. Report contributions and account balances for each of the SMSF's members:

- in Section F, for those who had an account on 30 June 2017
- in Section G, for those who left the SMSF during 2016–17.

H: Assets and liabilities: Complete this section for the SMSF. Report all of the SMSF's assets and liabilities at 30 June 2017.

I: Taxation of financial arrangements Complete this section if the taxation of financial arrangements provisions apply to the SMSF.

J: Other information Complete this section if the SMSF has made or is making a family trust election or an interposed entity election.

K: Declarations: Complete this section for the SMSF. Declare that you have met your obligations in relation to the SMSF annual return.

What's new in 2016–17

Foreign resident capital gain withholding tax

Foreign resident capital gains withholding regime (FRCGW)

From 1 July 2016, for contracts you entered into with a relevant foreign resident vendor, the foreign resident capital gains withholding regime (FRCGW) imposes an initial 10% withholding obligation on you for the purchase of:

- taxable Australian real property such as land and buildings
- indirect Australian real property interests
- options or rights to acquire Australian real property and Australian real property interests.

For more information, see Foreign resident capital gain withholding tax

Limited recourse borrowing arrangement reporting

Following the 2015 Murray Inquiry, there are no LRBA restrictions on SMSFs. However, the ATO monitors the risk and leverage of SMSFs and reports to Government. Consequently, we have added questions about the use of LRBAs and additional borrowings.

You will find three additions to 16 V Borrowings to report LRBAs, temporary borrowings and other borrowings.

If you report LRBA assets, you will give details of the financing arrangements used in LRBAs at 15e Limited recourse borrowing arrangements, A and B on the SMSF’s use of:

- finance from licenced institutions
- personal guarantees and other securities.

For more information, see in these instructions:

- 16 V Borrowings
- 15e Limited recourse borrowing arrangements.

See also:

- Borrowing

Early stage venture capital limited partnership tax offset

From 1 July 2016, an SMSF that is a limited partner of an early stage venture capital limited partnership (ESVCLP) may qualify for:

- a non-refundable carry forward tax offset of up to 10% of their contribution to an ESVCLP. The ESVCLP must have become unconditionally registered on or after 7 December 2015. This includes an ESVCLP that was conditionally registered before this time and then became unconditionally registered on or after 7 December 2015.
- a tax exemption for part of the capital gain or income from the disposal of investments that accrued to the end of the period ending six months after the end of an income year in which the investee's value has first exceeded $250 million.

The ESVCLP tax offset is shown at D1 in the Calculation statement.

See also:

- ESVCLP tax incentives and concessions

Early stage investor tax incentives

From 1 July 2016, investors who acquire newly issued shares in a qualifying early stage innovation company may qualify for:

- a tax offset equal to 20% of the amount paid for the shares. This tax offset is capped at a maximum amount of $200,000 for each income year for the investor and their affiliates combined. The offset is not refundable, but can be carried forward to the next income year.
- a modified CGT treatment under which the investor can disregard any capital gains made on the shares that have been continuously held for between one and ten years. Any capital losses on the shares held for less than ten years must be disregarded.

The early stage investor tax offset is shown at D2 in the Calculation statement.

See also:

- Early stage investor tax incentives

Transitional CGT relief for transfer balance cap and TRIS reforms

Transitional CGT relief is available for SMSFs to provide temporary relief from certain capital gains that might result from individuals complying with the transfer balance cap, and Transition-to-Retirement Income Stream (TRIS) reforms, which commenced on 1 July 2017. It applies to certain CGT assets held by a complying SMSF at all times between the start of 9 November 2016, to 'just before' 1 July 2017.

CGT relief is not automatic. It must be chosen by a trustee for a CGT asset. If CGT relief is chosen, the trustee will need to advise the ATO in the CGT schedule on, or before, the day they are required to lodge their fund's 2016-17 income tax return. The decision is irrevocable.

For more information, see Transitional CGT relief.

Lodgment, assessment and payment

Lodgment

An SMSF must lodge an SMSF annual return, even if it does not have a tax liability for the income year.

You can lodge the SMSF annual return either:

- electronically, or
- on the paper form *Self-managed super fund annual return 2017* (NAT 71226).

The audit of your SMSF must be finished before you lodge the SMSF annual return, as you need information from the audit report to complete the regulatory information on the SMSF annual return.

Lodging electronically

To lodge electronically you need software that supports electronic lodgment by either:

- standard business reporting (SBR)
- electronic lodgment service (ELS, tax agents only).

For more information, see:

- Standard business reporting
- Electronic lodgment service.

You cannot lodge electronically if the SMSF has:

- no assets or liabilities (unless it has been wound up during the year) or
- no assessable income and it claims deductions for expenses such as tax-agent fees or the SMSF supervisory levy.

You must lodge a paper return if these circumstances apply to your SMSF.

Lodging using the paper form

You can lodge a paper SMSF annual return that:

- you have downloaded and printed (from Self-managed superannuation funds annual return 2017) or
- we have sent to you.

To lodge a paper SMSF annual return, post it to:

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

The address must appear exactly as shown above. Do not use a city name or postcode. We have a special agreement with Australia Post. You have not lodged your paper SMSF annual return if it is sent to another address (even if it is the address of an ATO office).

You may photocopy the annual return for the SMSF’s records but you must send us the original.

Electronic lodgment not available for some SMSFs

You must lodge a paper SMSF annual return in the following situations:

1. The SMSF has both non-arm's length income and an arm's length loss. Note that arm's length income, deductions and losses must be kept separate from non-arm's length income, deductions and losses.
2. The SMSF has:
   - no assessable income, and
   - a type of deduction that can be claimed even where there is no assessable income (see 'Losses' in Self-managed super funds and tax exemptions on pension assets).

Note that the resulting tax loss must be reduced by the SMSF's tax exempt current pension income before it can be carried forward to a future income year (see 'Losses' in Self-managed super funds and tax exemptions on pension assets).

Lodging schedules

The following are the only schedules that you may include with the SMSF annual return, if required:

- Capital gains tax (CGT) schedule 2017
- Family trust election, revocation or variation 2017
- Interposed entity election or revocation 2017
- Losses schedule 2017
- Non-individual PAYG payment summary schedule 2017

and any elections required by Taxation Ruling IT 2624 – Income tax: company self-assessment, elections and other notifications, additional (penalty) tax, false or misleading statement.

SMSF annual returns lodged without all the required schedules are not lodged in the approved form. Unless your SMSF annual return and all required schedules are lodged by the due date, we may apply a penalty for failing to lodge on time.

You may have to complete other schedules or documents which you are not required to lodge with your SMSF annual return. Do not send them with the SMSF annual return. Sign and date any schedules and keep the schedules and documents with the SMSF’s tax records.

Lodgment due dates

The SMSF annual return for a particular income year is due in the following income year. For example, the SMSF annual return 2017 (for 2016–17) is due in 2017–18.

Not all SMSFs have the same lodgment due date. Check the table below for a due date that applies to your SMSF. Regardless of the dates in the list below, you must lodge by a different date if we have directed you to. You should familiarise yourself with your SMSF's lodgment obligations.

Self-preparers

An SMSF that prepares and lodges its own annual return must lodge by the applicable date shown in the table below. If more than one date applies to the SMSF, it must lodge by the earliest date that applies to it.

Dates and types of lodgment for self-preparers

Date	Types of lodgment
31 October 2017	• New registrant SMSF. Payment, if required, is due on 1 December 2017. • SMSF with one or more annual returns overdue on 30 June 2017 (unless they have been granted a deferral). Payment, if required, is due 1 December 2017.
15 January 2018	SMSF that was a taxable large or medium entity in 2016–17. Payment is due 1 December 2017. See Due dates for the current financial year.
28 February 2018	All other self-preparing SMSFs (unless we have directed you to lodge on a different date). Payment, if required, is also due on the lodgment date.

Failure to lodge your SMSF annual return by the due date can result in penalties and the loss of your SMSF’s tax concessions.

Tax agent clients

An SMSF that uses a registered tax agent to prepare and lodge its annual return should contact its tax agent to find out the due date for lodgment.

Amending an SMSF annual return

To amend your SMSF annual return you need to:

- resubmit the whole return, and
- answer 'yes' to the question Is this an amendment to the SMSF's 2017 return? at question 5 in section A.

When submitting an amendment, you must complete the new form in full (not just the parts you want to change). Your amended form will replace the original form in our system.

You can lodge amendments to the 2017 SMSF annual return by:

- providing a full SMSF annual return through Online services for business
- lodging electronically using commercial software that supports either Standard business reporting or Electronic lodgment service (tax agents only)
- providing a full SMSF annual return through Online services for agents (tax agents only)
- sending the paper form Self-managed super fund annual return 2017 (NAT 71226) to

  Australian Taxation Office
  GPO Box 9845
  IN YOUR CAPITAL CITY

The address must appear exactly as shown above. Do not use a city name or postcode. We have a special agreement with Australia Post. You have not lodged your amended paper SMSF annual return if it is sent to another address (even if it is the address of an ATO office).

You cannot request amendments to an SMSF annual return by:

- writing to us with the correct details, or
- using a *Request for an amendment of an income tax return* form.

Assessment

Under full self-assessment, an SMSF completes and lodges its annual return and pays the amount it is required to pay (if any) to the ATO. An assessment of an SMSF is deemed to be made on the day on which the annual return is lodged.

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

For more information, see Dispute or object to an ATO decision.

You can request a ruling or SMSF specific advice to clarify the way the law applies to your SMSF. For more information, see:

- Applying for a private ruling
- How to apply for SMSF specific advice.

Payment

Your payment needs to reach us on or before its due date, whether the payment is made in Australia or from overseas.

Payment methods

Our preferred payment methods are:

- BPAY®
- Credit card

For more payment options, see How to pay.

It is important that you provide the correct PRN when making your payment.

A PRN is your payment reference number. You need to quote your PRN when making a payment. If you are unable to locate your PRN, you can:

- phone us on 1800 815 886, 8.00am-6.00pm, Monday to Friday
- email us at payment@ato.gov.au

What if your SMSF cannot pay its tax debt by the due date?

If you cannot pay the debt on time phone 13 28 66 and ask for account management.

You are expected to organise the SMSF's affairs to ensure that you pay the debt on time. However, depending on the circumstances you may be able to enter into an arrangement to pay by instalments.

You may need to provide details of the SMSF's financial position, including a statement of its assets and liabilities and details of the SMSF's income and expenditure. We will also want to know what steps you have taken to obtain funds to pay the tax debt and the steps you are taking to meet future payments of tax debts on time.

General interest charge (GIC) is an interest charge imposed where there is a late payment of a tax debt. The GIC rate is the 90-day Bank Accepted Bill rate plus 7% and is updated on a quarterly basis. Amounts payable under the original assessment are due on the statutory due date for payment, which is the first day of the sixth month of the following income year or by such later date as the Commissioner allows. For SMSFs the balancing date is 30 June 2017 and the statutory due date for payment is 1 December 2017; however, for many SMSFs a later payment due date will apply. GIC will begin to accrue from the due date for payment until the amount is paid in full. GIC compounds daily and is calculated on any outstanding balance.

For more information on the GIC, phone 13 28 66.

Penalties and interest charges

You should take care in your application of the law and the statements you make in the SMSF annual return. The law imposes penalties on the trustees of SMSFs for:

- failing to lodge the annual return on time and in the approved form
- making a false or misleading statement even if there is no shortfall amount
- having a shortfall amount for underreporting a liability or over-claiming a credit that is caused by taking a position that is not reasonably arguable
- failing to provide an annual return from which the Commissioner can determine a liability
- entering into a scheme to obtain a tax benefit.

Knowingly answering a question incorrectly will result in a higher penalty than answering carelessly. SMSF trustees have ultimate responsibility for the SMSF, regardless of whether or not the trustees use professional services such as administration providers, tax agents or other financial advisers.

Penalties for false or misleading statements will not apply, if:

- the trustee of the SMSF and their agent (if applicable) made a mistake and they took reasonable care with making the statement, or
- the trustee of the SMSF gave their registered tax agent all relevant taxation information and the agent makes a false or misleading statement due to a lack of reasonable care by the agent.

The trustee of an SMSF is liable for GIC if:

- tax, penalties or shortfall interest charges (SIC) remain unpaid after the due date for payment, or
- a variation of a pay as you go (PAYG) instalment rate or amount is less than 85% of the rate or amount which would have covered the SMSF's actual liability for the year.

The trustee of an SMSF is liable for the SIC if the SMSF's income tax assessment is amended and its liability increased. Generally, the SIC accrues on the extra tax payable from the due date of the original assessment until the day before the assessment is amended.

For general information about SMSF penalties, see How we deal with non-compliance.

Privacy

The ATO is authorised to ask for information on the *Self-managed superannuation funds annual return 2017* by the *Taxation Administration Act 1953*, the *Superannuation Industry (Supervision) Act 1993*, the *Income Tax Assessment Act 1936* (ITAA 1936) and the *Income Tax Assessment Act 1997* (ITAA 1997). We use this information to help us administer the superannuation and taxation laws and for statistical purposes. If you do not provide this information, there may be a delay in processing your annual return.

Where authorised by law to do so, we may give the information in the annual return to other government agencies, including assistance agencies such as Services Australia, regulatory bodies such as the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority, law enforcement agencies and the Australian Bureau of Statistics.

We are able to request tax file numbers (TFNs). We use TFNs to identify the SMSF and members in our records. It is not an offence not to provide a TFN. However, if you do not provide a TFN, there may be a delay in processing your annual return.

If you are the person authorised to sign the annual return, we collect some personal information about you on the annual return such as your name and contact details. That information allows us to contact you if we require more information on what you have provided on this annual return.

We also provide taxpayer information to treaty partners overseas under international tax agreements with many other countries.

Our privacy policy is at Your privacy. The policy contains important information about your privacy, including information about how you can access and seek correction of information we hold about you, how you may complain about a breach of the Australian Privacy Principles and how we will deal with any privacy complaint.

You can contact us, if you have any questions, at Enquire or complain about a suspected breach of the Australian Privacy Principles or 13 28 61 or GPO Box 9990 in the capital city of your state or territory.

The Australian Business Register's privacy policy

The Australian Business Register (ABR) is authorised by the *A New Tax System (Australian Business Number) Act 1999* and other taxation laws to collect certain information relating to your SMSF. Business details supplied on your annual return may be used to update the information held in the ABR in relation to your SMSF. This may include cancelling the ABN if your SMSF is no longer entitled to be registered in the ABR.

Where authorised by law, selected information in the ABR may be made publicly available and some may be passed on to other Commonwealth, state, territory and local government agencies. These agencies may use ABR information for purposes authorised by their legislation or for carrying out other functions of their agency. Examples of possible uses include registration, reporting, compliance, validation and updating of databases.

You can find details of agencies that regularly receive information from the ABR or you can phone us on 13 92 26 between 8.00am and 6.00pm Monday to Friday to have a list of the agencies sent to you.

For more information about privacy, the information we collect and how it may be used, see the ABR Privacy statement.

Section A: Fund information (items 1 to 10)

You must answer every question in Section A.

In this section, you provide general information about the SMSF and its current status:

- 1 Tax file number (TFN)
- 2 Name of self-managed superannuation fund (SMSF)
- 3 Australian business number (ABN)
- 4 Current postal address
- 5 Annual return status
- 6 SMSF auditor
- 7 Electronic funds transfer (EFT)
- 8 Status of SMSF
- 9 Was the fund wound up during the income year?

- 10 Exempt current pension income.

1 Tax file number (TFN)

Write the TFN of the SMSF in the boxes at item 1. Write it also in the boxes at the top of pages 3, 5 and 7.

We are authorised by the *Taxation Administration Act 1953* to request the SMSF's TFN. We will use it to identify the SMSF in our records. It is not an offence not to provide this TFN. However, if you do not provide the TFN, there may be a delay in processing the SMSF's annual return. For more information about privacy and TFNs, see Your privacy.

2 Name of self-managed superannuation fund (SMSF)

Print the current name of the SMSF exactly as it appears on the SMSF's trust deed or equivalent document.

The name of the SMSF should be the same as in past years unless the SMSF has changed its name. If the name of the SMSF is legally changed, you must advise us of the change by updating it at the Australian Business Register or by completing a *Change of details for superannuation entities* (see Notify us of changes).

3 Australian business number (ABN)

Write the ABN of the SMSF in the boxes provided.

If the SMSF does not have an ABN, leave the boxes blank. We recommend that you apply for an ABN at the Australian Business Register.

The ABN is a unique business identifier used in dealings with the Australian Government. It is also available to state, territory and local government regulatory bodies. Identification for tax law purposes is only one of the uses of the ABN. For more information about privacy and ABNs, see the ABR Privacy statement.

4 Current postal address

Print the current postal address of the SMSF.

We will send correspondence to that address.

Abbreviate 'care of' to 'C/-' only.

5 Annual return status

A Is this an amendment to the SMSF's 2017 annual return?

No	Print X in the No box
Yes	Print X in the Yes box.

If you are lodging an amended annual return, you must complete and lodge the entire annual return. Do not lodge only the changed information. See Amending an SMSF annual return.

B Is this the first required return for a newly registered SMSF?

No	Print X in the No box.
Yes	Print X in the Yes box.

If you are lodging, or amending, an SMSF's first annual return, you must complete N Supervisory levy adjustment for new funds in Section D: Income tax calculation statement.

6 SMSF auditor

SMSFs must be audited every income year. The auditor must be registered as an SMSF auditor with the Australian Securities and Investments Commission (ASIC). Check that your auditor is registered.

Your auditor must provide you with a completed and signed Self-managed superannuation fund independent auditor's report before you can lodge this annual return. The details that you need to complete this question are available from that report.

Auditor's name

Print X in the appropriate box for the title of the auditor, or print a different title in the Other box.

Print, in the boxes provided, the auditor's:

- family name and given names
- SMSF auditor number (SAN)
- full 10-digit phone number
- full postal address.

A Date audit was completed

Write at A the date the audit was completed.

B Was Part B of the audit report qualified?

SMSF trustees may be penalised for making a false or misleading statement.

Has the auditor qualified Part B: Compliance report of the SMSF independent auditor's report?

No	Print X in the No box. Go to 7 Electronic funds transfer (EFT).
Yes	Print X in the Yes box.

Answer 'no' if:

- the audit report was not qualified or
- the only reason the auditor qualified the report was that they were unable to ascertain or confirm the information provided to them (for example, opening account balances).

Answer 'yes' if the audit report was qualified when the SMSF's annual return was lodged, unless the audit report was only qualified because the auditor was unable to ascertain or confirm the information provided.

C If the audit report was qualified, have the reported compliance issues been rectified?

No	Print X in the No box.
Yes	Print X in the Yes box.

7 Electronic funds transfer (EFT)

Provide the SMSF's bank account details at this question, even if you have given them to us previously.

It’s faster and simpler to have refunds and super payments paid directly to the SMSF’s financial institution. If you do not provide us with bank account details, we will process refunds and super payments manually, and these may take longer to be paid to your SMSF.

Providing a trustee's personal account details, instead of the SMSF's bank account details, may result in improper early access to super benefits. This is illegal. If a benefit is unlawfully released, we may apply significant penalties to the SMSF and the recipient of the benefits.

A Financial institution details for super payments and tax refunds

Write at A the details of the SMSF’s account with a financial institution. We will make super payments to this account. We will also pay tax refunds to this account if you do not complete B below.

Complete the following:

- Print the SMSF's bank state branch (BSB) number. Do not include spaces, dashes or hyphens in the number.
- Print the SMSF's account number. You cannot use an account number with more than nine characters. Do not include spaces in the account number.
- Print the SMSF's account name, as shown on the account records.
    - Do not write the account type, for example, cheque.
    - Include spaces between each word and between initials in the account name.

- The account name must not exceed 32 characters, including spaces. To keep within the 32 character limit, you may abbreviate the full name of the SMSF (for example, by using ‘ATF’ instead of ‘as trustee for’ or 'Super Fund' or ‘SF’ instead of ‘Superannuation Fund’). If the SMSF's bank (or similar financial institution) account name has more than 32 characters, provide the first 32 characters only.

Do not insert a tax agent's financial institution account details at A. The details at A must be for a financial institution account that belongs to the SMSF. Complete B if you want tax refunds to go to a different account.

We will not use the details at A if they are for a tax agent's bank account.

B Financial institution details for tax refunds only

Do you want to use the same bank account for both super payments and tax refunds?

No	Write at B the details of the bank account to which we will pay tax refunds.
Yes	Leave B blank. We will pay both super payments and tax refunds to the account described at A provided it is NOT a tax agent account.

A tax agent's financial institution details can only be added into B. Do not add tax agent financial institution details into A.

C Electronic service address alias

SMSFs that receive employer contributions (other than from an employer that is a related-party) are required to have an electronic service address (ESA) obtained from a registered service provider to enable electronic remittances to be sent when employers make super contribution payments. The ESA will also be used by us to inform you of any super payments made to the SMSF by us.

If you have an ESA you should include it at this question.

Write at C your electronic service address alias. We will use it to send electronic remittances of ATO super payments that we make to your SMSF.

An ESA is not an email address. Nor is it the contact details of the SMSF messaging provider.

If your SMSF does not have an ESA, we will send you a manual remittance about any super payments that we make to your SMSF.

For more information about getting an electronic service address, see SMSF messaging providers.

For more information about ESAs and preparing your SMSF for the SuperStream standard for contributions, see SMSFs – the SuperStream standard for contributions.

8 Status of SMSF

A Australian superannuation fund

Is the SMSF an 'Australian superannuation fund'?

No	Print X in the No box
Yes	Print X in the Yes box.

For the definition of 'Australian superannuation fund', see Australian super fund.

If the SMSF does not meet the definition of Australian super fund at all times during the income year, the SMSF is not a complying SMSF and it will not receive the concessional rate of tax.

If you are the trustee of an SMSF and you are planning on going overseas, we suggest that you consider whether your SMSF will still be an Australian super fund.

B Fund benefit structure

Print at B the code from table 1 below that best describes the benefit structure of the SMSF. Most SMSFs will use code A.

Table 1: SMSF benefit structures

Code	Definition of SMSF benefit structure

A	An SMSF is an accumulation fund if the SMSF provides its members with a benefit which is the total of:
	• specifically defined contributions to the SMSF
	• *plus*
	  ◦ earnings on those contributions
	• *minus*
	  ◦ any costs attributed to the member.
	
	An SMSF of this type must use code A, even if the SMSF or any of its accounts is supporting a super income stream benefit.

D	An SMSF is a defined benefit fund if the SMSF: • was paying a 'defined benefit pension' to a member before 12 May 2004, and • pays its members a benefit worked out from a formula that includes ◦ the years of membership in the SMSF, and

	◦ the average salary level over a specific time.
E	An SMSF is a hybrid fund if it has a combination of both accumulation and defined benefit members.

C Does the fund trust deed allow acceptance of the Government's Super Co-contribution and Low Income Super Contribution?

Does the fund trust deed allow the SMSF to accept the Government's super co-contribution and low income super contribution for all eligible members?

No	Print X in the No box
Yes	Print X in the Yes box.

9 Was the fund wound up during the income year?

No	Print X in the No box. Go to 10.
Yes	Print X in the Yes box. Write the date on which the SMSF was wound up in the boxes provided. That date must be a date from 1 July 2016 to 30 June 2017.

Have all tax lodgment and payment obligations been met?

- For an SMSF that was wound up during 2016–17, have the trustees:
- paid all outstanding debts
- paid out or transferred all member benefits
- lodged all previous years' annual returns?

No	Print X in the No box.
Yes	Print X in the Yes box.

For an SMSF that was wound up during 2016–17, you must complete M Supervisory levy adjustment for wound up funds at Section D

For information about your obligations when winding up an SMSF, see Winding up.

10 Exempt current pension income

If the SMSF paid a super income stream (or super pension) to one or more members during 2016–17, some, or all, of its ordinary income and statutory income may be exempt from income tax under the exempt current pension income rules.

This exempt income is called 'exempt current pension income' or ECPI.

For more information, see:

- Self-managed super funds and tax exemptions on pension assets
- Subdivision 295-F of the *Income Tax Assessment Act 1997*.

Did the fund pay an income stream (or super pension) to one or more members during 2016–17?

No	Print X in the No box. Go to Section B.
Yes	Print X in the Yes box. Complete the remaining questions below.

Exempt current pension income amount

There are two methods you can use to work out the SMSF's exempt current pension income (ECPI):

- segregated assets method
- unsegregated assets method.

Calculate the SMSF's ECPI and write it at A.

If you complete Section B, the amount that you write at 10A in Section A must be the same as the amount that you write at Y Exempt current pension income in Section B.

For more information, see Self-managed super funds and tax exemptions on pension assets.

Which method did you use to calculate your exempt current pension income?

Print X in the appropriate box or boxes (B, C or both B and C) to indicate which method or methods you used to calculate the SMSF's ECPI.

Segregated assets method	Print X in box B.
Unsegregated assets method	Print X in box C. Print X in the Yes box at D if you obtained an actuarial certificate that certifies the proportion of income that is exempt from income tax.
Both the segregated assets method and the unsegregated assets method	Print X in both box B and C. Print X in the Yes box at D if you obtained an actuarial certificate that certifies the proportion of income that is exempt from income tax.

Did the fund have any other income that was assessable?

Yes	Print X in the Yes box. Go to Section B: Income.
No	The SMSF did not receive any no-TFN-quoted contributions or have other assessable income for the income year. Print X in the No box. Go to Section C: Deductions and non-deductible expenses.

Section B: Income (item 11)

Section B is where an SMSF records all assessable income earned during the 2016–17 income year.

Before completing this section you should read the following:

- Do you need to complete Section B?
- Answering questions in Section B
- Goods and services tax (GST)
- Foreign currency translation rules
- Taxation of financial arrangements (TOFA)
- Family trust distributions tax (FTDT) and Trustee beneficiary non-disclosure tax (TBNT)
- Non-arm's-length income

Do you need to complete Section B?

Most SMSFs need to complete Section B. However, you do not complete Section B if all the SMSF's income in 2016–17 is exempt from income tax under the exempt current pension income rules.

Do not assume that the SMSF has no assessable income (and that you do not need to complete Section B) just because all its members received an income stream (pension) in 2016–17. Situations where an SMSF has assessable income even though it pays an income stream to all its members include:

- the SMSF is non-complying
- the SMSF has non-arm's-length income
- the SMSF received assessable contributions
- the SMSF paid less than the minimum annual pension payment amount to one or more members (see Income stream (pension))
- the SMSF is not paying an income stream (pension) to all members for the entire income year
- the value of the SMSF's assets exceeds the total of the account balances supporting the income streams (for example, an SMSF may keep assets in a reserve account, separate from the members’ accounts, to be prepared for certain contingencies).

Whether or not you need to complete Section B, remember to complete Section C: Deductions and non-deductible expenses where you include expenses that relate to the SMSF's tax-exempt income. Expenses, that are normally deductible, are generally non-deductible when they relate to tax-exempt income.

Answering questions in Section B

Complete Section B for all assessable income the SMSF earned during 2016–17, whether the SMSF received it or not.

Work through each question in this section and:

- write the relevant amount if the question applies to your SMSF
- write 0 (zero) at the mandatory question R3 No-TFN-quoted contributions if it does not apply to your SMSF
- leave the answer box blank for other questions that do not apply to your SMSF.

Answer the questions in their sequence.

- Some questions rely on information you have already entered in previous questions.
- You will need to go through the questions in the left-hand column (D1, R1 to R6, U1 to U3) before you can complete three questions in the right-hand column (D, R, U).

Do not show cents for any amount you write in this section.

Goods and services tax (GST)

If the SMSF is registered, or required to be registered, for GST purposes, do not include GST amounts in the assessable income you show on the annual return. In the deductions you show, do not include any amount that relates to *input tax credit* entitlements.

If the SMSF is not registered and not required to be registered for GST purposes, or if it is not entitled to an *input tax credit*, the deductions you show are the GST-inclusive amounts that the SMSF incurred. Special rules apply to GST adjustments. To register for GST, apply at the Australian Business Register.

Foreign currency translation rules

If the SMSF has entered into transactions in a foreign currency or derived income in a foreign currency, you need to translate those amounts to Australian currency to calculate the assessable or deductible amount.

For more information, see:

- Foreign exchange (forex): the general translation rule
- Foreign exchange (forex): general information on average rates.

Taxation of financial arrangements (TOFA)

If the TOFA rules apply to the SMSF, include assessable income from financial arrangements subject to the TOFA rules at the appropriate question. Complete Section I: Taxation of financial arrangements if you include an amount determined under the TOFA rules.

For more information, see Section I: Taxation of financial arrangements.

Family trust distribution tax (FTDT) and Trustee beneficiary non-disclosure tax (TBNT)

Do not include at any question in Section B any part of a distribution:

- received from a trust or partnership on which family trust distribution tax (FTDT) has been paid (do not show this anywhere in the annual return) or
- received (directly or indirectly) from a closely held trust on which trustee beneficiary non-disclosure tax (TBNT) has been paid (do not show this anywhere in the annual return).

Losses and outgoings that the SMSF incurred in deriving an amount that is excluded from assessable income because FTDT or TBNT has been paid are not deductible (report them as non-deductible expenses).

The SMSF cannot claim a franking credits tax offset for any franking credits attributable to the whole or a part of a dividend that is excluded from assessable income because FTDT or TBNT has been paid.

Non-arm's-length income

The factors that you need to consider when deciding whether a transaction is at arm's length or non-arm's-length depend on whether the income is:

- private company dividends
- distribution from a trust
- another type of income.

These factors are discussed in the following sections.

Complying SMSFs do not include non-arm's-length income at A to T in Section B. Instead they include it at:

- U1 Net non-arm's-length private company dividends
- U2 Net non-arm's-length trust distributions or
- U3 Net other non-arm's-length income.

For example, non-arm's-length unfranked dividends are included at U1 Net non-arm's-length private company dividends instead of at J Unfranked dividend amount.

Non-complying SMSFs do not need to separate their non-arm's-length income from their arm's-length income. They include both arm's-length and non-arm's-length income at A to T.

Private company dividends that are non-arm's-length income

A dividend paid by a private company, or ordinary income or statutory income reasonably attributable to such a dividend, is non-arm's-length income unless the amount is consistent with an arm's length dealing.

To decide whether the amount is consistent with an arm's length dealing, consider any connection between the private company and the SMSF, as well as any other relevant circumstances such as:

- the value of the shares held by the SMSF in the company
- the cost to the SMSF of the shares on which the dividends were paid
- the dividend rate on those shares
- whether dividends have been paid on other shares in the company (and at what rate)
- whether the company has issued shares in lieu of dividends to the SMSF and the circumstances of the issue.

If the SMSF received non-arm's-length private company dividends, include it at:

- U1 Net non-arm's-length private company dividends if the SMSF is complying
- the appropriate question A to T (as if it were arm's length income) if the SMSF is non-complying.

For more information about determining whether income is non-arm's-length income, see:

- Non-arm's-length income
- Taxation Ruling TR 2006/7 – *Income tax: special income derived by a complying superannuation fund, a complying approved deposit fund or a pooled superannuation trust in relation to the year of income*
- Section 295-550 of the *Income Tax Assessment Act 1997*.

Trust distributions that are non-arm's-length income

A distribution from a trust is non-arm's-length income of a complying SMSF if:

- the SMSF does not have a fixed entitlement to income from the trust (generally discretionary trusts) (see subsection 295-550(4) of the ITAA 1997), or
- all of the following apply:
  - the SMSF has a fixed entitlement to income from the trust
  - the SMSF acquired the entitlement, or the share of net income was derived, under a scheme where the parties were not dealing with each other at arm's length
  - the SMSF's share of the net income is more than it would have been had the parties been dealing with each other at arm's length (see subsection 295-550(5) of the ITAA 1997).

If the SMSF received non-arm's-length trust distributions, include it at:

- U2 Net non-arm's-length trust distributions if the SMSF is complying
- M Gross trust distributions (as if it were arm's length income) if the SMSF is non-complying.

For more information, see:

- Non-arm's-length income
- Taxation Ruling TR 2006/7 – *Income tax: special income derived by a*

complying superannuation fund, a complying approved *deposit fund or a pooled superannuation trust in relation to the year of income*.

Legislation

Section 295-550 of the *Income Tax Assessment Act 1997*.

Identifying other types of income that are non-arm's-length

Other types of income (that is, income that is not a private company dividend or distribution from a trust) are non-arm's-length income if:

- the parties to a scheme are not dealing with each other at arm's length, and
- the income derived from the scheme is greater than might have been expected had the parties been dealing with each other at arm's length.

Whether income is non-arm's-length income depends on all of the circumstances of the relationship including the return on the investment and the commercial risks undertaken by the SMSF. Other non-arm's-length income may include, for example:

- interest on loans
- rent from property
- profit on the sale of assets
- net capital gains.

If the SMSF received non-arm's-length income that is not a private company dividend or a trust distribution, include it at:

- U3 Net other non-arm's-length income if the SMSF is complying
- the appropriate question A to T (as if it were arm's length income) if the SMSF is non-complying.

For more information, see:

- Non-arm's-length income
- Taxation Ruling TR 2006/7 – *Income tax: special income derived by a complying superannuation fund, a complying* approved *deposit fund or a pooled superannuation trust in relation to the year of income*.

Legislation

Section 295-550 of the *Income Tax Assessment Act 1997*

G, M and A Capital gains tax questions

This section covers:

- Transitional CGT relief for transfer balance cap and TRIS reforms
- G Did you have a capital gains tax (CGT) event during the year?
- M Have you applied an exemption or rollover?
- A Net capital gain.

For most CGT events a capital gain or capital loss is the difference between what it cost the SMSF to acquire an asset and what the SMSF received when it disposed of the asset.

An SMSF's net capital gain forms part of its assessable income.

Generally, an SMSF can disregard any capital gain or capital loss it makes on an asset it acquired before 20 September 1985 (pre-CGT). A capital gain or capital loss that a complying SMSF makes from a CGT event for a segregated current pension asset is also disregarded.

If the SMSF makes a capital loss, the SMSF cannot claim it against income but can use it to reduce a capital gain in the same income year. If total capital losses exceed total capital gains for the income year, the SMSF has a net capital loss. The SMSF can generally carry the net capital loss forward and deduct it against capital gains in future income years. Net capital losses are applied in the order in which they are made.

All SMSFs that have one or more CGT events during the income year must complete a Capital gains tax (CGT) schedule and attach it to the annual return if:

- the total current year capital gains are greater than $10,000
- the total current year capital losses are greater than $10,000, or
- transitional CGT relief is applied.

If you have current year capital losses, you may also need to complete a Losses schedule 2017.

You can calculate the SMSF's net capital gain or loss using the:

- CGT capital gain or loss worksheet or
- CGT schedule (if required).

Transitional CGT relief for transfer balance cap and TRIS reforms

SMSFs can use transitional CGT relief for temporary relief from certain capital gains that result from:

- individuals complying with the transfer balance cap rules, or
- Transition-to-Retirement Income Stream (TRIS) reforms.

The transfer balance cap rules and TRIS reforms commenced on 1 July 2017.

The transitional CGT relief applies to certain CGT assets held by a complying SMSF at all times from 9 November 2016 to 30 June 2017.

CGT relief is not automatic. If you want to apply the relief to your SMSF:

- you must do so on the 2017 CGT schedule
- we must receive the 2017 CGT schedule on or before the day your SMSF is required to lodge its 2017 SMSF annual return.

Your choice to apply CGT relief is irrevocable.

For more information about eligibility rules and calculation of relief, see:

- Transitional CGT relief
- LCR 2016/8 *Superannuation reform: transfer balance cap and transition-to-retirement reforms: transitional CGT relief for superannuation funds*

Do I need to report transitional CGT relief in the SMSF annual return?

If you choose to apply transitional CGT relief to an asset, this creates a deemed 2016–17 CGT event. You:

- must answer 'Yes' at G Did you have a capital gains tax (CGT) event during the year? (Section B)
- must indicate on the 2017 CGT Schedule that you are choosing to apply CGT relief
- may need to include the amount of the resulting capital gain or loss on both the 2017 SMSF annual return and the 2017 CGT schedule.

The need for you to report this depends on whether:

- the SMSF applied the segregated or unsegregated (proportionate) method in relation to the asset when calculating exempt current pension income (ECPI)
- the deemed CGT event resulted in a capital gain or loss, and
- you choose to defer a capital gain.

If the asset was a segregated current pension asset, do not include the amount of the resulting capital gain or loss in the 2017 SMSF annual return. We disregard the capital gain or loss in this case.

If the asset was an unsegregated pension asset and the deemed CGT event resulted in a capital gain, choose to either:

- include the amount of that capital gain in the 2017 SMSF annual return, or
- defer the capital gain until the asset is disposed of in a later income year.

If you choose to defer the capital gain:

- do not report the amount of the gain on the 2017 SMSF annual return
- report the amount on the 2017 CGT schedule.

If the asset was an unsegregated pension asset and the deemed CGT event resulted in a capital loss:

- you cannot defer the capital loss, and
- you must report the amount of the loss on the 2017 SMSF annual return.

How to report a capital gain or loss in the SMSF annual return

If you are required to report a capital gain or loss from the deemed CGT event in the 2017 SMSF annual return, you must report it according to general CGT event rules. For information about reporting a capital gain or loss in the SMSF annual return, see the instructions for the following:

- G Did you have a capital gains tax (CGT) event during the year? (Section B)
- A Net capital gain (Section B)

- Y Exempt current pension income (Section B)
- V Net capital losses carried forward to later income years (Section E).

For information about reporting a capital gain from an unsegregated current pension asset on the SMSF annual return, refer to Self-managed super funds and tax exemptions on pension assets.

Example: Transitional CGT relief applied to an unsegregated current pension asset and capital gain not deferred

SMSF T used the proportionate method to calculate ECPI throughout 2016–17.

SMSF T is eligible for CGT relief and the asset meets the criteria for the relief (for more information about eligibility, see LCR 2016/8 *Superannuation reform: transfer balance cap and transition-to-retirement reforms: transitional CGT relief for superannuation funds*).

SMSF T held a commercial property valued at $500,000 on 30 June 2017. It acquired the property for $470,000 in 2011. Its capital gain from the deemed sale, using the discount method, (see Calculation methods) is $20,000.

SMSF T chose to apply transitional CGT relief to the asset, but not to defer the capital gain.

SMSF T had no other capital gains or losses in 2016–17.

As a result of actuarial calculations, it was determined that 75% of SMSF T's income was exempt current pension income (ECPI) for 2016–17. Therefore, of the $20,000 capital gain, $15,000 is exempt.

In Section B of the 2017 SMSF annual return, *SMSF T* reports:

G Did you have a capital gains tax (CGT) event during the year? Yes

M Have you applied an exemption or rollover? No

A Net capital gain $20,000

Y Exempt current pension income $15,000

Foreign source capital gains

An Australian super fund makes a capital gain or capital loss if a CGT event happens to any of its worldwide CGT assets.

An SMSF that is not an Australian super fund makes a capital gain or capital loss if a CGT event happens to a CGT asset that is a taxable Australian property.

For more information about CGT events, see Capital gains tax.

G Did you have a capital gains tax (CGT) event during the year?

Answer 'yes' if the SMSF:

- had a CGT event occur during the income year
- received a share of net income from a trust that includes a capital gain, or
- is a subsequent participant in a forestry managed investment scheme and had a CGT event as a result of a harvest or a sale of an interest in the forestry managed investment scheme (see Forestry managed investment schemes).

No	Print X in the No box
Yes	Print X in the Yes box.

M Have you applied a CGT exemption or rollover?

Did the SMSF have capital gains disregarded or deferred as a result of applying a CGT exemption or rollover?

No	Print X in the No box
Yes	Print X in the Yes box. In the code box at M, print the appropriate code from table 2.

If the SMSF has applied more than one CGT exemption or rollover and you are using software that allows it, select all of the codes that apply.

If you are lodging on a paper return, print the code that corresponds to the CGT exemption or rollover that resulted in the largest amount of capital gain disregarded or deferred.

If more than one CGT exemption or roll-over applies to the largest amount of capital gain disregarded or deferred, choose the most specific rollover or exemption code that applies. For example, choose the ‘Scrip for scrip rollover (Subdivision 124-M)’ code before the more general rollover ‘Replacement asset rollovers (Division 124)’ code.

Do not report a Transitional CGT relief choice at M. If you have chosen Transitional CGT relief you must report it in the CGT schedule. See Transitional CGT relief for transfer balance cap and TRIS reforms.

Table 2: CGT exemptions and roll-over codes

Code	Description
A	Small business active asset reduction (subdivision 152-C)

B	Small business retirement exemption (Subdivision152-D)
C	Small business roll-over (Subdivision 152-E)
D	Small business 15 year exemption (Subdivision152-B)
E	Foreign resident CGT exemption (Division 855)
F	Scrip for scrip roll-over (Subdivision 124-M)
L	Replacement asset roll-over (Division 124)
M	Exchange of shares or units (Subdivision 124-E)
N	Exchange of rights or options (Subdivision 124-F)
O	Exchange of shares in one company for shares in another company (Division 615)
P	Exchange of units in a unit trust for shares in a company (Division 615)
Q	Disposal of assets by a trust to a company (Subdivision 124-N)
S	Same asset roll-over (Division 126)
X	Other exemptions and rollovers

For more information about CGT exemptions and rollovers, see Capital gains tax.

A Net capital gain

Did the SMSF have a net capital gain?

The SMSF's net capital gain is the total capital gain for 2016–17 less:

- any 2016–17 capital losses
- any prior year net capital losses and
- any other relevant CGT discount or concession.

No	Leave A blank.
Yes	Print at A the SMSF's net capital gain.

Show at A the amount of net capital gain calculated or transferred from:

- 6A at part 6 of the CGT summary worksheet
- A at part 6 of the CGT schedule, if any.

When working out the SMSF's net capital gain, include:

- net foreign source capital gains
- the capital gains component of the SMSF's share of net income from a trust
- the capital gains component of the SMSF's share of a distribution from a partnership
- capital gains made by the SMSF from a forestry managed investment scheme (see Forestry managed investment schemes).

If you include an amount at A that is exempt current pension income, include it also at Y Exempt current pension income.

Non-arm's-length capital gains

A net capital gain from the sale of an asset by the SMSF is non-arm's-length income if, for example, the asset:

- was sold to a related party for more than the asset's market value or
- was originally acquired from a related party for less than the asset's market value.

Complying SMSFs do not include non-arm's-length net capital gains at A. Show these at Non-arm's-length income items U2 or U3.

To calculate the SMSF's net capital gain, see Capital gains tax.

Example: Capital gains tax

In 2016–17, *SMSF A* sold a house for $500,000. It bought the house for $470,000 in 2011. Its capital gain from this sale using the discount method (see Capital gains tax) is $20,000.

SMSF A reports:

G Did you have a capital gains tax (CGT) event during the year? Yes

M Have you applied an exemption or rollover? No

A Net capital gain $20,000

B Gross rent and other leasing and hiring income

Did the SMSF earn income from renting, leasing or hiring of land, buildings or other assets?

No	Leave B blank. Go to C.
Yes	Read on.

Write at B the total income that the SMSF earned from renting, leasing and hiring of land, buildings and other assets. The amount at B should not be reduced by any loss or outgoing related to the income.

If you include an amount at B that is exempt current pension income, include it also at Y Exempt current pension income.

Do not include at B rental, leasing or hiring income that is:

- derived from foreign sources (write it at D1 Gross foreign income)
- part of a distribution from a partnership (write it at I Gross distribution from partnerships)
- included in a share of net income from a trust (write it at M Gross trust distributions)
- non-arm's-length income of a complying SMSF (write it at U3 Net other non-arm's-length income).

Example: Rent, leasing or hiring income

In 2016–17, *SMSF B* rented a house (at arm's length) to a tenant. The tenant paid a total of $15,000 in rent.

SMSF B reports $15,000 at B Gross rent and other leasing and hiring income.

C Gross interest

Did the SMSF earn interest income from an Australian source?

No	Leave C blank. Go to X.
Yes	Read on.

Write at C the total interest income that the SMSF earned in 2016–17. The amount at C should not be reduced by any loss or outgoing related to the income.

Include at C:

- interest earned on money (for example):
  - in a bank (or similar institution) account
  - that the SMSF has lent to another person or organisation

- interest that is paid by us or credited against another SMSF liability because the SMSF paid a tax liability early (see H1 Credit for interest on early payments – amount of interest in Section D).

If you include an amount at C that is exempt current pension income, include it also at Y Exempt current pension income.

Do not include interest income that is:

- derived from foreign sources (write it at D1 Gross foreign income)
- part of a distribution from a partnership (write it at I Gross distribution from partnerships)
- non-share dividends received from holding a non-share equity interest (write it at J Unfranked dividend amount, K Franked dividend amount and L Dividend franking credit as applicable; for more information, see Guide to the debt and equity tests)
- included in a share of net income from a trust (write it at M Gross trust distributions)
- non-arm's-length income of a complying SMSF (write it at U3 Net other non-arm's-length income).

Example: Interest income

In 2016–17, *SMSF C* had $50,000 in a bank term deposit. The bank paid $4,000 interest to *SMSF C*.

SMSF C reports $4,000 at C Gross interest.

X Forestry managed investment scheme income

Did the SMSF earn income from a forestry managed investment scheme (FMIS)?

No	Leave X blank. Go to D1 and D.
Yes	Read on.

Write at X the SMSF's income from all FMISs. The amount at X should not be reduced by any loss or outgoing related to the income.

You can read more about calculating FMIS income at Forestry managed investment schemes.

If you include an amount at X that is exempt current pension income, include it also at Y Exempt current pension income.

Do not include capital gains from an FMIS at X; include these capital gains when working out the SMSF's net capital gain to show at A Net capital gain.

For more information on the CGT treatment of the SMSF’s forestry interests, see Capital gains tax.

If the SMSF is a member of a collapsed agribusiness managed investment scheme, see [Collapse and restructure of agribusiness managed investment schemes – participant information](#).

Example: Forestry managed investment scheme income

In 2016–17, *SMSF X* had an investment with an FMIS. *SMSF X* received a statement from the FMIS. The statement shows that *SMSF X's* share of income from the FMIS during 2016–17 was $10,000.

SMSF X reports:

X Forestry managed investment scheme income in Section B $10,000

Write the SMSF's share of any expenses at U1 or U2 Forestry managed investment scheme expenses in Section C.

D1, D Foreign income questions

Did the SMSF have foreign income or losses in 2016-17?

No	Leave D and D1 blank. Go to E.
Yes	Read on.

The foreign income questions are:

- D1 Gross foreign income
- D Net foreign income.

An Australian super fund is taxed on its worldwide income and must declare all income it earned from foreign sources.

Foreign income of the SMSF may be taxed in the foreign country. If the SMSF has paid foreign income tax it may be entitled to an Australian foreign income tax offset.

For more information, see Foreign income of Australian residents.

D1 Gross foreign income

Write at D1 the SMSF's gross assessable income from foreign sources in 2016–17. The amount at D1 should not be reduced by any loss or outgoing related to the income.

The SMSF's gross assessable foreign income includes income from foreign sources and any foreign tax paid on that income and without reducing it for any expenses related to that income. If the SMSF is unable to report the gross (pre-tax) amount of foreign source income on its share of net income from a trust, it can include the net (after-tax) amount at D1 instead.

Include at D1:

- dividends, supplementary dividends and other dividends from foreign companies (including New Zealand franking companies that provide Australian franking credits)
- interest from foreign sources
- foreign source income included in a share of net income from a trust (do not include this at M Gross trust distributions)
- foreign source income included in a distribution from a partnership (do not include this at I Gross distributions from partnerships)
- attributable income through the controlled foreign company (CFC) regime.

Do not include:

- losses or deductible expenses from a foreign source (include these at D Net foreign income)
- Australian franking credits attached to New Zealand dividends (include these at E Australian franking credits from a New Zealand company)
- foreign exchange gains and losses from both foreign and domestic sources (write gains at S Other income and losses at L1 or L2 Other amounts in Section C)
- foreign source capital gains and losses (net capital gains should be included at A Net capital gain)
- foreign income that is non-arm's-length income of a complying SMSF (include this at Non-arm's-length income items U1, U2, or U3).

D Net foreign income

You must complete D if you write a value at D1.

Write at D the SMSF's net income from foreign sources in 2016–17.

To calculate the SMSF's net foreign income, take the amount at D1 Gross foreign income and subtract:

- foreign source losses incurred in 2016–17 (but not CGT losses) and
- deductible expenses to the extent to which they relate to foreign income.

If the total amount at D is negative, print L in the Loss box to the right of the amount.

If you include an amount at D that is exempt current pension income, include it also at Y Exempt current pension income.

Do not subtract debt deductions in calculating net foreign income at D, except where they are attributable to an overseas permanent establishment of the SMSF. Include the debt deductions at the relevant question in Section C.

Example: Foreign income

In 2016–17, *SMSF D* held shares that were listed on a foreign stock exchange. The SMSF received $20,000 dividends, $5,000 foreign franking credits and has deductible expenses of $200 that relate solely to the dividends.

SMSF D reports:

D1 Gross foreign income $20,000

D Net foreign income $19,800

It does not include the foreign franking credits anywhere on the SMSF annual return.

E Australian franking credits from a New Zealand company

Dividends paid by New Zealand resident companies do not normally carry Australian franking credits. However, a New Zealand company can choose to join the Australian imputation system and distribute Australian franking credits with its dividends. The company may be referred to as a New Zealand franking company.

Did the SMSF receive Australian franking credits attached to a distribution from a New Zealand company?

No	Leave E blank. Go to F.
Yes	Read on.

Write at E the total Australian franking credits, attached to assessable franked distributions from New Zealand companies, that the SMSF received in 2016–17. The amount at E should not be reduced by any loss or outgoing related to the income.

The SMSF must have included the assessable franked distribution at D1 Gross foreign income. To work out whether the distribution is assessable in Australia, see the Foreign income return form guide.

If the SMSF received a supplementary dividend (or a share of it), in connection with the franked dividend, and the SMSF is entitled to a foreign income tax offset because the franked dividend is included in the SMSF's assessable income, you must reduce the Australian franking credits that the SMSF received directly or indirectly from a New Zealand company by the amount of the supplementary dividend (or the SMSF's share of it).

You must also include the Australian franking credits that you include here at E, at either:

- E1 Complying fund’s franking credits tax offset in Section D if the SMSF is a complying fund, or

- C2 Rebates and tax offsets in Section D if the SMSF is a non-complying fund.

The amount at E could include any Australian franking credits attached to assessable franked distributions that the SMSF received from a New Zealand franking company either:

- directly, or
- indirectly through a partnership or trust.

Do not include:

- the dividend from the New Zealand company (include this at D1 Gross foreign income)
- New Zealand imputation credits (you cannot claim New Zealand imputation credits in Australia)
- franking credits attached to a dividend that is non-arm's-length income of a complying SMSF (include these at U1 Net non-arm's-length private company dividends).

For more information, see Trans-Tasman imputation special rules.

Legislation

Subdivision 220-B of the *Income Tax Assessment Act 1997*

Example: Australian franking credits from a New Zealand company

In 2016–17, *SMSF E* owned shares in a New Zealand company that participates in the Australian imputation system. *SMSF E* received $10,000 dividends, $1,000 New Zealand franking credits and $500 Australian franking credits. *SMSF E* is a complying SMSF.

SMSF E reports:

D1 Gross foreign income $10,000

D Net foreign income $10,000

E Australian franking credits from a New Zealand company $500

E1 Complying fund’s franking credits tax offset in Section D $500

It does not include the New Zealand franking credits anywhere on the SMSF annual return.

F Transfers from foreign funds

Did the SMSF receive amounts transferred from foreign super funds?

No	Leave F blank. Go to H.
Yes	Read on.

Write at F the total of the following amounts transferred in 2016–17 from foreign super funds and schemes to a complying SMSF:

- the amount transferred that the member has made a written choice to have included in the SMSF's assessable income (under section 305-80 and subsection 295-200(2) of the ITAA 1997)
- assessable amounts transferred where the transferred amounts were in excess of what was 'vested' in the member at the time of transfer (subsection 295-200(1) of the ITAA 1997).

The amount at F should not be reduced by any loss or outgoing related to the income.

Write in the Number box the number of transfers received from foreign super funds or schemes during 2016–17 that meet the criteria above.

Other transfers from foreign super funds or schemes are not assessable income for the SMSF (although they may be assessable income that needs to be reported in the member's personal income tax return). For more information, see Tax treatment of transfers from foreign super funds.

Transfers from foreign super funds or schemes are not exempt from income tax under the exempt current pension income rules.

Legislation

Sections 295-200 and 305-80 of the *Income Tax Assessment Act 1997*.

Example: Transfers from foreign funds

In 2016–17, *SMSF F* (a complying fund) received $100,000 from a foreign super fund for one of its members, Mei. Mei made a written choice to include $10,000 of the transfer in the SMSF's assessable income. *SMSF F* reports $10,000 at F Transfers from foreign funds and writes 1 in the Number box.

SMSF F does not report the remaining $90,000 at any question in Section B: Income since it is not assessable income for the SMSF (although Mei may need to report it as income on her individual tax return).

SMSF F will need to include the transfer for Mei in Section F or G.

H Gross payments where ABN not quoted

Did the SMSF receive payments from which the payer had withheld an amount because the SMSF had not provided its ABN?

No	Leave H blank. Go to I.
Yes	Read on.

Write at H the gross value of all payments made to the SMSF where payers withheld an amount because the SMSF had not provided its ABN. The amount at H should not be reduced by any loss or outgoing related to the income.

The amount that you write at H must be the gross value, that is, it must include both the amounts paid to the SMSF and the amounts that payers withheld.

The payers must give you a PAYG payment summary (or equivalent information) with their payment or as soon as practical after they make the payment. The PAYG payment summary:

- includes the information that you need to complete at H
- must be kept with your tax records. For more information see Record keeping requirements.

You must also:

- include the corresponding credit for the tax withheld at H3 Credit for tax withheld – where ABN or TFN not quoted (non-individual) in Section D
- complete and attach a Non-individual PAYG payment summary schedule.

If you include an amount at H that is exempt current pension income, include it also at Y Exempt current pension income.

For more information, see:

- PAYG withholding
- Division 18 of Schedule 1 of the *Taxation Administration Act 1953*.

Example: PAYG withheld because ABN not quoted

In 2016–17, *SMSF H* received $5,100 from a company. That company also gave *SMSF H* a PAYG payment summary which stated that the company had withheld $4,900 tax from the payment.

SMSF H reports:

H Gross payments where ABN not quoted in Section B $10,000

H3 Credit for tax withheld – where ABN or TFN not quoted (non-individual) in Section D $4,900

I Gross distribution from partnerships

Did the SMSF receive any gross distributions from partnerships?

No	Leave I blank. Go to J, K, L Dividend amounts and franking credits.
Yes	Read on.

Write at I the total of all gross distributions from partnerships received in 2016–17. If the total amount is a loss, print L in the box to the right of the amount.

A distribution from a partnership can include different types of income. Include all types of income included in the distribution at I except:

- capital gains (include these at A Net capital gain)
- foreign income, including New Zealand franking company dividends and supplementary dividends (include it at D1 Gross foreign income)
- part of a distribution on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid (do not include anywhere in Section B: Income)
- franking credits, if the SMSF is not entitled to a corresponding tax offset (do not include these anywhere in the SMSF annual return)
- the SMSF's share of net income from pooled superannuation trusts (PSTs)
- non-arm's-length income of a complying SMSF (include it at U3 Net other non-arm's-length income).

For example, if a distribution from a partnership includes interest, include this interest income at I rather than at C Gross interest.

If the partnership distributions included franking credits attached to dividends and the SMSF is entitled to a corresponding franking credits tax offset (see Entitlement to a franking credits tax offset), include the amount of the franking credit at I and also at either:

- E1 Complying fund's franking credits tax offset in Section D if the SMSF is a complying fund
- C2 Rebates and tax offsets in Section D if the SMSF is a non-complying fund.

If partnership distributions included amounts subject to foreign resident withholding in Australia, include the SMSF's share of credit for foreign resident withholding at I and also at H2 Credit for tax withheld – foreign resident withholding in Section D.

If you include an amount at I that is exempt current pension income, include it also at Y Exempt current pension income.

Keep a record of the following:

- full name of the partnership
- TFN of the partnership if known
- amount of income.

For more information, see Record keeping requirements.

Example: Distributions from partnerships

SMSF G had a 50% share in a partnership. In 2016–17, the partnership's income was:

$6,000 bank interest
$10,000 franked dividends, and
$5,000 franking credits.

The SMSF's share of this income was:

$3,000 bank interest
$5,000 franked dividends
$2,500 franking credits

The total of the SMSF's share of the partnership income was $10,500.

Assuming *SMSF G* is complying and the income is at arm's length, *SMSF G* reports:

I Gross distributions from partnerships $10,500

E1 Complying fund’s franking credits tax offset in Section D $ 2,500

J, K, L Dividends and franking credits

This section covers:

- J Unfranked dividend amount
- K Franked dividend amount
- L Dividend franking credit.

Was the SMSF paid dividends?

No	Leave J, K and L blank. Go to M.
Yes	Read on.

Dividends and non-share dividends from Australian entities may carry franking credits. We call such dividends franked dividends. Franking credits reflect tax the company has paid.

Dividends and non-share dividends with no franking credits are called unfranked dividends.

An SMSF's assessable income includes:

- unfranked dividends (include these at J Unfranked dividend amount)
- franked dividends (include these at K Franked dividend amount)
- franking credits (include these at L Dividend franking credit if the SMSF is entitled to a corresponding tax offset).

Include non-share dividends at J, K and L in the same way as dividends. For more information about non-share dividends see Guide to the debt and equity tests.

If the SMSF was paid a dividend from a private company, you must establish whether the dividend is non-arm's-length income. If the SMSF is a complying SMSF and it is non-arm's-length income, include the dividend and franking credit at U1 Net non-arm's length private company dividends instead of at J, K or L.

Example: Dividends and franking credits

In 2016–17, *SMSF JKL* owned shares in an Australian publicly listed company. The dividend statement shows that the SMSF received $21,000 dividends and $9,000 Australian franking credits. *SMSF JKL* is a complying SMSF.

SMSF JKL reports:

J Unfranked dividend amount $ 0

K Franked dividend amount $21,000

L Dividend franking credit $9,000

E1 Complying fund’s franking credits tax offset in Section D $9,000

J Unfranked dividend amount

Was the SMSF paid unfranked dividends, including unfranked non-share dividends?

No	Leave J blank. Go to K.
Yes	Read on.

Write at J the total amount of unfranked dividends, and unfranked non-share dividends, that were paid to the SMSF. The amount at J should not be reduced by any loss or outgoing related to the income.

If you include an amount at J that is exempt current pension income, also include it at Y Exempt current pension income. Do not include unfranked dividends:

- that are a share of net income from a trust (include these at M Gross trust distributions)
- that are part of a distribution from a
  - partnership (include these at I Gross distribution from partnerships)
  - pooled development fund (do not include the distribution anywhere in the SMSF's assessable income as it is exempt income but take it into account when calculating M1 Tax losses deducted in Section C)
- from a New Zealand franking company (include these at D1 Gross foreign income)
- on which family trust distribution tax has been paid
- that are non-arm's-length income of a complying SMSF (include these at U1 Net non-arm's length private company dividends).

K Franked dividend amount

Was the SMSF paid franked dividends, including franked non-share dividends?

No	Leave K blank. Go to L.
Yes	Read on.

Write at K the total amount of franked dividends, and franked non-share dividends, that were paid to the SMSF. The amount at K should not be reduced by any loss or outgoing related to the income.

If you include an amount at K that is exempt current pension income, also include it at Y Exempt current pension income.

Do not include:

- franking credits (include these at L Dividend franking credit)
- franked dividends that are a share of net income from a trust (include these at M Gross trust distributions)
- franked dividends that are part of a distribution from a partnership (include these at I Gross distribution from partnerships)
- franked dividends that are part of a distribution from a pooled development fund (unless you have elected to include the franked dividends in the SMSF's assessable income)
- franked dividends from a New Zealand franking company (include these at D1 Gross foreign income)
- franked dividends on which family trust distribution tax has been paid
- franked dividends that are non-arm's-length income of a complying SMSF (include these at U1 Net non-arm's length private company dividends).

L Dividend franking credit

Were franking credits attached to dividends paid to the SMSF for which it is entitled to a franking credits tax offset?

No	Leave L blank. Go to M.
Yes	Read on.

Write at L the total amount of the franking credits:

- attached to franked dividends, and franked non-share dividends, paid to the SMSF in 2016–17, and
- for which the SMSF is entitled to a franking credits tax offset (see Entitlement to a franking credits tax offset).

In addition to including a franking credit at L, you must also include it at either:

- E1 Complying fund's franking credits tax offset in Section D if the SMSF is a complying fund
- C2 Rebates and tax offsets in Section D if the SMSF is a non-complying fund.

If you include an amount at L that is exempt current pension income, also include it at Y Exempt current pension income.

The amount at L should not be reduced by any loss or outgoing related to the income.

Do not include:

- the dividend that the franking credit is attached to (include it at K Franked dividend amount)
- franking credits where the SMSF is not entitled to a franking credits tax offset (do not include these anywhere on the SMSF annual return)
- franking credits that are part of a share of net income from a trust (include these at M Gross trust distributions)
- franking credits that are part of a distribution from a partnership (include these at I Gross distribution from partnerships)
- Australian franking credits from a New Zealand franking company (include these at E Australian franking credits from a New Zealand company)
- franking credits that are part of a distribution from a pooled development fund (unless you have elected to include franked dividends and thus the franking credits in the SMSF's assessable income)
- franking credits on which family trust distribution tax has been paid
- franking credits attached to a dividend that is non-arm's-length income of a complying SMSF (include these at U1 Net non-arm's length private company dividends).

M Gross trust distributions

Did the SMSF receive, or was the SMSF entitled to receive, a share of net income from other trusts?

No	Leave M blank. Go to Calculation of assessable contributions.

Yes	Read on.

Write at M the total share of net income that the SMSF received or was entitled to receive from other trusts. The amount at M cannot be a loss. Complete the code box to the right of M, according to table 3.

A share of net income from a trust can include different types of income. Include at M all types of income that are included in a share of net income from another trust except:

- capital gains (include these at A Net capital gain)
- foreign income, including New Zealand franking company dividends and supplementary dividends (include it at D1 Gross foreign income)
- a share of net income on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid (do not include anywhere in Section B: Income)
- franking credits if the SMSF is not entitled to a corresponding tax offset (do not include these anywhere in the SMSF annual return)
- non-arm's-length income of a complying SMSF (include it at U2 Net non-arm's-length trust income).

If the share of net income from trusts included franking credits attached to dividends and the SMSF is entitled to a corresponding franking credits tax offset (see Entitlement to a franking credits tax offset), include the amount of the franking credit at M and also at either:

- E1 Complying fund’s franking credits tax offset in Section D if the SMSF is a complying fund
- C2 Rebates and tax offsets in Section D if the SMSF is a non-complying fund.

If the share of net income from trusts included amounts subject to foreign resident withholding in Australia, include the SMSF's share of credit for foreign resident withholding at M and also at H2 Credit for tax withheld – foreign resident withholding in Section D.

The share of net income at M may include payments from a closely held trust, including the SMSF's share of credits if any amounts were withheld because a TFN was not provided. If amounts were withheld because a TFN was not provided then the SMSF's share of credits for the withheld amounts are included at H5 Credit for TFN amounts withheld from payments from closely held trusts in Section D.

If you include an amount at M that is exempt current pension income, also include it at Y Exempt current pension income.

A distribution from a trust is non-arm's-length income if:

- the SMSF does not have a fixed entitlement to income from that trust (e.g. it is a discretionary trust) or
- the SMSF does have a fixed entitlement to income from that trust and the entitlement was acquired, or income was derived, under a non-arm's-length

scheme and the share of net income from the trust is greater than what might otherwise have been expected had the parties been dealing with each other at arm's length.

Keep a record of the:

- full name of the trust
- TFN of the trust, and
- amount paid by the trust to the SMSF.

For more information about record keeping, see [Record keeping requirements].

Code

You must print a letter from table 3 in the code box to the right of M Gross trust distributions if you write an amount at M.

Print the letter from table 3 that best describes the type of trust from which you received the income you wrote at M. If this income is from more than one type of trust, print the letter that describes the type of trust from which you received the greatest amount of income.

If you cannot identify the type of trust from which the SMSF received a share of net income, contact the trustee of that trust.

Table 3: Trust type codes

Code letter	Type of trust
D	Deceased estate
F	Fixed trust (other than the fixed unit trusts and public unit trusts described at codes U, P and Q) A fixed trust is a trust in which persons have fixed entitlements to all of the income and capital of the trust at all times during the income year. The 'fixed entitlement' test operates in the manner described in Taxation Ruling TR 2006/7.
H	Hybrid trust A hybrid trust is a trust which is not a fixed trust but in which persons have fixed entitlements to income or capital of the trust during the income year. The 'fixed entitlement' test operates in the manner described in Taxation Ruling TR 2006/7.
S	Discretionary trust – where the main source of income of the trust is from service and management activities A discretionary trust is a trust: • which is neither a fixed trust nor a hybrid trust, and • under which a person or persons benefit from income or capital of the trust upon the exercise of a discretion by a person or persons, usually

	the trustee.
T	Discretionary trust – where the main source of income of the trust is from trading activities
I	Discretionary trust – where the main source of income of the trust is from investment activities
M	Cash management unit trust A cash management unit trust is a unit trust which: • pools the funds of separate unit holders and • primarily invests in a range of short term securities.
U	Fixed unit trust (other than a public trust described in codes P or Q) A fixed unit trust is a fixed trust in which interest in the income and capital of the trust are represented by units.
P	Public unit trust – listed (other than a cash management unit trust) A public unit trust is a fixed unit trust which is a widely held unit trust (as defined in section 272-105 of Schedule 2F to the *Income Tax Assessment Act 1936)* at all times during the income year.
Q	Public unit trust – unlisted (other than a cash management unit trust) A public unit trust in which none of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year.

Example: Trust distributions

SMSF M received a share of net income from a publicly listed unit trust in 2016–17 which included:

$700 franked dividends and
$300 franking credits

SMSF M reports:

M Gross trust distributions $1,000

Gross trust distributions code box P (Public unit trust)

E1 Complying fund’s franking credits tax offset in Section D $ 300

R1, R2, R3, R6, R Assessable contributions

The assessable contributions questions are:

- R1 Assessable employer contributions
- R2 Assessable personal contributions
- R3 No-TFN-quoted contributions
- R6 Transfer of liability to life insurance company or PST
- R Assessable contributions.

Did the SMSF have assessable contributions?

No	Leave R1, R2 and R6 blank. Answer R3 and R.
Yes	Read on.

Include at R1, R2, R3 and R6 all contributions to the SMSF that are assessable income.

The following types of contributions are not part of the SMSF's assessable income, do not include them at R1, R2, R3 or R6:

- contributions made by a member that are not assessable personal contributions
- super co-contributions and low income super contribution
- contributions for a person under 18 which are not made by, or on behalf of, the person's employer
- amounts transferred to the SMSF for a member from the member's spouse's super as a result of a contributions splitting arrangement (for more information see Contributions splitting)
- amounts transferred to the SMSF from another super fund because of a family law obligation (such as a super agreement or a Family Law Court order as a result of a marriage or relationship breakdown)
- spouse contributions for which the contributor cannot claim a deduction.

Legislation

Subdivision 295-C of the Income Tax Assessment Act 1997

Contributions caps

Caps apply to contributions made to a member's super account. Members that contribute more than these caps may have to pay extra tax. For more information on the contributions caps, see Super contributions – too much super can mean extra tax.

Example: Assessable contributions

In 2016–17, *SMSF R* received:

- $20,000 contributions from members' employers (for members whose TFN the SMSF holds)
- $10,000 contributions directly from members.

One member also provided a valid *Notice of intent to claim a deduction for personal super contributions* stating that the member would claim a deduction for a $3,000 contribution they made to the SMSF. The notice was received before the SMSF lodged its annual return and the SMSF acknowledged the notice.

SMSF R reports:

R1 Assessable employer contributions $20,000

R2 Assessable personal contributions $ 3,000

R Assessable contributions $23,000

The remaining $7,000 of personal contributions that were not covered by the *Notice of intent to claim a deduction for personal super contributions* are not reported at any question in Section B. They are not assessable income of the SMSF.

The SMSF does not report any contributions at:

- R3 No-TFN-quoted contributions since all members have provided their TFNs to the SMSF
- R6 Transfer of liability to life insurance company or PST since it has not made an agreement to transfer its tax liability to a life insurance company or pooled superannuation trust.

Contributions are reported in Section F or G for each member.

R1 Assessable employer contributions

Did the SMSF receive assessable employer contributions?

No	Leave R1 blank. Go to R2.
Yes	Read on.

Write at R1 the total of all assessable contributions received by the SMSF for members where the contribution was made by someone other than the member. The amount at R1 should not be reduced by any loss or outgoing related to the income.

Assessable employer contributions received in 2016–17 must be included at R1 even if they were not allocated to the member’s account until the following financial year.

The amount at R1 includes:

- contributions paid by an employer (including amounts contributed under effective salary sacrifice arrangements) to
  - a complying SMSF
  - a non-complying SMSF that is an Australian super fund
  - an SMSF that is not an Australian super fund where the contributions relate to a period when the member was an Australian resident, or was a foreign resident deriving employment or similar income, such as salary or wage income, that is subject to Australian withholding payment rules

- shortfall amounts paid by us to a complying SMSF under the provisions of the *Superannuation Guarantee (Administration) Act 1992*
- amounts transferred by us from the Superannuation Holding Account special account to a complying SMSF under the provisions of the *Small Superannuation Accounts Act 1995*, other than amounts which represent super co-contributions or low income super contributions
- most amounts contributed for a member by other third parties (the total of any amounts written at G Other third party contributions in Sections F and G).

Do not include contributions received for a member who has not quoted their TFN and that you are required to include at R3 No-TFN-quoted contributions.

Assessable contributions from employers or other third parties are not exempt from income tax under the exempt current pension income rules.

R2 Assessable personal contributions

Did the SMSF receive assessable personal contributions?

No	Leave R2 blank. Go to R3.
Yes	Read on.

Write at R2 the total of:

- assessable personal contributions
- any untaxed element of a rollover super benefit, up to the untaxed plan cap amount ($1.415 million in 2016–17).

The amount of a rollover super benefit with an untaxed element is included in the income year in which it is received by the SMSF.

The amount at R2 should not be reduced by any loss or outgoing related to the income.

Assessable personal contributions received in 2016–17 must be included at R2 even if they were not allocated to the member’s account until the following financial year.

Personal contributions are assessable only if the member has provided a valid notice stating their intent to claim a deduction for their contributions and the SMSF trustee has acknowledged receipt of the notice. The contribution is included in the income year in which it is received if the SMSF trustee receives the notice by the time the SMSF lodges its annual return for that income year. Otherwise the contribution is included in the income year in which the notice is received. For information about deductions for a personal super contribution, see Notice of intent to claim or vary a deduction for personal super contributions.

If the SMSF receives a notice varying the amount of a previous valid *Notice of intent to claim a deduction for personal super contributions* and:

- you have not yet lodged the annual return that includes the contribution as assessable income, write at R2 the reduced amount of the personal contribution, or
- you have already lodged an annual return that included the contribution as assessable income,

then you can either:

- amend the annual return for the income year that included the contribution as assessable income, or
- deduct an amount at L1 Other amounts in Section C, in the income year the SMSF received the notice varying the amount.

Assessable personal contributions are not exempt from income tax under the exempt current pension income rules.

For more information, see Notice of intent to claim or vary a deduction for personal super contributions.

R3 No-TFN-quoted contributions

Did the SMSF receive employer contributions for a member that has not provided their TFN to the SMSF?

No	Write 0 (zero) at R3. Go to R6.
Yes	Read on.

Write at R3 the total of all assessable contributions that the SMSF received in 2016–17 for all members who had not quoted their tax file number (TFN) and where:

- a member's account was opened on or after 1 July 2007 or
- a member's total assessable contributions for 2016–17 were more than $1,000.

The amount at R3 should not be reduced by any loss or outgoing related to the income.

Do not include employer contributions at R3 if:

- the member's account was opened before 1 July 2007, and
- the member's total assessable contributions for 2016–17 are $1,000 or less (include these employer contributions at R1 Employer contributions).

R3 is mandatory. If you leave R3 blank, you will have specified a zero amount.

Tax on no-TFN-quoted contributions

The SMSF has to pay additional tax on no-TFN-quoted contributions. This additional tax must be paid regardless of any tax offsets or amounts the SMSF may have transferred to a life insurance company or PST. See table 4 for the tax rates.

Table 4: Tax rates on no-TFN-quoted contributions

SMSF status	Tax rate (on all assess-able contributions)	Additional tax rate (on no-TFN-quoted contributions)	Overall tax rate (on no-TFN-quoted contributions)
Complying	15%	34%	49%
Non-complying	47%	2%	49%

The SMSF will show in Section D: Income tax calculation statement:

- the tax payable (at the standard rate of income tax) on the no-TFN-quoted contributions at T1 Tax on taxable income
- the additional tax payable on the no-TFN-quoted contributions at J Tax on no-TFN-quoted contributions.

No-TFN-quoted contributions are not exempted from income tax under the exempt current pension income rules.

If a member provided their TFN to the SMSF for the first time in 2016–17, the SMSF may be able to recover the no-TFN-quoted contributions tax it paid in one of the most recent three income years ending before 2016–17 by claiming a no-TFN tax offset. For information on whether the SMSF is able to claim this offset, see E2 No-TFN tax offset.

Legislation

Section 295-610 of the *Income Tax Assessment Act 1997*

R6 Transfer of liability to life insurance company or PST

Did the SMSF transfer an amount to a life insurance company or pooled superannuation trust (PST) under an agreement that meets the requirements of section 295-260 of the *Income Tax Assessment Act 1997*?

No	Leave R6 blank. Go to R.
Yes	Read on.

Write at R6 the total amount that would otherwise have been included in the complying SMSF's assessable income for the 2016–17 income year that the trustee of the SMSF (the transferor) has agreed to transfer to a life insurance company or PST (the transferee) under an agreement with that transferee entity. The amount at R6 should not be reduced by any loss or outgoing related to the income.

The SMSF will not pay tax (at the rate of 15%) on the amount transferred to the life insurance company or PST. The amount of the income transferred is included in the transferee’s assessable income instead. However, if a contribution is a no-TFN-quoted contribution, the SMSF must still pay tax on the no-TFN-quoted contribution (at the rate of 34%); the SMSF cannot transfer the tax liability on the no-TFN quoted contribution income.

Keep all relevant documents as evidence of the transferee’s consent to accept the transfer of assessable contributions and the associated tax liability.

Legislation

Section 295-260 of the *Income Tax Assessment Act 1997*

R Assessable contributions

Did you write amounts at R1, R2, R3 or R6?

No	Leave R blank. Go to S.
Yes	Read on.

Write at R the total assessable contributions received by the SMSF. That total should not be reduced by any loss or outgoing related to the income.

To work out the amount you write at R:

- add the amounts you wrote, at
  - R1 Assessable employer contributions
  - R2 Assessable personal contributions
  - R3 No-TFN-quoted contributions
- deduct from that amount
  - R6 Transfer of liability to life insurance company or PST.

Assessable contributions are not exempt from income tax under the exempt current pension income rules.

S Other income

Did the SMSF receive any income that is not included at another question in Section B?

No	Leave S blank. Go to T.
Yes	Read on.

Write at S any assessable income of the SMSF that does not fall into any other category in Section B. The amount at S should not be reduced by any loss or outgoing related to the income.

Write in the code box the letter from Table 5: Codes for other income (below) that best describes the greatest amount you include at S Other income.

Table 5 lists six categories of assessable income. There is a description of each category below the table.

If you include an amount at S that is exempt current pension income, include it also at Y Exempt current pension income.

Table 5: Codes for other income

Code letter	Type of income
B	Assessable balancing adjustment amount
C	LIC capital gain amount
F	Forex gains
R	Rebate or refund of premium paid to provide death or disability benefits
T	Taxation of financial arrangements (TOFA) amounts
W	Gross payments subject to foreign resident withholding (excluding capital gains)
O	Other types of income not listed above

Assessable balancing adjustment amount (B)

If the SMSF ceased to hold or to use a depreciating asset, you need to calculate a balancing adjustment amount which you include at either:

- S Other income (this question) if the balancing adjustment is assessable income or
- L1 Other amounts (deductions) or L2 Other amounts (non-deductible expenses), in Section C.

For more information, see Guide to depreciating assets 2017.

Listed investment company (LIC) capital gain amount (C)

If the SMSF received:

- a distribution from a partnership, or
- a share of net income from a trust

and if that partnership or trust claimed a deduction for a LIC capital gain amount, you must include at S:

- one-third of its share of the deduction claimed by the partnership or trust, if the SMSF is a complying fund
- its entire share of the deduction claimed by the partnership or trust, if the SMSF is a non-complying fund.

Foreign exchange (forex) gain (F)

If the SMSF has any assessable foreign exchange gains that have not been shown at any other category of income, include the total of such gains at S.

For more information, see Foreign exchange (forex).

Rebate or refund of premium paid to provide death or disability benefits (R)

The SMSF has this type of income if it received a rebate on, or refund of, an insurance premium during 2016–17 where the original insurance premium:

- was to provide super benefits in the event of
  - death
  - a terminal medical condition
  - disability or inability to engage in gainful employment, and

- had been claimed as a deduction (at F1 Insurance premiums members in Section C) in a previous SMSF annual return.

You must include the amount of such income at S.

Legislation

Item 4 of the table in section 295-320 and section 295-465 of the *Income Tax Assessment Act 1997*

Taxation of financial arrangements (TOFA) amounts (T)

If the TOFA rules apply to calculate an assessable gain or deductible loss on the SMSF’s financial arrangements, include at S any assessable gains relating to financial arrangements. TOFA amounts that have been included elsewhere should not be included here.

Complete Section I: Taxation of financial arrangements if you include at S an amount determined under the TOFA rules.

For more information about whether the TOFA rules apply, see Section I: Taxation of financial arrangements.

Gross payments subject to foreign resident withholding (excluding capital gains) (W)

Gross payments subject to foreign resident withholding (excluding capital gains) refers to payments made to the SMSF where the payer withheld an amount from the payment because the SMSF is a foreign fund.

Only an SMSF that is a foreign fund should have a gross payment subject to foreign resident withholding in Australia.

The amount that you write at S must be the gross value. That means that the amount you write must include both the amount:

- paid to the SMSF, and
- that payers withheld from these payments.

These payers must provide you with a PAYG payment summary by 14 July following the end of the financial year. The PAYG payment summary has the information that you need to include at S.

If you write an amount at S for gross payments subject to foreign resident withholding in Australia, you must also complete and attach a Non-individual PAYG payment summary schedule. Keep the PAYG payment summary (or equivalent information) with your tax records.

The amount you write at S for gross payments subject to foreign resident withholding in Australia does not include:

- payments received by an Australian SMSF that was subject to foreign resident withholding in another country (include these at D1 Gross foreign income)
- payments subject to foreign resident withholding in Australia that were distributed to the SMSF from partnerships or included in a share of net income from trusts (include these at I Gross distribution from partnerships or M Gross trust distributions as appropriate)
- payments where the amount of foreign resident withholding in Australia was reduced to nil because the income was not taxable under a double tax agreement.

If you include a gross payment subject to foreign resident withholding in Australia at S, you can also claim a credit for tax withheld at H2 Credit for tax withheld – foreign resident withholding in Section D.

For more information, see Division 18 of the Taxation Administration Act 1953.

Other types of income not listed above (O)

If the greatest amount that you include at S Other income is not one of the types of income listed above for codes B, C, F, R, T or W, then use code O for 'other'.

T Assessable income due to changed tax status of fund

Did the SMSF change from a complying to non-complying fund, or from a foreign fund to an Australian super fund?

No	Leave T blank. Go to U1, U2, U3 and U.
Yes	Read on.

Write at T the amount that is to be included in the SMSF's assessable income because it changed from:

- complying to non-complying at the beginning of 2016–17, or
- a foreign fund to an Australian super fund at the beginning of 2016–17.

The amount at T should not be reduced by any loss or outgoing related to the income.

You must:

- work out the amount of ordinary income and statutory income from previous years using the appropriate formula below and
- write the amount you worked out at T.

A change in the SMSF's compliance or residency status can change its tax rate (see the tax rates at T1 Tax on taxable income).

Assessable income arising from a change in the tax status of the SMSF is not exempt from income tax under the exempt current pension income rules.

The SMSF became a non-complying SMSF for 2016–17

If the SMSF was a complying SMSF at the end of 2015–16 and became a non-complying SMSF for 2016–17, include at T an amount calculated using formula A. Including this amount at T means that the SMSF loses the benefit of the tax concessions that it had when it was a complying SMSF.

Formula A

asset value – non-concessional contributions = assessable amount to be included at T

Asset value is the total market value of the SMSF's assets at 30 June 2016 (that is, immediately before the start of the income year in which the SMSF became non-complying).

Non-concessional contributions are the total of:

- the part of the crystallised undeducted contributions that relate to the period after 30 June 1983, and
- the contributions segment for current members at the time that have not been, and cannot be, deducted.

Write at T the amount you calculated using formula A.

When you work out T1 Tax on taxable income in Section D, the amount you worked out using formula A is taxed at 47%.

Legislation

Sections 295-320 and 295-325 of the *Income Tax Assessment Act 1997*

The SMSF changed from a foreign fund to an Australian super fund for 2016–17

If the SMSF was a foreign super fund for 2015–16 and became an Australian super fund for 2016–17, include at T an amount calculated using formula B.

Formula B

asset value – member contributions = assessable amount to be included at T

Asset value is the total market value of the SMSF's assets at 30 June 2016 (that is, immediately before the start of the income year in which the SMSF became an Australian super fund).

Member contributions is the amount in the SMSF at that time representing contributions made by current members.

Write at T the amount you worked out using formula B.

When you calculate T1 Tax on taxable income in Section D the amount you worked out using formula B is taxed at:

- 15% if the fund changed from a foreign fund to a complying Australian super fund
- 47% if the fund changed from a foreign fund to a non-complying Australian super fund.

Note that the SMSF is not entitled to a tax offset (at C1 Foreign income tax offset in Section D) for foreign income tax paid before the start of the income year on income reported at T as a result of the change in the tax status of the SMSF.

Legislation

Sections 295-320 and 295-330 of the *Income Tax Assessment Act 1997*

Example: Assessable income due to changed tax status of the fund

In 2016–17, *SMSF T* changed from being a complying SMSF to a non-complying SMSF.

On 30 June 2016 *SMSF T* had assets of $1,000,000, including $50,000 non-concessional contributions. The non-concessional contributions were personal contributions that the SMSF's members had made without notifying the SMSF that they intended to claim a deduction.

Using Formula A, *SMSF T* works out:

$1,000,000 (asset value) − $50,000 (non-concessional contributions) = $950,000 (assessable amount)

SMSF T reports $950,000 at T Assessable income due to changed tax status of the fund.

U1, U2, U3 and U Non-arm's-length income

Did the SMSF receive non-arm's-length income?

No	Leave U1, U2, U3 and U blank. Go to W.
Yes	Read on.

Was the SMSF a complying SMSF for 2016–17?

No	Leave U1, U2, U3 and U blank. Write the non-complying SMSF's non-arm's-length income where appropriate at A to T above. Then go to W.
Yes	Read on.

Write the SMSF's non-arm's-length income at:

- U1 Net non-arm's-length private company dividends
- U2 Net non-arm's-length trust distributions
- U3 Net other non-arm's-length income.

Consider whether any income that the SMSF earned in 2016–17 was earned through a transaction that was not at arm's length.

For more information about identifying the SMSF's non-arm's-length income, see Non-arm's-length income.

Non-arm's-length income is not exempt from income tax under the exempt current pension income rules.

Net non-arm's-length income

Each amount of non-arm's-length income is reduced by any deductions attributable, either in whole or in part, to that income. Deductions against that income are those that relate exclusively to the non-arm's-length income and as much of other deductions that appropriately relate to that income. Use these deductions to reduce the amount that you write at U1, U2 or U3. The amounts deducted against the SMSF's non-arm's-length income should not be included in Section C.

Non-arm's-length losses

If the net amount of non-arm's-length income is a loss, do not show the loss at U. The loss may be offset against future non-arm's-length income. Keep a record of the loss amount with the SMSF's tax records.

U1 Net non-arm's-length private company dividends

Was the SMSF paid non-arm's-length private company dividends?

No	Leave U1 blank. Go to U2.
Yes	Read on.

Write at U1 the total of:

- non-arm's-length private company dividends which were paid to the complying SMSF in 2016–17, and
- franking credits attached to the non-arm's-length private company dividends if the SMSF is entitled to a corresponding franking credits tax offset (see Entitlement to a franking credits tax offset).

less

- deductible expenses related to earning the non-arm's-length private company dividends.

If you are unsure whether some or all of the SMSF's income is non-arm's-length, see Non-arm's-length income.

Include non-share dividends that are non-arm's-length income at U1.

Do not include private company dividends that are arm's length income (include these at A to T as appropriate). In addition to including a franking credit at U1, you must also include it at either:

- E1 Complying fund's franking credits tax offset in Section D if the SMSF is a complying fund
- C2 Rebates and tax offsets in Section D if the SMSF is a non-complying fund.

Non-arm's-length private company dividends are not exempt from income tax under the exempt current pension income rules.

U2 Net non-arm's-length trust distributions

Did the SMSF receive a share of net income from a trust that is non-arm's-length?

No	Leave U2 blank. Go to U3.
Yes	Read on.

Write at U2 the total of:

- any non-arm's-length income which the complying SMSF received in 2016–17 as a share of net income from a trust

less

- deductible expenses related to earning the amount at U2.

If you are unsure whether a share of net income from a trust is non-arm's-length, see Non-arm's-length income.

Include the following types of income at U2 if the income is non-arm's-length income and received as a share of net income from a trust:

- net capital gains
- dividends (or non-share dividends), along with any attached franking credits if the SMSF is entitled to a corresponding tax offset (see Entitlement to a franking credits tax offset).

In addition to including a franking credit at U2, you must also include it at either:

- E1 Complying fund's franking credits tax offset in Section D if the SMSF is a complying fund
- C2 Rebates and tax offsets in Section D if the SMSF is a non-complying fund.

Do not include a share of net income from a trust that is arm's-length income (include this at M Gross trust distributions).

A share of net income from a trust that is non-arm's-length is not exempt from income tax under the exempt current pension income rules.

U3 Net other non-arm's-length income

Does the SMSF have any other non-arm's-length income?

No	Leave U3 blank. Go to U.
Yes	Read on.

Write at U3 any non-arm's-length income which the complying SMSF has for 2016–17 and that was not included at U1 or U2. If you are unsure whether the income is non-arm's-length, see Non-arm's-length income.

Do not include:

- non-arm's-length income that is more appropriately included at U1 Net non-arm's-length private company dividends or U2 Net non-arm's-length trust distributions
- income that is arm's-length income (write it at A to T as appropriate).

Non-arm's-length income is not exempt from income tax under the exempt current pension income rules.

U Net non-arm's-length income

Add the amounts you wrote at U1, U2 and U3.

When you work out T1 Tax on taxable income in Section D, a tax rate of 47% is applied to the income you write at U.

Non-arm's-length income is not exempt from income tax under the exempt current pension income rules.

W Gross income

Add the amounts from A to U, including D and R.

Do not include the following because they make up D, R and U:

- D1 Gross foreign income
- R1 Assessable employer contributions
- R2 Assessable personal contributions
- R3 No-TFN-quoted contributions
- R6 Transfer of liability to life insurance company or PST
- U1 Net non-arm's-length private company dividends
- U2 Net non-arm's-length trust distributions
- U3 Net other non-arm's-length income.

Write the total at W. If the SMSF has no gross income, write 0 at W. If the amount at W is a loss, print L in the Loss box at the right of the amount.

Y Exempt current pension income

Did the SMSF pay a super income stream (or super pension) to a member in 2016–17?

No	Leave Y blank. Go to V.
Yes	Read on.

If the SMSF paid a super income stream (or super pension) to one or more members during 2016–17, some, or all, of its ordinary income and statutory income may be exempt from income tax under the exempt current pension income rules. This exempt income is called 'exempt current pension income' or ECPI.

Do not reduce the exempt income at Y by the amount of expenses incurred in deriving that exempt income.

Expenses incurred in gaining or producing exempt income are not generally deductible. Those expenses must be shown as non-deductible expenses in Section C.

The amount that you write at Y must be the same as the amount at 10A Exempt current pension income amount in Section A.

To work out your SMSF's ECPI, see Self-managed super funds and tax exemptions on pension assets.

Legislation

Subdivision 295-F of the Income Tax Assessment Act 1997

If your SMSF has PAYG instalments

If you use the instalment rate method to calculate your SMSF's PAYG instalments, you must exclude the SMSF's exempt current pension income from the amount you write at T1 PAYG instalment income on the PAYG activity statement. See PAYGI instalment essentials.

V Total assessable income

Work out the SMSF's total assessable income or loss for 2016–17: take Y Exempt current pension income away from W Gross income.

Write the answer at V. If the SMSF has no total assessable income, write 0 at V. If the amount at V is a loss, print L in the Loss box at the right of the amount.

Section C: Deductions and non-deductible expenses (item 12)

You must complete Section C.

Section C deals with all expenses, both deductible and non-deductible. Provide details of all expenses the SMSF incurred in 2016–17 at the appropriate questions. Do not show cents for any amount you write in this section. In the column headed Deductions, at the appropriate items (A1 to M1), list all expenses and allowances for which the SMSF can claim a deduction.

In the column headed Non-deductible expenses, at the appropriate items (A2 to L2), list all other expenses. The SMSF cannot claim a deduction for these expenses. They include:

- income tax paid (include it at L2)
- most expenses incurred in earning exempt current pension income
- losses or outgoings that the SMSF incurred in deriving an amount that is excluded from assessable income because family trust distribution tax (FTDT) has been paid.

Do not include super benefits paid at any question in Section C.

Generally, SMSFs that derive exempt current pension income cannot claim a deduction for expenses to the extent they are incurred in deriving that exempt income. Such expenditure must be apportioned.

However, some expenditure is deductible and does not have to be apportioned even though the SMSF has exempt current pension income.

For more information, see:

- How are expenses treated when an SMSF has ECPI?
- TR 2006/7.

Expenses that relate to non-arm's-length income

Expenses incurred in deriving non-arm's-length income:

- are not included anywhere in Section C to the extent the expenses are deductible; such expenses reduce the amount you write at the non-arm's-length income questions (U1, U2 and U3) in Section B
- are included in Section C (A2 to L2 as appropriate) to the extent the expenses are non-deductible.

Expenses that relate to foreign income

Expenses incurred in deriving foreign income:

- are not included anywhere in Section C to the extent the expenses are deductible; such expenses reduce the amount you write at D Net foreign income in Section B
- are included in Section C (A2 to L2 as appropriate) to the extent the expenses are non-deductible.

Taxation of financial arrangements (TOFA)

If the TOFA rules apply to the SMSF, include expenses from financial arrangements subject to the TOFA rules at the appropriate question. Complete Section I: Taxation of financial arrangements if you include an amount determined under the TOFA rules.

For more information, see Section I: Taxation of financial arrangements.

A1 and A2 Interest expenses within Australia

Did the SMSF incur interest expenses on money borrowed from an Australian source?

No	Leave A1 and A2 blank. Go to B1 and B2.
Yes	Read on.

Write at A1 and A2, as required, the amount of interest that the SMSF incurred in 2016–17 on money borrowed from an Australian source.

Deductible interest expenses within Australia

Write at A1 the amount of deductible interest expenses incurred on borrowings from sources within Australia.

For example, interest expenses incurred on borrowings are deductible to the extent the borrowed money is used to:

- acquire assets for the purpose of earning assessable income
- finance operations for the purpose of earning assessable income, or
- meet current expenses incurred for the purpose of earning assessable income.

Do not include at A1 interest expenses (or any part of such expenses) that relate to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

If the SMSF paid an income stream (pension) to a member, refer to Self-managed super funds and tax exemptions on pension assets before you claim a deduction for the SMSF's interest expenses incurred on borrowings from Australian sources.

Non-deductible interest expenses within Australia

Write at A2 the amount of interest expenses that the SMSF incurred on borrowings from Australian sources that is not deductible. This includes an amount of interest expense to the extent it is incurred for the purposes of earning exempt income.

B1 and B2 Interest expenses overseas

Did the SMSF incur interest expenses on money borrowed from an overseas source?

No	Leave B1 and B2 blank. Go to D1 and D2.
Yes	Read on.

Write at B1 and B2, as required, the amount of interest that the SMSF incurred in 2016–17 on money borrowed from an overseas source.

Deductible interest expenses overseas

Write at B1 the amount of deductible interest expenses incurred on borrowings from overseas sources.

For example, interest expenses incurred on borrowings from overseas sources are deductible to the extent the borrowed money is used to:

- acquire assets for the purpose of earning assessable income
- finance operations for the purposes of earning assessable income, or
- meet current expenses incurred for the purposes of earning assessable income.

Do not include at B1 interest expenses (or any part of such expenses) that relate to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

If the SMSF paid an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for the SMSF's interest expenses overseas.

Non-deductible interest expenses overseas

Write at B2 the amount of interest expenses that the SMSF incurred on borrowings from overseas sources that is not deductible. This includes an amount of interest expense to the extent the expense is incurred for the purposes of earning exempt income.

PAYG withholding

SMSFs must remit to us the amount of tax (withholding tax) they have withheld, or should have withheld, from interest paid or payable to:

- non-residents or
- residents, where the resident's interest is derived through an overseas branch.

If the SMSF is required to have withheld an amount from interest paid, or is required to withhold from interest payable, the SMSF must register for PAYG withholding and lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report.

If the SMSF paid interest to non-residents, keep a record of the following:

- name and address of recipients
- amount of interest paid or credited
- amount of tax withheld
- the date that the tax withheld was remitted to us.

For more information, see Record keeping requirements.

D1 and D2 Capital works expenditure

Capital works include the construction, extension, alteration and improvement of any capital asset (such as buildings, dams and roads) and structural improvements such as fences, retaining walls and sealed driveways.

Does the SMSF have deductible or non-deductible capital works expenditure?

No	Leave D1 and D2 blank. Go to E1 and E2.
Yes	Read on.

Write at D1 and D2, as required, the amount that the SMSF calculated in 2016–17 for capital works expenditure.

Do not include at D1 or D2 capital works expenditure that you can include at another question in Section C.

Deductible capital works expenditure

Write at D1 the amount of deductible capital works expenditure. For more information about amounts that are deductible, see Capital works expenditure.

Do not include at D1 capital works expenditure (or any part of such expenditure) that relates to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

If the SMSF paid an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for capital works expenditure.

Non-deductible capital works expenditure

Write at D2 the amount of capital works expenditure that is not deductible. For example, if the SMSF uses the capital works area for the purposes of earning exempt income, such as exempt current pension income.

Example 'SMSF with no ECPI': Capital works expenditure

SMSF D has no exempt current pension income, foreign income or non-arm's-length income.

SMSF D spent $40,000 in 2015–16 to renovate its investment property. It is able to deduct 2.5% of this expenditure for 2016–17 (i.e. 2.5% of 40,000 = $1,000).

SMSF D reports:

D1 Deductible capital works expenditure $1,000

D2 Non-deductible capital works expenditure (Blank)

Example 'SMSF with ECPI': Capital works expenditure

SMSF DD pays an income stream to one of its three members and some of its income is exempt from income tax under the exempt current pension income rules.

SMSF DD spent $40,000 in 2015–16 to renovate its investment property. *SMSF DD* calculates 2.5% of this expenditure for 2016–17 (i.e. 2.5% of 40,000 = $1,000).

Using the rules described at How are expenses treated when an SMSF has ECPI? *SMSF DD* determines that $250 of the capital works expenditure relates to earning its exempt current pension income.

SMSF DD reports:

D1 Deductible capital works expenditure $750

D2 Non-deductible capital works expenditure $250

E1 and E2 Decline in value of depreciating assets

Depreciating assets are capital assets, such as cars, computers or machinery. Their cost is not generally an expense at the time of purchase, but their value may decline over their effective life. This decline in value may be a deduction or a non-deductible expense.

Did the SMSF's depreciating assets decline in value?

No	Leave E1 and E2 blank. Go to F1 and F2.
Yes	Read on.

Write at E1 and E2, as required, the amount by which the SMSF's depreciating asset declined in value during 2016–17.

If you are uncertain whether an asset is a depreciating asset or whether you can claim a deduction, see Guide to depreciating assets 2017.

Deductible decline in value of depreciating assets

Write at E1 the deductible amount for the decline in value of the SMSF's depreciating assets, for example, the decline in value of a depreciating asset that the SMSF uses for the purposes of earning assessable income.

Do not include at E1 an amount for the decline in value of an asset to the extent the amount is taken into account in working out:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

If the SMSF pays an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for the amount the SMSF's depreciating assets declined in value.

For more information, see Guide to depreciating assets 2017.

You can work out your capital allowance deductions by using the Depreciation and capital allowances tool (DCAT).

Non-deductible decline in value of depreciating assets

Write at E2 the amount for the decline in value of the SMSF's depreciating assets that is not deductible. This includes an amount for the decline in value of a depreciating asset to the extent the asset is used for the purposes of earning exempt income, such as exempt current pension income.

Example 'SMSF with no ECPI': Decline in value of depreciating assets

SMSF E has no exempt current pension income, foreign income or non-arm's-length income.

SMSF E owns a commercial property that it rents to a business. The property contains furnishings and fittings. *SMSF E* is able to claim a deduction of $4,000 for 2016–17 for the decline in value of the furnishings and fittings in the property.

SMSF E reports:

E1 Deductible decline in value of depreciating assets $4,000

E2 Non-deductible decline in value of depreciating assets (Blank)

Example 'SMSF with ECPI': Decline in value of depreciating assets

SMSF EE pays an income stream to one of its three members and some of its income is exempt from income tax under the exempt current pension income rules.

SMSF EE owns a commercial property that it rents to a business. The property contains furnishings and fittings. The decline in value of the furnishings and fittings is $4,000 for 2016–17.

Using the rules described at How are expenses treated when an SMSF has ECPI? *SMSF EE* determines that $1,000 of the depreciation relates to earning its exempt current pension income.

SMSF E reports:

E1 Deductible decline in value of depreciating assets $3,000

E2 Non-deductible decline in value of depreciating assets $1,000

F1 and F2 Insurance premiums – members

Did the SMSF have insurance to cover its members?

No	Leave F1 and F2 blank. Go to G1.
Yes	Read on.

Write at F1 and F2, as required, the amount of insurance premiums incurred by the SMSF for 2016–17 for insurance policies that provide cover to enable benefits to be paid for members.

Deductible insurance premiums – members

Write at F1 the amount that is deductible for insurance premiums to provide benefits upon the death, existence of a terminal medical condition or temporary or permanent disability of a member:

If in 2016–17 the SMSF purchased or provided any of the following types of insurance, read on to find out what amount the SMSF is able to deduct:

- 'whole of life' insurance polies
- 'endowment' insurance polies
- 'total and permanent disability' cover
- temporary disability
- self-insurance.

A complying SMSF may instead choose to deduct an amount calculated using the formula in section 295-470 of the ITAA 1997 rather than claiming a deduction for insurance premiums paid, or an amount under the self-insurance provisions.

If the SMSF has exempt current pension income this does not affect the amount the SMSF is entitled to deduct for insurance premiums. For more information, see How are expenses treated when an SMSF has ECPI?

Since 1 July 2014, an SMSF trustee can no longer enter into insurance policies to provide benefits that are not consistent with the conditions of release in the *Superannuation Industry (Supervision) Regulations 1994* (SISR) for death, terminal medical condition, permanent incapacity and temporary incapacity.

However, this does not apply to the continued provision of insured benefits to members who joined the SMSF, and were covered by that insured benefit, before 1 July 2014 or to the provision of benefits under an approval that has been granted. (For more information see regulation 4.07D of the SISR).

Non-deductible insurance premiums – members

Write at F2, the amount that is not deductible for insurance premiums.

Non-deductible insurance premiums include:

- any insurance premiums paid by a non-complying SMSF
- payments for insurance that covers events other than death, the existence of a terminal medical condition, or temporary or permanent disability (for example, funeral insurance).

For more information, see Subdivision 295-G of the Income Tax Assessment Act 1997.

Example: Insurance premiums for an SMSF, with or without ECPI*

SMSF F is a complying SMSF that provides insurance for its members.

In 2016–17 *SMSF F* paid $10,000 for insurance premiums as follows:

- $3,000 for death cover
- $2,500 for terminal medical condition cover
- $2,500 for temporary or permanent disability cover
- $2,000 for cover of specified traumas** (such as strokes).

SMSF F reports:

F1 Deductible insurance premiums $8,000

F2 Non-deductible insurance premiums $2,000

Notes:

* The amount of insurance premiums that the SMSF can deduct is not affected by any exempt current pension income.

** This insurance policy started before 1 July 2014. The insurance only covers members who joined the SMSF before 1 July 2014. SMSF trustees are prohibited from obtaining a policy covering trauma insurance that started after 30 June 2014.

Whole of life policies

A complying SMSF can deduct 30% of the premium for a whole of life policy if all the individuals whose lives are insured are members of the SMSF. For more information see section 295-480 of the ITAA 1997 and Australian Taxation Office Interpretative Decision ATO ID 2009/100.

If the whole of life policy is bundled with other types of insurance, the SMSF can deduct 30% of the part of the insurance premium that is specified in the policy as being for a distinct part of the policy that would have been a whole of life policy if it had been a separate policy and all of the individuals whose lives are insured are members of the SMSF.

Endowment policies

A complying SMSF can deduct 10% of a premium for an endowment policy if all the individuals whose lives are insured are members of the SMSF. For more information on what an 'endowment policy' is for these purposes, see section 295-480 of the ITAA 1997.

If the endowment policy is bundled with other types of insurance, the SMSF can deduct 10% of the part of the insurance premium that is specified in the policy as being for a distinct part of the policy that would have been an endowment policy if it had been a separate policy and all of the individuals whose lives are insured are members of the SMSF.

Total and permanent disability (TPD) cover

TPD any occupation

'TPD any occupation' means insurance against the member suffering an illness or injury that is likely to result in the member's permanent inability to work in any job for which the member is reasonably qualified by education, training or experience.

A complying SMSF can deduct 100% of insurance premiums for 'TPD any occupation' cover for its members as shown in table 6.

'TPD own occupation'

'TPD own occupation' means insurance against the member suffering an illness or injury that is likely to result in the member's permanent inability to work in the member's own occupation (other than in a substantially reduced capacity).

A complying SMSF can deduct a portion of insurance premiums for 'TPD own occupation' cover for its members, as shown in table 6.

Actuary certificate

An actuarial certificate is not required to be obtained in order to deduct:

- the premium, or a proportion of the premium, as shown in table 6, or
- a percentage of a part of a bundled insurance premium that is specified as being for a policy that would have been deductible if it had been a separate policy.

An actuarial certificate is required to be obtained in order to deduct:

- a proportion other than that specified in table 6, or
- an amount for a bundled insurance premium where no amount has been specified for insurance to provide superannuation benefits upon the death, existence of a terminal medical condition or disability of a member.

If an actuarial certificate is required it must be obtained before the date of lodgment of the annual return.

Table 6: Proportions of insurance premiums for TPD cover that are deductible*

The SMSF can deduct:	%
TPD any occupation cover	100%
TPD any occupation cover with one or more of the following inclusions: • activities of daily living • cognitive loss • loss of limb • domestic (home) duties	100%
TPD own occupation cover	67%
TPD own occupation cover with one or more of the following inclusions: • activities of daily living • cognitive loss • loss of limb • domestic (home) duties	67%
TPD own occupation cover bundled with death (life) cover	80%
TPD own occupation cover bundled with death (life) cover with one or more of the following inclusions: • activities of daily living • cognitive loss • loss of limb • domestic (home) duties	80%

* This table shows the proportions of insurance premiums for TPD cover that are deductible under item 6 of the table in subsection 295-465(1) of the ITAA 1997 as specified in the *Income Tax Assessment Regulations 1997*.

For information about deductions for premiums for total and permanent disability cover, see Taxation Ruling TR 2012/6.

Temporary disability

A complying SMSF may also deduct premiums on insurance policies to replace members' income during periods of their temporary disability.

Self-insurance

Since 1 July 2013, an SMSF cannot enter into any new arrangements to provide self-insurance for a member. Even where the SMSF was providing self-insurance for a member on or before 1 July 2013, in most cases the arrangement must have ended before 1 July 2016. For more information see regulation 4.07E of *Superannuation Industry (Supervision) Regulations 1994*.

If an SMSF is still able to self-insure for the payment of superannuation benefits to its members upon the death, existence of a terminal medical condition or temporary or permanent disability, the SMSF:

- can claim a deduction equal to the amount that it could reasonably expect to pay in an arm's length transaction to obtain an insurance policy to cover these liabilities, and
- must get an actuarial certificate before the date for lodgment of the SMSF's annual return for the amount to be deductible.

G1 Death benefit increase

Is the SMSF entitled to a deduction because the SMSF increased the amount paid as a super lump sum death benefit (a death benefit increase)?

No	Leave G1 blank. Go to H1 and H2.
Yes	Read on.

Write at G1 the deductible amount for death benefit increases.

The SMSF is entitled to a 'death benefit increase' deduction if it:

- has been complying since 1 July 1988 or since its establishment (if later), and
- paid a super lump sum death benefit in 2016–17 to the trustee of a deceased member's estate or to a deceased member's dependants, and
- increased (or did not reduce) a super lump sum death benefit by an amount (the 'tax saving amount') so that the super lump sum death benefit amount is the amount the SMSF could have paid if no tax were payable on the underlying

contributions.

A 'death benefit increase' is also known as an 'anti detriment payment'.

If the SMSF is entitled to a 'death benefit increase' deduction, work out the amount of the deduction by dividing the tax saving amount by the low tax component rate (15% for a complying SMSF).

If the payment is made to the trustee of the deceased’s estate, the deduction is only available to the extent that the spouse, former spouse or child of the deceased can reasonably be expected to benefit from the estate.

ATO ID 2010/5 describes a method for working out the amount of the tax saving amount.

For more information, see:

- Death of a member
- ATO Interpretive Decision ATO ID 2010/5 – Complying superannuation fund: deduction for increased amount of superannuation lump sum death benefit
- ATO Interpretative Decision ATO ID 2012/10 – Income Tax: anti detriment payments paid by a complying superannuation fund to a trustee of a deceased estate.

If the SMSF has exempt current pension income this does not affect the amount the SMSF is entitled to deduct for the death benefit increase.

For more information, see How are expenses treated when an SMSF has ECPI?

Example: Death benefit increase for an SMSF, with or without ECPI*

SMSF G is a complying SMSF that paid a super lump sum death benefit to the spouse of the deceased in 2016–17.

The lump sum of $100,000 is made up of:

- the member's account balance ($94,000 which is 100% taxable component)
- a 'tax savings amount' ($6,000 calculated using the formula in ATO Interpretative Decision ATO ID 2010/05).

SMSF G calculates its death benefit increase deduction as $40,000:

- the amount of the tax savings amount ($6,000)
- divided by
- the SMSF's low tax component rate (15%).

SMSF G reports $40,000 at G1 Death benefit increase.

* The amount of a death benefit increase that the SMSF can deduct is not affected by any exempt current pension income it makes.

H1 and H2 SMSF auditor fee

Did the SMSF incur auditor's fees?

No	Write 0 at H1. Go to I1 and I2.
Yes	Read on.

Write at H1 and H2, as required, the amount of auditor fees that the SMSF incurred in 2016–17.

Deductible SMSF auditor fee

Write at H1 the deductible amount for SMSF auditor fees.

Do not include at H1 any part of the SMSF's auditor fees that relate to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

If the SMSF pays an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for the SMSF's auditor fees.

Non-deductible SMSF auditor fees

Write at H2 the amount for auditor fees that is not deductible. This includes auditor fees to the extent the fees are incurred for the purposes of earning exempt income, such as exempt current pension income.

Example 'SMSF with no ECPI': SMSF auditor fee

SMSF H has no exempt current pension income, foreign income or non-arm's-length income.

In 2016–17, *SMSF H* paid an auditor $1,000 to audit its 2015–16 accounts.

SMSF H reports:

H1 Deductible SMSF auditor fee $1,000

H2 Non-deductible SMSF auditor fee (Blank)

Example SMSF with ECPI: SMSF auditor fee

SMSF HH pays an income stream to one of its three members and some of its income is exempt from income tax under the exempt current pension income rules.

In 2016–17, *SMSF HH* paid an auditor $1,000 to audit its 2015–16 accounts.

Using the rules described at How are expenses treated when an SMSF has ECPI? *SMSF HH* determines that $250 of the audit fee relates to earning its exempt current pension income.

SMSF HH reports:

H1 Deductible SMSF auditor fee $750

H2 Non-deductible SMSF auditor fee $250

I1 and I2 Investment expenses

Did the SMSF incur expenses of a revenue nature in managing or maintaining its investments?

No	Leave I1 and I2 blank. Go to J1 and J2.
Yes	Read on.

Write at I1 and I2, as required, the amount of expenses (of a revenue nature) that the SMSF incurred in managing or maintaining its investments.

Deductible investment expenses

Write at I1 the deductible amount of investment expenses.

Do not include at I1 investment expenses (or any part of such expenses) that relate to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

There are special rules for the deductibility of expenses relating to investments in pooled superannuation trusts and life insurance policies (see Investments in pooled superannuation trusts (PSTs) and life insurance policies).

If the SMSF pays an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for the

SMSF's investment expenses.

Non-deductible investment expenses

Write at I2 the amount of investment expenses that are not deductible. This includes an amount of investment expense to the extent the expense is incurred for the purposes of earning exempt income, such as exempt current pension income.

Example 'SMSF with no ECPI': Investment expenses

SMSF I has no exempt current pension income, foreign income or non-arm's-length income.

In 2016-17, *SMSF I* paid a total of $400 for annual investment manager fees.

SMSF I reports:

I1 Deductible investment expenses $400

I2 Non-deductible investment expenses (Blank)

Example 'SMSF with ECPI': Investment expenses

SMSF II pays an income stream to one of its three members and some of its income is exempt from income tax under the exempt current pension income rules.

In 2016–17, *SMSFII* paid a total of $400 for annual investment manager fees.

Using the rules described at How are expenses treated when an SMSF has ECPI? *SMSF II* determines that $100 of the fees relates to earning its exempt current pension income.

SMSF II reports:

I1 Deductible investment expenses $300

I2 Non-deductible investment expenses $100

Investments in pooled superannuation trusts (PSTs) and life insurance policies

Complying SMSFs can claim deductions for expenses they incurred to acquire, hold or dispose of:

- units in a PST
- life insurance policies issued by life insurance companies
- interests in trusts whose assets consist wholly of such life insurance policies.

The SMSF can claim the expenditure as a deduction if the expenditure would qualify for deduction under the provisions of the ITAA 1936 or the ITAA 1997 if any profits, gains or bonuses received from the investments listed above that are not assessable income were instead included in assessable income.

Do not include amounts at I1 or I2 if you can more appropriately include them at F1 or F2.

The SMSF cannot deduct amounts for investment charges that the PST or life insurance company deducts from the gross contributions transferred to it from the SMSF. These charges are not deductible because they are capital expenditure (since they reduce the amount of the investment).

Legislation

Section 295-100 of the *Income Tax Assessment Act 1997*

J1 and J2 Management and administration expenses

Did the SMSF incur management or administration expenses?

No	Leave J1 and J2 blank. Go to U1 and U2.
Yes	Read on.

Write at J1 and J2, as required, the amount of management and administration expenses (of a revenue nature) that the SMSF incurred in 2016–17.

Do not include at J1 or J2:

- investment management expenses (include these at I1 or I2 Investment expenses)
- SMSF auditor fees (include these at H1 or H2 SMSF auditor fees).

Deductible management and administration expenses

Write at J1 the amount of deductible management and administration expenses.

The SMSF can claim a deduction for management and administration expenses incurred:

- for the purposes of earning assessable income
  - such as the cost of collecting contributions (Australian SMSFs can claim a deduction whether or not the contribution is assessable, foreign SMSFs

cannot claim a deduction)

- that were tax-related (as described in section 25-5 of the ITAA 1997), such as
  - tax agent fees
  - SMSF supervisory levy
  - general interest charge
  - shortfall interest charge.

Do not include at J1 management and administration expenses (or any part of such expenses) that relate to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

If the SMSF pays an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for the SMSF's management and administration expenses.

Non-deductible management and administration expenses

Write at J2 the amount of management and administration expenses that are not deductible.

Non-deductible management and administration expenses include:

- fees for setting up the SMSF
- legal fees incurred to amend a trust deed to include a new member
- late lodgment penalties
- most expenses incurred in earning income that is exempt, such as exempt current pension income.

Example: Management and administration expenses

SMSF J has no exempt current pension income, foreign income or non-arm's-length income.

In 2016–17, *SMSF J* paid the following management and administration expenses:

- $600 for tax agent fees
- $259 for the SMSF supervisory levy
- $1,000 to an SMSF administrator
- $800 to change its trust deed.

SMSF J determines that:

- the tax agent's fees, SMSF supervisory levy and SMSF administrator fees ($1,859) are deductible

- the legal fees for the change to the trust deed ($800) are not deductible.

SMSF J reports:

H1 Deductible management and administration expenses $1,859

H2 Non-deductible management and administration expenses $ 800

U1 and U2 Forestry managed investment scheme expense

Did the SMSF incur expenses for a forestry managed investment scheme (FMIS)?

No	Leave U1 and U2 blank. Go to L1 and L2.
Yes	Read on.

Write at U1 and U2, as required, the amount of forestry managed investment scheme expenses that the SMSF incurred in 2016–17.

Deductible forestry managed investment scheme expenses

Write at U1 the total amount of deductible payments made under an FMIS.

Do not include at U1 payments (or any part of such payments) that relate to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

You can read more about calculating deductible FMIS payments at Forestry managed investment schemes.

If the SMSF pays an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for the SMSF's FMIS expenses.

Non-deductible forestry managed investment scheme expenses

Write at U2 the total amount of payments made under an FMIS that are not deductible The SMSF cannot claim a deduction for certain excluded payments. For more information see Forestry managed investment schemes.

The SMSF cannot claim a deduction for payments if the income from the FMIS is exempt income, such as exempt current pension income.

For information on the SMSF's eligibility to claim deductions, if the SMSF incurred expenses to do with a collapsed agribusiness managed investment scheme, then see Collapse and restructure of agribusiness managed investment schemes –

participant information.

Example 'SMSF with no ECPI': FMIS expenses

SMSF U has no exempt current pension income, foreign income or non-arm's-length income.

SMSF U is entitled to a deduction of $800 for payments made to an FMIS in 2016–17.

SMSF U reports:

I1 Deductible forestry managed investment scheme expenses $800

I2 Non-deductible forestry managed investment scheme expenses (Blank)

Example 'SMSF with ECPI': FMIS expenses

SMSF UU pays an income stream to one of its three members and some of its income is exempt from income tax under the exempt current pension income rules.

SMSF UU made payments of $800 to an FMIS in 2016–17.

Using the rules described at How are expenses treated when an SMSF has ECPI? *SMSF UU* determines that $200 of the payments relate to earning its ECPI.

SMSF UU reports:

I1 Deductible forestry managed investment scheme expenses $600

I2 Non-deductible forestry managed investment scheme expenses $200

L1 and L2 Other amounts

Did the SMSF incur other expenses?

No	Leave L1 and L2 blank. Go to M1.
Yes	Read on.

Write at L1 and L2, as required, the amount of expenses incurred by the SMSF in 2016–17 that do not fall into any other category in Section C. You will need to refer to:

- Table 7: 'Other amounts' categories and codes (next page) which specifically identifies, and provides codes for, nine categories of other amounts, and
- the description of each category below Table 7.

Do not include at L1 or L2:

- expenses that are more appropriately included elsewhere in Section C
- super benefits paid (do not include these anywhere in Section C).

Deductible other amounts

Write at L1 the total of any other deductible expenses that are not included at any other question.

Do not include at L1 expenses (or any part of expenses) that relate to earning:

- foreign income (see Expenses that relate to foreign income)
- non-arm's-length income (see Expenses that relate to non-arm's-length income).

If the SMSF pays an income stream (pension) to a member, refer to How are expenses treated when an SMSF has ECPI? before you claim a deduction for the expenses that you include at L1.

Non-deductible other amounts

Write at L2 the total of any other expenses that the SMSF incurred that are not deductible and that are not included at any other question. For example, include income tax paid by the SMSF at L2 as it is not deductible at all.

Also include an amount for any other expenses (that are not included at any other question) to the extent those expenses are incurred for the purposes of earning exempt income, such as exempt current pension income.

Code boxes

You must print a code letter in the code box to the right of:

- L1 if you write an amount at L1
- L2 if you write an amount at L2.

Print the code letter from table 7 that best describes the largest amount you include at each of L1 and L2.

Table 7: 'Other amounts' categories and codes

Code letter	Amounts in respect of

A	Balancing adjustment amounts
B	Contribution that is a fringe benefit
C	Exclusion of personal contributions
E	Environmental protection activities (EPA) expenditure
F	Forex losses
I	Deduction relating to listed investment company (LIC) capital gain amount
N	Deduction relating to foreign non-assessable non-exempt income
R	Return of contributions by a non-complying SMSF
T	Taxation of financial arrangements (TOFA) amounts
O	Other amounts not listed above

Balancing adjustment amounts (A)

If the SMSF ceases to hold or to use a depreciating asset, you need to work out a balancing adjustment amount. Include balancing adjustment losses at L1 or L2.

For more information, see Guide to depreciating assets 2017.

Contribution that is a fringe benefit (B)

A 'contribution that is a fringe benefit' is a contribution that is:

- included in the SMSF's assessable income as an assessable contribution that is a fringe benefit, and
- taxed as a fringe benefit in the hands of the contributor.

The SMSF can deduct a contribution that is a fringe benefit in the income year in which the contribution is included in assessable income. The deduction is included at L1.

A contribution made for an employee to a complying SMSF is not a fringe benefit.

Legislation

Section 295-490 of the ITAA 1997

Exclusion of personal contributions (C)

'Exclusion of personal contributions' refers to situations where an SMSF:

- received (from a member) during 2016–17 a valid variation of the *Notice of*

intent to claim a deduction for personal super contributions that reduced the amount of personal contributions that were assessable income of the SMSF in a previous income year, and
- did not choose to amend the SMSF annual return for that earlier income year in which it included the contributions as assessable income.

In this situation the SMSF may claim a deduction by including an amount at L1 for 'exclusion of personal contributions'. The SMSF's assessable income for 2016–17 is reduced by the amount its assessable income in a previous income year is overstated, following a valid variation notice being received from the member.

Do not include an amount at L1 for 'exclusion of personal contributions' if a member varies a *Notice of intent to claim a deduction for personal super contributions* for personal super contributions made by the member in 2016–17 (include the reduced amount at R2 Assessable personal contributions).

For more information, see Notice of intent to claim or vary a deduction for personal super contributions.

Environmental protection activities (EPA) expenditure (E)

A deduction is allowed for certain capital expenditure incurred for the sole or dominant purpose of:

- preventing, fighting or remedying pollution of the environment resulting from an earning activity, or the site of an earning activity, or
- treating, cleaning up, removing or storing waste resulting from an earning activity, or the site of an earning activity.

Include at L1 a deduction for EPA expenditure.

Expenditure that forms part of the cost of a depreciating asset is not deductible as expenditure on EPA if a deduction is available for the decline in value of the asset.

You can write off expenditure incurred on or after 19 August 1992 on certain earthworks constructed as a result of carrying out EPA at the rate of 2.5% per annum under the provisions for capital works expenditure.

For more information, see:

- Guide to depreciating assets 2017
- Section 40-755 of the ITAA 1997.

Forex losses (F)

If the SMSF has any deductible or non-deductible foreign exchange losses of a revenue nature that have not been shown at any other question in Section C, include the amount of the losses at L1 or L2.

See Foreign exchange (forex) to work out the SMSF's forex losses, if any.

Deduction relating to listed investment company (LIC) capital gain amount (I)

A listed investment company (LIC) can pay a dividend to an SMSF that includes a LIC capital gain amount (shown in the LIC's dividend statement). A complying SMSF can claim a deduction of one-third of that LIC capital gain amount. An Australian resident non-complying SMSF that is a trust can claim a deduction of one-half of that LIC capital gain amount.

Include at L1 allowable deductions for a LIC capital gain amount.

For more information, see Subdivision 115-D of the Income Tax Assessment Act 1997.

Deduction relating to foreign non-assessable non-exempt income (N)

Certain expenses relating to foreign non-assessable non-exempt income (that is, tax-free income) are allowable deductions against the SMSF's assessable income if the expenses incurred are a cost in relation to certain debt interests.

Include at L1 a deduction for such expenses.

For SMSFs, the relevant non-assessable non-exempt income is foreign income covered by sections 23AI or 23AK of the ITAA 1936.

For more information, see:

- Section 25-90 of the ITAA 1997
- Sections 23AI or 23AK of the ITAA 1936 if the amount is attributed income.

Return of contributions by non-complying SMSF (R)

An SMSF that has been non-complying since 1 July 1988, or since it was established if this is later, can deduct at L1 an amount which it pays to an entity (the receiving entity), so far as:

- the amount reasonably represents the direct or indirect return of
  - a contribution for which the receiving entity or another entity has deducted or can deduct an amount, or
  - earnings on such a contribution, and
- the receiving entity includes the amount in its assessable income under section 290-100 of the ITAA 1997.

The amount can be deducted by the SMSF in the income year in which it is included in the receiving entity's assessable income.

For more information, see Section 295-490 of the ITAA 1997.

Taxation of financial arrangements (TOFA) amounts (T)

If the TOFA rules apply to calculate an assessable gain or deductible loss on the SMSF's financial arrangements, include at L1 any deductible losses relating to financial arrangements. Show at L2 any TOFA losses for which a deduction could not be claimed. TOFA amounts that have been included elsewhere should not be included here.

Complete Section I: Taxation of financial arrangements if what you write at L1 or L2 includes an amount determined under the TOFA rules.

Other amounts not listed above (O)

If the amount that you include at L1 or L2 is not one of the types of deduction listed above for codes A, B, C, E, F, I, N, R or T, then use code O for 'other'.

M1 Tax losses deducted

Does the SMSF have a tax loss from an earlier income year?

No	Leave M1 blank. Go to N.
Yes	Read on.

Write at M1 the tax losses from an earlier income year that the SMSF is claiming. The SMSF can claim tax losses only to the extent that its total assessable income exceeds total deductions (other than tax losses).

The trust loss legislation in Schedule 2F to the ITAA 1936 affects the deductibility of prior year losses by all trusts that are not excepted trusts as defined in section 272-100 of Schedule 2F to the ITAA 1936, such as non-complying super funds.

You may need to complete and attach a *Losses schedule 2017* to the SMSF's annual return. For more information, see Losses schedule instructions 2017.

Tax losses are not the same as ‘capital losses’ which may result from a capital gains tax event. Do not include net capital losses at M1. Capital losses from prior years can be applied against the current year's capital gains at A Net capital gain in Section B or carried forward to later income years. See V Net capital losses carried forward to later income years in Section E.

Do include foreign tax losses from prior years at M1.

Do not include at M1 tax losses that relate to non-arm's-length income. Tax losses that relate to non-arm's-length income can only be applied against non-arm's-length income. If the SMSF has carried forward a loss from a non-arm's-length transaction in a prior year, use the loss to reduce the amount that you write at the non-arm's-length income questions (U1, U2 and U3) in Section B.

Tax losses and tax exempt income

If the SMSF had net exempt income in 2016–17, you must first deduct the SMSF’s tax losses from earlier income years from the SMSF’s net exempt income (section 36-15 of the ITAA 1997).

If tax losses from earlier years remain after the net exempt income has been reduced to zero, write the remaining tax losses at M1 to be deducted from the SMSF's assessable income (but only to the extent such losses are necessary to reduce the SMSF's taxable income to zero).

For more information, see Self-managed super funds and tax exemptions on pension assets.

Example 'SMSF with no ECPI': Tax losses deducted

SMSF M has no exempt current pension income, foreign income or non-arm's-length income.

In 2015–16, *SMSF M* made a tax loss of $30,000 which it reported at U Tax losses carried forward to later income years in Section E of its 2015–16 annual return.

In its 2016–17 annual return, *SMSF M* reports $30,000 at M1 Tax losses deducted.

Example 'SMSF with ECPI': Tax losses deducted

SMSF MM pays an income stream to one of its three members and some of its income is exempt from income tax under the exempt current pension income rules.

In 2015–16, *SMSF MM* made a tax loss of $30,000 which it reported at U Tax losses carried forward to later income years in Section E of its 2015–16 annual return.

Using the rules described at How are expenses treated when an SMSF has ECPI?, *SMSF MM* determines that for 2016–17, $20,000 of its income is exempt current pension income and $2,000 of its expenses relate to earning that exempt current pension income. Therefore its net exempt income is $18,000 ($20,000 minus $2,000).

In its 2016–17 annual return, *SMSF MM* writes $12,000 ($30,000 – $18,000) at M1 Tax losses deducted.

N, Y, O and Z Deduction and non-deductible expense totals

N Total deductions

Add the deductions from A1 to M1.

Write the total at N.

Y Total non-deductible expenses

Add all the non-deductible expenses from A2 to L2.

Write the total at Y.

O Taxable income or loss

Take N Total deductions away from V Total assessable income in Section B. If V is a loss, add N and V.

Write the result at O. If the result is:

- zero, you must write 0
- a loss
  - print L in the box at the right of the total
  - include that total at U Tax losses carried forward to later income years in Section E.

O is mandatory. If you leave O blank, you will have specified a zero amount.

Z Total SMSF expenses

Add N Total deductions and Y Total non-deductible expenses.

Write the total at Z.

Section D: Income tax calculation statement (item 13)

You must complete Section D. You must answer questions A, T1, J, T5 and I.

This section works out the amount of tax and other charges payable by, or refundable to, the SMSF. We also use the information which you provide in this section to work out the SMSF's 2017–18 PAYG instalments (if applicable to the SMSF).

Work through each question from A Taxable income to S Amount due or refundable and:

- write the relevant amount if the question applies to your SMSF, or
- write 0 if the question:
  - does not apply to your SMSF, and
  - is one of the mandatory questions (A, T1, J, T5 and I) or
- leave the answer box blank for any other question that does not apply to your SMSF.

Answer the questions in their sequence.

- Some questions rely on information you have already entered in previous questions.
- On page 5 you will need to go through the questions in the left-hand column

(C1-2, D1-2, E1-4, H1-8) before you can complete three questions in the right-hand column (C, D, E, H).

Entitlement to franking credits tax offset

Under the imputation system, tax paid by a company is able to be passed on to its members (shareholders) as a credit (referred to as a franking credit). The member may be able to claim a tax offset for that franking credit (referred to as a franking credits tax offset).

If the SMSF receives dividends with franking credits attached, and none of the exceptions in the following paragraph apply, the SMSF can claim a franking credits tax offset equal to the amount of the franking credit or the SMSF's share of the franking credit.

The SMSF is not entitled to a franking credits tax offset if:

- the SMSF was not an Australian resident
- the SMSF did not satisfy the holding period rule and the related payments rule for the dividend
- the dividend washing integrity rule applies
- there is some other manipulation of the imputation system
- the franking credits are attached to tax exempt dividends (unless they are exempt from income tax under the exempt current pension income rules)
- the franking credits are attached to dividends that are non-assessable non-exempt income.

If the SMSF is entitled to a franking credits tax offset, include the amount of the franking credit (along with the dividend income) at the appropriate question in Section B and include the franking credit amount at either:

- E1 Complying fund’s franking credits tax offset if the SMSF is complying, or
- C2 Rebates and tax offsets if the SMSF is non-complying.

A complying SMSF is entitled to a refund if it is unable to fully utilise the tax offset in reducing its income tax whereas a non-complying SMSF is not entitled a refund of the unused portion of a tax offset amount.

A, T1, J and B Calculation of gross tax

A Taxable income

You wrote the SMSF's taxable income, or its loss, at O Taxable income or loss in Section C.

Is the amount at *O Taxable income or loss* a loss?

No	Transfer the amount from O Taxable income or loss in Section C.
Yes	Write 0 at A. Go to T1.

A is mandatory. If you leave A blank, you will have specified a zero amount.

T1 Tax on taxable income

Is the amount at A zero?

Yes	Write 0 at T1. Go to J.
No	Read on.

Is the SMSF a complying SMSF for the income year?

No	All assessable income for a non-complying SMSF is taxed at 47%, whether arm's length income, non-arm's-length income or arising from a change in the SMSF's tax status. Multiply A by 47%. Write the answer at T1.
Yes	Different tax rates apply to arm's length and non-arm's-length income. Add: • 47% of U Non-arm's-length income (in Section B) and • 15% of (A in Section D *less* U Non-arm's-length income in Section B). The result is the tax on the SMSF's taxable income before applying rebates, tax offsets, and credits. Write the result at T1, then go to J.

T1 is mandatory. If you leave T1 blank, you will have specified a zero amount.

J Tax on no-TFN-quoted contributions

If the SMSF received no-TFN-quoted contributions (recorded at R3 No-TFN-quoted contributions in Section B), it pays extra tax on those contributions.

Did the SMSF receive contributions from a member who has not provided their TFN?

No	Write 0 at J. Go to B.
Yes	Read on.

Extra tax applies to no-TFN-quoted contributions. To work out the extra tax, multiply the no-TFN-quoted contributions by:

- 34% if the SMSF is a complying SMSF
- 2% if the SMSF is a non-complying SMSF.

Write the result at J.

All SMSFs, complying and non-complying, have an overall tax rate of 49% on no-

TFN-quoted contributions:

- complying SMSFs pay 15% (at T1) and 34% (at J), a total of 49%
- non-complying SMSFs pay 47% (at T1) and 2% (at J), a total of 49%.

J is mandatory. If you leave J blank, you will have specified a zero amount:

B Gross tax

Write at B the total of T1 and J. If the sum is zero, write 0 at B.

Example: Calculating B Gross tax (without non-arm's-length income)

SMSF B is a complying SMSF. It does not have any non-arm's-length income or no-TFN-quoted contributions.

SMSF B calculated its taxable income as $14,500 which it wrote in at O Taxable income or loss in Section C and also at A Taxable income in Section D.

SMSF B calculates its tax on taxable income at T1 to be $2,175 as follows:

- Rate: 15%
- Income: $14,500
- Tax: $2,175

SMSF B does not have any no-TFN-quoted contributions so it writes $0 at J Tax on no-TFN-quoted contributions.

B Gross tax is the sum of T1 and J ($2,175 + $0).

In the SMSF annual return, *SMSF B* writes:

Section D Income tax calculation statement (without non-arm's-length income)

Section D: Fields	Amounts
A Taxable income	$14,500
T1 Tax on taxable income	$2,175
J Tax on no-TFN-quoted contributions	$0
B Gross tax	$2,175

Example: Calculating B Gross tax (with non-arm's-length income)

SMSF BB is a complying SMSF. It has non-arm's-length income but does not have any no-TFN-quoted contributions.

SMSF BB calculated its taxable income as $14,500 which it wrote at O Taxable income or loss in Section C and also at A Taxable income in Section D. This amount included non-arm's-length income of $4,500 which it wrote at U Non-arm's-length income in Section B.

SMSF BB's calculation of tax on taxable income to show at T1.

Description	Calculation	Tax
Tax on arm's length income	15% of $10,000	$1,500
Tax on non-arm's-length income	47% of $4,500	$2,115
T1 Tax on taxable income	$1,500 + $2,115	$3,615

SMSF BB does not have any no-TFN-quoted contributions so it writes $0 at J Tax on no-TFN-quoted contributions.

B Gross tax is the sum of T1 and J ($3,615 + $0).

In the SMSF annual return, *SMSF BB* writes:

Section D Income tax calculation statement (with non-arm's-length income)

Section D: Fields	Amounts
A Taxable income	$14,500
T1 Tax on taxable income	$3,615
J Tax on no-TFN-quoted contributions	$0
B Gross tax	$3,615

C1, C2, C Non-refundable non-carry forward tax offsets

Non-refundable non-carry forward tax offsets (if the SMSF is entitled to them) reduce the SMSF's gross tax. If the total of the 'non-refundable non-carry forward' tax offsets is greater than the gross tax, the excess cannot be carried forward and is lost. If the SMSF's gross tax is greater than the total of non-refundable non-carry forward tax offsets, the remaining tax is shown at T2 Subtotal 1.

C1 Foreign income tax offset

Is the SMSF entitled to a foreign income tax offset?

No	Leave C1 blank. Go to C2.
Yes	Read on.

The SMSF may be able to claim a foreign income tax offset where it has paid foreign income tax on an amount included in its assessable income. The SMSF’s foreign income tax offset is limited to the lesser of:

- the foreign income tax that the SMSF paid (or is taken to have paid), and
- the SMSF's foreign income tax offset limit (which is $1,000 or the amount calculated under paragraph 770-75(2)(b) of the ITAA 1997, whichever is greater).
- Write at C1 the amount that the SMSF can claim as a foreign income tax offset.

Do not include Australian franking credits from a New Zealand company at C1. Include these at:

- E1 Complying fund’s franking credits tax offset if the SMSF is complying, or
- C2 Rebates and tax offsets if the SMSF is non-complying.

For more information, see Guide to foreign income tax offset rules.

Legislation

Subdivision 770-B of the Income Tax Assessment Act 1997

C2 Rebates and tax offsets

Is the SMSF entitled to rebates and tax offsets (other than those that the SMSF claims at C1, D1-2 or E1-4)?

No	Leave C2 blank. Go to C.
Yes	Read on.

Write at C2 the total of rebates and tax offsets available other than those that are included at C1, D1-2or at E1-4.

Include franking credits tax offsets at C2 if the SMSF is non-complying. For details on entitlement to a franking credits tax offset, see Entitlement to a franking credits tax offset.

You must also include the franking credit as income at the appropriate question in Section B.

Do not include:

- franking credits tax offsets if the SMSF is complying (include these at E1 Complying fund's franking credits tax offset)
- no-TFN tax offsets (include these at E2 No-TFN tax offset)
- franking credits attributable to a dividend that is excluded from assessable income because family trust distribution tax has been paid
- franking credits tax offsets for foreign (including New Zealand) imputation credits (the SMSF cannot claim these in Australia).
- early stage venture capital limited partnership tax offset (include these at D1 Early stage venture capital limited partnership tax offset)
- early stage investor tax offset (include these at D2 Early stage investor tax offset)

Legislation

Subsection 67-25(1A) and Division 207 of the Income Tax Assessment Act 1997

C Non-refundable non-carry forward tax offsets

Write at C the total of C1 Foreign income tax offset and C2 Rebates and tax offsets. If you did not write an amount at C1 or C2, leave C blank.

T2 Subtotal 1

Take C Non-refundable non-carry forward tax offsets away from B Gross tax.

If the answer is:

- positive, write the answer at T2
- zero or negative, write 0 at T2.

If the non-refundable non-carry forward tax offsets are greater than the gross tax, the excess cannot be carried forward and is lost.

Example: Calculating T2 SUBTOTAL 1
(non-refundable non-carry forward tax offsets greater than gross tax)

SMSF T2 is a complying SMSF with excess non-refundable non-carry forward tax offsets. It writes the following amounts in its 2017 SMSF annual return:

Calculation of T2 Subtotal 1 (offsets greater than gross tax)

Section D: Income tax calculation statement	Amount used in calculation
B Gross tax	$2,000

C Non-refundable non-carry forward tax offsets	$2,500
T2 Subtotal 1	$0

SMSF T2 has more non-refundable non-carry forward tax offsets ($2,500) than gross tax ($2,000).

SMSF T2 uses its non-refundable non-carry forward tax offsets of $2,000 to reduce its gross tax to $0 at T2 Subtotal 1. It loses the remaining non-refundable non-carry forward tax offsets ($500).

Example: Calculating T2 SUBTOTAL 1
(non-refundable non-carry forward tax offsets less than gross tax)

SMSF T2 is a complying SMSF. Its non-refundable non-carry forward tax offsets are less than its gross tax. It writes the following amounts in its SMSF annual return:

Calculation of T2 Subtotal 1 (offsets less than gross tax)

Section D: Income tax calculation statement	Amount used in calculation
B Gross tax	$2,175
C Non-refundable non-carry forward tax offsets	$675
T2 Subtotal 1	$1,500

SMSF T2 uses its $675 non-refundable non-carry forward tax offsets against its $2,175 gross tax. The amount it enters at T2 Subtotal 1 is $1,500 ($2,175 − $675).

D1, D2, D Non-refundable carry forward tax offsets

Non-refundable carry forward tax offsets reduce any remaining tax at T2 Subtotal 1. If the total of the 'non-refundable carry forward' tax offsets is greater than the remaining tax at T2, the excess may be carried forward to a future income year. If the SMSF's gross tax is greater than the total of non-refundable carry forward tax offsets, the remaining tax is shown at T3 Subtotal 2.

D1 Early stage venture capital limited partnership (ESVCLP) tax offset

An SMSF may be entitled to the ESVCLP tax offset if it contributed to an ESVCLP that became unconditionally registered on or after 7 December 2015.

Is the SMSF entitled to the ESVCLP tax offset?

No	Leave D1 blank. Go to D2.
Yes	Read on.

If the SMSF is a limited partner of the ESVCLP, the SMSF's ESVCLP tax offset is limited to 10% of the lesser of the following:

- the SMSF's total contributions to the ESVCLP during the income year (certain exclusions apply), and
- the SMSF's share (based on the SMSF's share in the entire capital of the ESVCLP at the end of the income year) of the sum of eligible venture capital investments made by the ESVCLP during the income year and within two months after the end of the income year.

If the SMSF is a member of a partnership or a trust which is itself a limited partner of an ESVCLP, the partnership or the trustee of the trust will provide the SMSF with details of the SMSF's ESVCLP tax offset.

Write the total amount of the ESVCLP tax offsets at D1.

For more information, see ESVCLP tax incentives and concessions.

Legislation

Subdivision 61-P of the Income Tax Assessment Act 1997

D2 Early stage investor tax offset

An SMSF may be entitled to claim the early stage investor tax offset for the income year if it invested in a qualifying early stage innovation company during the year.

To qualify for this tax offset there are requirements that need to be satisfied by the investor and by the early stage innovation company.

Is the SMSF entitled to the early stage investor tax offset?

No	Leave D2 blank. Go to D.
Yes	Read on. Step 1: Work out the total amount the SMSF paid for newly issued shares in qualifying early stage innovation companies during the year. If the requirements of the 'sophisticated investor' test under the

Corporations Act 2001 are not met for at least one of the investments made in a qualifying early stage innovation company during the year, the Step 1 amount must not exceed $50,000. If the step 1 amount exceeds $50,000 the SMSF cannot claim this offset.
Step 2: Multiply the Step 1 amount by 20%.
Step 3: Identify the SMSF's entitlements to any early stage investor tax offsets as a beneficiary of a trust or a partner in a partnership that has invested in a qualifying early stage innovation company during the year. The trustee of the trust or the partnership will provide a written notification of any entitlement. If a written notification has not been provided, contact the trustee or partnership. .
Step 4: Aggregate the amounts at step 2 and step 3 and include this amount at D2.
The maximum amount of this offset (including affiliates) is $200,000 in an income year (or $10,000 if the requirements of the 'sophisticated investor' test are not met and your investments in any ESICs in the year do not exceed $50,000 in total').

For more information on the early stage investor tax offset and the eligibility requirements, see Tax incentives for early stage investors.

Legislation

Subdivision 360-A of the Income Tax Assessment Act 1997

D Non-refundable carry forward tax offsets

Write at D the total of D1 Early stage venture capital limited partnership tax offset and D2 Early stage investor tax offset. If you did not write an amount at D1 or D2, leave D blank.

T3 Subtotal 2

Take D Non-refundable carry forward tax offsets away from T2 Subtotal 1.

If the answer is:

- positive, write the answer at T3
- zero or negative, write 0 at T3.

If the non-refundable carry forward tax offsets are greater than the subtotal at T2, the excess may be carried forward and applied in a later income year.

Example: Calculating T3 Subtotal 2
(non-refundable carry forward tax offsets greater than T2 Subtotal 1)

SMSF T3 is a complying SMSF with excess non-refundable carry forward tax offsets. It writes the following amounts in its 2017 SMSF annual return:

Calculation of T3 Subtotal (offsets greater than amount at T2 Subtotal 1)

Section D: Income tax calculation statement	Amount used in calculation
T2 Subtotal 1	$2,000
D Non-refundable carry forward tax offsets	$2,500
T3 Subtotal	$0

SMSF T3 has more non-refundable carry forward tax offsetr ($2,500) than its T2 Subtotal 1 ($2,000).

SMSF T3 uses its non-refundable carry forward tax offset of $2,000 to reduce its T2 Subtotal 1 to $0 at T3 Subtotal. It may carry forward the remaining non-refundable carry forward tax offset ($500) to the next income year.

Example: Calculating T3 Subtotal
(non-refundable carry forward tax offsets less than amount at T2 Subtotal 1)

SMSF T3 is a complying SMSF. Its non-refundable carry forward tax offsets are less than its T2 Subtotal 1. It writes the following amounts in its SMSF annual return:

Calculation of T3 Subtotal (offsets less than amount at T2 Subtotal 1)

Section D: Income tax calculation statement	Amount used in calculation
T2 Subtotal 1	$2,175
D Non-refundable carry forward tax offsets	$675
T3 Subtotal	$1,500

SMSF T3 uses its $675 non-refundable carry forward tax offsets against its $2,175 T2 Subtotal 1. The amount it enters at T3 Subtotal is $1,500 ($2,175 – $675).

E1, E2, E3 and E Refundable tax offsets questions

If the SMSF is entitled to any refundable tax offsets, the offsets reduce any remaining tax at T3 Subtotal. If the amount of refundable tax offsets exceeds the remaining tax at T3, show the excess at I Tax offset refunds. If the amount of refundable tax offsets is less than the remaining tax at T3 the shortfall becomes the tax payable amount at T5.

E1 Complying fund's franking credits tax offset

For details on entitlement to a franking credits tax offset, see Entitlement to a franking credits tax offset.

Is the SMSF entitled to a complying fund's franking credits tax offset?

No	Leave E1 blank. Go to E2.
Yes	Read on.

Write the franking credits tax offsets at E1.

You must also include the franking credits as income at the appropriate question in Section B.

Include at E1 Australian franking credits that are attached to:

- dividends and non-share dividends including where they are exempt current pension income
- a New Zealand franking company's
  - franked non-share dividends and
  - assessable franked dividends.

Do not include:

- franking credits if the SMSF is non-complying (include these at C2 rebates and tax offsets)
- credits that you included at C1 Foreign income tax offset
- franking credits attributable to a dividend that is excluded from assessable income because family trust distribution tax has been paid
- New Zealand imputation credits (an Australian resident cannot claim New Zealand imputation credits).

Legislation

Section 67-25 and Division 207 of the Income Tax Assessment Act 1997

E2 No-TFN tax offset

An SMSF is entitled to a no-TFN tax offset in 2016–17 if:

- it was required to pay extra tax on no-TFN-quoted contributions in any of the previous three income years, and
- the no-TFN-quoted contributions were for a member who gave their TFN to the SMSF for the first time in 2016–17.

Is the SMSF entitled to a no-TFN tax offset?

No	Leave E2 blank. Go to E3.
Yes	Read on.

Write the no-TFN tax offset at E2.

The amount of no-TFN tax offset that the SMSF can claim is the total of the additional no-TFN-quoted contributions tax (see J Tax on no-TFN-quoted contributions) that the SMSF was required to pay:

- in any of the three previous income years
- for members who gave their TFN to the SMSF for the first time in 2016–17.

Because SMSF members are generally either trustees of the SMSF, or directors of a corporate trustee, it is very rare for an SMSF to pay no-TFN-quoted contributions tax, and therefore very rare for SMSFs to be entitled to a no-TFN tax offset. Penalties may apply if you claim a no-TFN tax offset that the SMSF is not entitled to.

Legislation

Section 67-23 and Subdivision 295-J of the Income Tax Assessment Act 1997.

Example: Entitlement to a no-TFN tax offset

SMSF E2 received $10,000 assessable contributions for Julie, a member, during 2015–16. Julie had not provided the SMSF with her TFN by 30 June 2016. In the SMSF 2015–16 annual return the SMSF reported Julie's $10,000 contribution as a no-TFN-quoted contribution. It paid additional tax of $3,400 on the no-TFN-quoted contributions.

Julie provided her TFN to *SMSF E2* on 30 September 2016.

SMSF E2 is entitled to claim a no-TFN tax offset for the additional no-TFN-quoted contributions tax of $3,400 paid for 2015–16.

SMSF E2 writes $3,400 at E2 No-TFN tax offset in its 2016–17 annual return.

E3 National rental affordability scheme tax offset

Is the SMSF entitled to a national rental affordability scheme (NRAS) tax offset?

No	Leave E3 blank. Go to E4.

Yes	Read on.

Write the NRAS tax offset at E3.

The refundable tax offset is only available when the Secretary of the Department of Social Services has issued a certificate under the NRAS. In order to claim the tax offset in the 2016–17 SMSF annual return, the NRAS certificate must relate to the NRAS year 1 May 2016 to 30 April 2017.

For more information, see:

- National rental affordability scheme - taxation issues
- Section 67-23 and Division 380 of the *Income Tax Assessment Act 1997*.

E4 Exploration credit tax offset

Is the SMSF entitled to an exploration credit tax offset?

No	Leave E4 blank. Go to E.
Yes	Read on.

Write the exploration credit tax offset at E4.

An SMSF may be entitled to a tax offset for exploration credits received during the income year if it was an Australian resident for the whole of the income year.

The amount of the tax offset is the total value of exploration credits the SMSF received in the income year. However, special rules may apply where the SMSF has received exploration credits from a partnership or a trust.

For more information, see:

- ato.gov.au/Business/Exploration-Development-Incentive
- Division 418 of the Income Tax Assessment Act 1997.

E Refundable tax offsets

Write at E the total of:

- E1 Complying fund's franking credits tax offset
- E2 No-TFN tax offset
- E3 National rental affordability scheme tax offset, and
- E4 Exploration credit tax offset.

The tax offsets reduce the tax that remains at T3 Subtotal. If the amount of refundable tax offsets at E:

- is less than the tax at T3, the shortfall becomes the SMSF's tax payable amount at T5 Tax payable

- is greater than the tax at T3, show the excess at I Tax offset refunds.

T5 Tax payable

Is the amount at T3 Subtotal more than the amount at E Refundable tax offsets?

No	Write 0 at T5. Take T3 Subtotal away from E Refundable tax offsets. Write the result at I Tax offset refunds.
Yes	• Take E Refundable tax offsets away from T3 Subtotal. • Write the result at T5.

T5 is mandatory. If you leave T5 blank, you will have specified a zero amount.

Example: Calculating T5 Tax payable (refundable tax offsets less than T3)

SMSF T5 has no excess refundable tax offsets. It writes the following amounts in its SMSF annual return:

Calculation of T5 Tax payable (refundable offsets less than T3)

Calculation of T5 Tax payable (refundable offsets less than T3)

Calculation of T5 Tax payable (refundable offsets less than T3)

Section D: Income tax calculation statement	Amount used in calculation
T3 Subtotal	$1,500
E Refundable tax offsets	$500
T5 Tax payable	$1,000
I Tax offset refunds	$0

SMSF T5 takes the $500 refundable tax offsets away from its T3 Subtotal of $1,500. The amount at T5 Tax payable is $1,000 (that is, $1,500 − $500).

Example: Calculating T5 Tax payable (refundable tax offsets greater than T3)

SMSF T5 writes the following amounts in its SMSF annual return:

Calculation of T5 Tax payable (refundable offsets greater than T3)

Calculation of T5 Tax payable (refundable offsets greater than T3)

Calculation of T5 Tax payable (refundable offsets greater than T3)

Section D: Income tax calculation statement	Amount used in calculation
T3 Subtotal	$1,500
E Refundable tax offsets	$2,000
T5 Tax payable	$0
I Tax offset refunds	$500

SMSF T5 has more refundable tax offsets ($2,000) than tax (T3 Subtotal $1,500).

SMSF T5 uses the refundable tax offsets of $2,000 to reduce the tax to $0, which it writes at T5 Tax payable.

SMSF T5 writes the remaining refundable tax offset ($500) at I Tax offset refunds and this is available as a credit amount in the overall calculation.

G Section 102AAM interest charge

An interest charge is imposed on certain distributions from non-resident trusts under section 102AAM of the *Income Tax Assessment Act 1936*.

Is the SMSF required to pay a Section 102AAM interest charge?

No	Leave G blank.
Yes	Write at G the Section 102AAM interest charge that the SMSF is required to pay.

H1, H2, H3, H5, H6, H8 and H Eligible credit questions

If the SMSF is entitled to any credits for tax or TFN amounts withheld or for interest, the total eligible credits are available as a credit amount in the overall calculation. If the amount of eligible credits exceeds the tax payable and the levy amount then the SMSF may be entitled to a refund of the excess.

H1 Credit for interest on early payments – amount of interest

Is the SMSF entitled to interest on early payments made to the ATO?

No	Leave H1 blank. Go to H2.
Yes	Read on.

Write at H1 the calculated interest amount of 50 cents or more for early payments.

Do not write the amount of the early payment at H1.

We may pay interest where the SMSF paid certain amounts more than 14 days before the due date of payment. Amounts that may attract early payment interest include payments of:

- income tax
- shortfall interest charge
- interest payable under section 102AAM of the ITAA 1936.

Amounts that you do not pay directly to us, but which are reduced by the crediting or applying of an amount, do not attract early payment interest. These amounts include:

- credit for instalments payable under the PAYG instalment regime
- credit for amounts withheld from withholding payments under the PAYG withholding regime
- an overpayment of other income tax liabilities
- a running balance account (RBA) surplus, and
- any other credit entitlement arising under a tax law.

Early payment interest is also not payable on any part of the payment that exceeds the amount due or attracts interest on overpayment.

Early payment interest is calculated from the date the early payment is made to the date the amount becomes due and payable. However, if you pay an amount early on account of a tax liability, and we refund it before the due date of the liability, interest will not accrue for the period after the date on which we refund the amount.

Date of payment is either:

- the date shown on the receipt
- the date the payment is mailed to us plus three business days, or
- the date shown on the SMSF's bank statement if payment is made through direct debit, that is, electronic funds transfer (EFT).

Table 8: Interest on early payments

The rates of interest on early payments for 2016–17 are:

Quarter	Interest rate (pa)
Jul–Sep 2016	2.01%
Oct–Dec 2016	1.76%
Jan–Mar 2017	1.76%
Apr–Jun 2017	1.78%

If the early payment extends over two or more quarters, calculate the interest for the number of days in each quarter.

For 2016–17 interest is calculated as follows:

$$\text{Interest} = \frac{\text{Number of days}}{365} \times \begin{array}{c}\text{amount of payment}\\\text{for that quarter}\end{array} \times \begin{array}{c}\text{interest rate}\\\text{(for that quarter)}\end{array}$$

You cannot claim a credit for interest of less than 50 cents on early payments.

Keep a record of the amount of the early payment interest payable. This interest is assessable income in the income year in which it is paid to the SMSF or credited against another SMSF liability.

To work this out, see the Credit for interest on early payments calculator.

H2 Credit for tax withheld – foreign resident withholding

Is the SMSF entitled to a credit for tax withheld through foreign resident withholding in Australia?

No	Leave H2 blank. Go to H3.
Yes	Read on.

Write at H2 the total amount of tax withheld from payments to the SMSF that were subject to foreign resident withholding in Australia. Include at H2 the SMSF's share of foreign resident withholding credits distributed to the SMSF from a partnership or included in a share of net income from a trust.

If a payer has withheld tax for foreign resident withholding from a payment to the SMSF, the payer must give the SMSF a payment summary that shows how much the payer withheld from its payments to the SMSF.

Do not include credits for amounts withheld from foreign resident capital gains withholding at H2. Include these at H8 Credit for amounts withheld from foreign resident capital gains withholding.

If you claim a credit at H2:

- you must include the corresponding gross payment at the appropriate item in Section B
- you must complete a Non-individual PAYG payment summary schedule 2017.

The SMSF is entitled to a credit at H2 only if the amount was:

- withheld in Australia, and
- remitted to us.

For more information, see PAYG withholding.

H3 Credit for tax withheld – where ABN or TFN not quoted (non-individual)

Is the SMSF entitled to credits for tax withheld where it didn't quote its Australian business number (ABN) or tax file number (TFN)?

No	Leave H3 blank. Go to H5.
Yes	Read on.

Write at H3 the total tax withheld from payments to the SMSF because the SMSF had not quoted its ABN or TFN.

If a payer has withheld tax from a payment to the SMSF because the SMSF did not quote its ABN or TFN, the payer must give the SMSF a payment summary that shows how much tax was withheld.

Do not include at H3:

- contributions that the SMSF received for a member who has not quoted their TFN (include these at R3 No-TFN-quoted contributions in Section B)
- amounts withheld from payments because the SMSF did not provide its TFN to the trustee of a closely held trust (include these at H5).

If you claim a credit at H3:

- you must include the corresponding gross payment at the appropriate item in Section B
- complete a Non-individual PAYG payment summary schedule 2017.

For more information, see PAYG withholding.

H5 Credit for TFN amounts withheld from payments from closely held trusts

Is the SMSF entitled to credits for TFN amounts withheld from payments from closely held trusts?

No	Leave H5 blank. Go to H6.
Yes	Read on.

Write at H5 the total tax withheld from payments where the SMSF has not provided its TFN to the trustee of a closely held trust and the payment is subject to the TFN withholding rules.

If a closely held trust has withheld tax from a payment to the SMSF because the SMSF did not provide its TFN, the closely held trust must give the SMSF a payment summary that specifies how much it withheld from its payments to the SMSF.

If you claim a credit at H5:

- the corresponding gross payment must be included at the appropriate item in Section B)
- you must complete a a Non-individual PAYG payment summary schedule 2017.

For more information, see TFN withholding for closely held trusts.

H6 Credit for interest on no-TFN tax offset

Is the SMSF entitled to interest on no-TFN tax offsets?

If the SMSF has not claimed a no-TFN tax offset at E2, it cannot claim a credit at H6.

No	Leave H6 blank. Go to H8.
Yes	Read on.

Write at H6 the total calculated interest amount of 50 cents or more for interest payable on the no-TFN tax offset claimed at E2 No-TFN tax offset. Do not include no-TFN tax offsets at H6 (include these offsets at E2 No-TFN tax offset).

Interest on the no-TFN tax offset is only payable if all the following occurred:

- the member of the SMSF provided their TFN to their employer before the end of a past income year
- the employer was required by section 299C of the *Superannuation Industry (Supervision) Act 1993* (SISA) to inform the SMSF of the individual's TFN by the end of the year, but did not do so
- contributions made for that member were no-TFN-quoted contributions in that past income year and the SMSF was required to pay additional tax (which is the interest bearing tax) on those contributions
- the SMSF claimed a no-TFN tax offset in the 2016–17 income year for the additional tax paid on those no-TFN-quoted contributions in a past income year

- the no-TFN tax offset is applied when assessing the SMSF for the 2016–17 income year.

The rate of interest payable on the interest-bearing tax is the base interest rate determined under section 8AAD of the *Taxation Administration Act 1953* (TAA 1953). Table 8 at H1 Credit for interest on early payments – amount of interest provides the applicable interest rates for 2016–17.

Keep a record of the amount of interest payable on tax that counts towards the no-TFN tax offset. This interest is assessable income of the SMSF in the income year in which it is paid to the SMSF or credited against another SMSF liability.

For more information, see No-TFN tax offset – interest on overpayments (IOP) calculator.

H8 Credit for amounts withheld from foreign resident capital gains withholding

Is the SMSF entitled to a credit for tax withheld through foreign resident capital gains withholding in Australia?

No	Leave H8 blank. Go to H.
Yes	Read on.

Write at H8 the total amount of tax withheld from payments to the SMSF that were subject to foreign resident capital gains withholding in Australia. Include at H8 the SMSF's share of foreign resident capital gains withholding credits distributed to the SMSF from its share of net income from a trust.

You should only claim at H8 a credit equal to the amount of foreign resident capital gains withholding paid by a purchaser to the ATO on your behalf. The ATO would have issued you with confirmation of this amount.

Do not include credits for amounts withheld from foreign resident withholding at H8. Include these at H2 Credit for tax withheld – foreign resident withholding.

For more information, see Foreign resident capital gains tax withholding.

H Eligible credits

Is there an amount at:

- H1 Credit for interest on early payments – amount of interest
- H2 Credit for tax withheld – foreign resident withholding
- H3 Credit for tax withheld – where ABN or TFN not quoted (non-individual)
- H5 Credit for TFN amounts withheld from payments from closely held trusts
- H6 Credit for interest on no-TFN tax offset
- H8 Credit for amounts withheld from foreign resident capital gains withholding?

No	Leave H blank.

Yes	Write at H the total of the amounts at H1, H2, H3, H5, H6 and H8.

I Tax offset refunds

Is the amount at T3 Subtotal less than the amount at E Refundable tax offsets?

No	Write 0 at I. Go to K.
Yes	Read on.

Take T3 Subtotal away from E Refundable tax offsets. Write the result at I.

See the examples at T5 Tax payable showing the calculation of I Tax offset refunds.

T5 is mandatory. If you leave T5 blank, you will have specified a zero amount.

K PAYG instalments raised

Did the SMSF pay, or was it required to pay, PAYG instalments for 2016–17?

No	Leave K blank. Go to L.
Yes	Read on.

Write at K the total of the SMSF's PAYG instalments for 2016–17, whether or not the PAYG instalments have actually been paid.

You can find the SMSF's PAYG instalment amounts on its activity statements.

If the SMSF used the instalment amounts worked out by us, its PAYG instalment amounts were pre-printed at:

- T7 on the SMSF's quarterly activity statements, or
- T5 on the annual instalment activity statement.

If the SMSF did not use the instalment amounts worked out by us, work out its PAYG instalment amounts by subtracting the credits claimed at 5B from the amounts reported at 5A on its activity statements.

To ensure the SMSF receives the correct amount of credit for its PAYG instalments, make sure all of its activity statements are finalised before lodging the annual return. If the SMSF is required to lodge its activity statements, it should do so even if it can't pay on time, or has nothing to pay.

The SMSF is entitled to a credit for its PAYG instalments even if it has not actually paid a particular instalment. However, the SMSF will be liable for the general interest charge on any outstanding instalment for the period from the due date for that instalment until the date it is fully paid.

When you complete your SMSF's PAYG instalment activity statement

You must exclude the SMSF's exempt current pension income from the amount you write at T1 PAYG instalment income on the PAYG activity statement if you use the instalment rate method to calculate your SMSF's PAYG instalments. See PAYG instalments.

L, M and N Supervisory levy questions

The SMSF supervisory levy questions are:

- L Supervisory levy
- M Supervisory levy adjustment for wound-up funds
- N Supervisory levy adjustment for new funds.

L, M and N are used to calculate the amount of SMSF supervisory levy that the SMSF must pay with the 2017 SMSF annual return. The amount that you must write at each of these questions depends on whether the SMSF was:

- an existing SMSF at the start of 2016–17 that was not wound up during the income year
- a newly registered SMSF in 2016–17 and lodging its first required SMSF annual return for that income year
- wound up during 2016–17
- both newly registered and wound up during 2016–17.

Table 9 shows the amounts you must write at M and N. L is already completed.

Table 9: Supervisory levy amounts

Type of SMSF	Amount at L	Amount at M	Amount at N	Net amount (L-M+N)	Comment
Existing SMSF that was not wound up during 2016–17	$259	$0 or blank	$0 or blank	$259	The SMSF supervisory levy amount is for 2017–18.
Newly registered SMSF in 2016–17 that was not wound up in 2016–17	$259	$0 or blank	$259	$518	The SMSF supervisory levy amount is for 2016–17 and

					2017–18.
Existing SMSF that was wound up in 2016–17	$259	$259	$0 or blank	$0	No SMSF supervisory levy paid.

L Supervisory levy

L shows the amount of supervisory levy due for 2017–18 ($259). Do not change the amount printed on the annual return.

The supervisory levy is included in the SMSF's tax assessment calculation and is to be paid with its income tax liability. The levy is payable even if the SMSF has no tax liability for 2016–17.

For more information, see Superannuation (Self Managed Superannuation Funds) Supervisory Levy Imposition Act 1991.

M Supervisory levy adjustment for wound up funds

Was the SMSF wound-up in 2016–17?

No	Leave M blank. Go to N.
Yes	Write $259.00 at M. Make sure you answered Yes in Section A at 9 Was the fund wound up during the income year?

An SMSF which was wound up during 2016–17 does not pay the SMSF supervisory levy for 2017–18. Writing $259 at M reduces the levy payable by $259 since the amount that you write at M will be subtracted when you calculate S Amount due or refundable.

N Supervisory levy adjustment for new funds

Is this the first annual return for a newly registered SMSF?

No	Leave N blank. Go to S.
Yes	Write $259.00 at N. Make sure you answered Yes to 5B Is this the first required return for a newly registered SMSF? in Section A.

The amount at N is the SMSF supervisory levy for 2016–17. SMSFs that are lodging their first annual return have not paid this amount previously while the other SMSFs paid the SMSF supervisory levy for 2016–17 with their 2016 SMSF annual return.

For more information, see SMSF supervisory levy – 2013 to 2017 financial years.

S Amount due or refundable

To work out S:

- add
  - T5 Tax payable
  - G Section 102AAM interest charge
  - L Supervisory levy
  - N Supervisory levy adjustment for new funds

- and then subtract
  - H Eligible credits
  - I Tax offset refunds
  - K PAYG instalments raised
  - M Supervisory levy adjustment for wound-up funds.

S Amount due or refundable can be zero, positive or negative:

- a positive amount is what you must pay to us
- a negative amount is the refund that you will receive.

If the amount at S is negative, write '-' to the left of the amount that you put at S.

If the amount at S is negative, complete 7 Electronic Funds Transfer in Section A to receive the refund.

If the SMSF has made any interim or voluntary payments against its 2016–17 tax liability:

- do not take the payments into account when working out the amount at S
- take the payments into account when working out the amount you must pay to us.

Do not attach any payment to the annual return.

For more information, see Payment.

Record keeping

The SMSF must keep:

- all documentation issued by financial institutions detailing
  - payments of income
  - any TFN amounts deducted from those payments

- details of any TFN amounts deducted from the SMSF's income payments and subsequently refunded to the SMSF by the financial institution.

Where an amount is refunded the SMSF must keep details of the:

- amount of refund
- date of refund
- investment reference number, for example, the bank account number of the investment relating to the refund.

Section E: Losses (item 14)

Section E deals with tax and capital losses for 2016–17. You do not need to complete Section E if the SMSF has no tax losses or capital losses to carry forward to later income years.

In addition to recording losses in Section E, complete a Losses schedule and attach it to the annual return if the SMSF has:

- a combined total for tax losses and net capital losses carried forward to later income years of greater than $100,000 or
- an interest in a controlled foreign company (CFC) that has
  - 2016–17 losses greater than $100,000 or
  - deducted or carried forward to later income years a loss greater than $100,000.

Do not show cents for any amount you write in this section.

U Tax losses carried forward to later income years

Does the SMSF have tax losses to be carried forward to later income years?

No	Leave U blank. Go to V.
Yes	Read on.

Write at U the total tax losses incurred by the SMSF that are to be carried forward to later income years. The amount is the sum of:

- the SMSF’s tax loss for 2016–17, and
- the SMSF’s prior year tax losses to the extent that they have not previously been utilised

The SMSFs 2016–17 net exempt income, if any, is taken into account to calculate the amount of its tax loss for 2016–17.

If the SMSF's 2016–17 net exempt income is greater than the amount by which the SMSF's deductions (not including prior year tax losses) exceed its assessable income in 2016–17, the SMSF's 2016–17 tax loss will be nil and the surplus net exempt income will reduce prior year losses.

If you lodge a *Losses schedule 2017*, the amount at U Tax losses carried forward to later income years on that schedule (item 1 in part A) must be the same as the amount at U, Section E on the annual return.

Do not include:

- a loss at U if you wrote a positive amount at O Taxable income or loss in Section C

- net capital losses to be carried forward to later income years at U; include these at V Net capital losses carried forward to later income years and in the CGT schedule (if a schedule is required)
- losses that relate to non-arm's-length income. Losses that relate to non-arm's-length income cannot be applied against the SMSF's arm's-length income. You should keep a record of losses that relate to non-arm's-length income with the SMSF's tax records.

For more information, see:

- Losses
- Sections 36-15 and 960-20 of the *Income Tax Assessment Act 1997*.

Tax losses and record keeping

If the SMSF incurred tax losses, it may need to keep records for longer than five years from the date it incurred the losses.

Generally you can carry forward tax losses indefinitely until they are applied by recoupment. When applied, the loss amount is a figure that is included in the calculation of the SMSF's taxable income in that year.

It is in the SMSF's interest to keep records substantiating this year's losses until the amendment period for the assessment in which the losses are applied has lapsed (in most cases up to four years from the date of that assessment).

For more information, see:

- Record keeping requirements
- Taxation Determination TD 2007/2.

V Net capital losses carried forward to later income years

Does the SMSF have net capital losses to carry forward to later income years?

No	Leave V blank. Go to Sections F and G.
Yes	Read on

Write at V the total of any unapplied net capital losses from collectables and unapplied net capital losses from all other CGT assets and events.

If this item applies to the SMSF you must refer to the *Guide to capital gains tax 2017* to complete this item. It also explains the special CGT rules that apply to foreign residents and trustees of foreign trusts.

This information is calculated or transferred from:

- 3B in table 5 and 3A in Table 9 of the CGT summary worksheet, or
- A and B in item 3 of the CGT schedule, if one is required.

You cannot include a loss at V if you wrote an amount at A Net capital gain in Section B.

If the SMSF must lodge a *Losses schedule 2017*, the amount on that schedule at V Net capital losses carried forward to later income years item 2 in part A must be the same as the amount at V here on this annual return.

For more information, see Guide to capital gains tax 2017.

Sections F and G: Member information and Supplementary member information

Each page in Section F and Section G is a statement of the transactions on a member's account in 2016–17. Complete a separate page in either Section F or Section G for every person that was a member of the SMSF during 2016–17.

If a member has multiple accounts, combine them so that each member has only one statement in either Section F or Section G.

Each member's opening account balance (at 1 July 2016) should equal their closing account balance in the prior year (at 30 June 2016). The closing balance (at 30 June 2017) should reflect the value of the member's actual interest in the SMSF. The amounts that you record in Section F and Section G summarise all the transactions that affect that balance.

Section G has the same information as Section F plus two additional questions:

- the account status code box
- the date of death for deceased members.

Who do you include in Section F and who in Section G?

In Section F include anyone who was a member of the SMSF on 30 June 2017, even if the SMSF:

- paid them an income stream during 2016–17 or
- received no contributions for them during 2016–17.

In Section G include anyone who was a member of the SMSF at any time during 2016–17, but is not a member on 30 June 2017. This could include:

- deceased members (even if there was money in their account on 30 June 2017)
- former members who left the SMSF by rolling out all their benefits
- former members who left the SMSF by being paid all of their benefits as a super lump sum or the final payment of an income stream.

If the SMSF has more than four members on 30 June 2017:

- it has breached superannuation law (see the self-managed superannuation fund definition)
- in Section G include the members whom you cannot include in Section F due

to lack of space.

Example: Deciding where to report members – Section F or Section G?

On 1 July 2016, there were four members in an SMSF: Mary, Michael, Sara and Angelo.

Mary left on 1 May 2017 when she rolled over all her entitlements to another fund.

Michael left on 27 May 2017 when he was paid out all his entitlements as a super lump sum.

Two new members, Ari and Jess, joined the SMSF on 1 June 2017. The SMSF received contributions for them in June 2017.

The SMSF must report all six members in the SMSF annual return 2017:

- Sara, Angelo, Ari and Jess were members on 30 June 2017, so they are reported in Section F.
- Mary and Michael were members for part of 2016–17 but were not members on 30 June 2017, so they are reported in Section G.

Our use of information in section F and section G

We use the information in section F and section G to:

- determine members' entitlements to the super co-contribution and low income super contribution
- make a determination or assessment of excess contributions for members
- assess Division 293 tax for members
- check superannuation guarantee compliance of employers.

Member detail questions (name, TFN, date of birth)

Print X in the appropriate box for the member's title, or print a different title using the boxes at Other.

Print the member's:

- family name
- first given name
- other given names
- tax file number (TFN)
- date of birth.

The *Taxation Administration Act 1953* authorises us to request the member's TFN. We will use the TFN to identify the member in our records. It is not an offence not to provide the TFN. However, if you do not provide the TFN, there may be a delay in processing the SMSF annual return. For more information, see Your privacy.

Make sure you write the member's TFN, not the SMSF's TFN or a tax agent number (TAN) which also are nine digit numbers.

For members reported in Section G, you also:

- write the date of death, if the member died during 2016–17
- print the account status code (from Table 10: Account status codes) in the Account status code box.

Table 10: Account status codes

Code	Account status
O	The member's account was open on 30 June 2017, and the SMSF will accept payments from us.
C	The former member's account was closed at 30 June 2017, and the SMSF will not accept payments from us.

Example: Reporting account status

On 1 July 2016, an SMSF had four members: Mark, his two daughters and a son-in-law.

Mark was retired and received a pension from the SMSF. Mark died in June 2017. The SMSF ceased pension payments but, by 30 June 2017, had not paid Mark's remaining interest in the SMSF as death benefits.

In the SMSF annual return, Mark's contribution information and account balance are reported at Section G with account status code O. All other members' information is reported at Section F.

Opening account balance

Write the member's opening account balance at 1 July 2016.

The opening account balance is:

- the 2015–16 closing account balance, or
- 0 (zero) if the member joined the fund in 2016–17.

Contributions questions

Print at A to M the gross total of the contributions received by the SMSF in 2016–17 for each member.

Do not reduce the amount that you write at A to M by (for example) allowances for taxes and fees.

Include contributions that the SMSF received in 2016–17 even if:

- some or all of those contributions had been
  - transferred or rolled over to another fund in 2016–17
  - paid to the member as a super lump sum or income stream in 2016–17

- the SMSF was wound up in 2016–17.

Do not include amounts credited to accounts but not yet received by 30 June 2017. Declare all amounts received after 30 June 2017 in the annual return for the year in which the SMSF actually received the contribution.

If you received a contribution in one financial year and chose not allocate it until the following financial year, there are reporting requirements for both trustees and members in relation to the cap on excess concessional contributions. Before completing your annual return, see Request to adjust concessional contributions.

You must write contributions amounts at the correct questions so we can determine your members' eligibility for super co-contributions or low income super contributions, and accurately determine your member's excess concessional contributions, excess non-concessional contributions and liability for Division 293 tax. The contributions and related questions in Section F and Section G are:

- A Employer contributions
- A1 ABN of principal employer
- B Personal contributions
- C CGT small business retirement exemption
- D CGT small business 15-year exemption amount
- E Personal injury election
- F Spouse and child contributions
- G Other third party contributions
- I and J Foreign superannuation fund amounts
- K and L Transfers from reserves
- T Contributions from non-complying funds and previously non-complying funds
- M Any other contributions
- N Total contributions.

For more information, see Taxation ruling 2010/1: Income tax: superannuation contributions.

A Employer contributions

Employer contributions include:

- contributions made by an employer for an employee (including contributions made under a salary sacrifice arrangement or to meet the employer's obligations under the super guarantee, awards, agreements or other

obligations)
- super guarantee charge shortfall amounts
- employer contributions transferred from our (the ATO's) super holding accounts special account (SHA special account).

Did the SMSF receive employer contributions for the member?

No	Leave A blank. Go to B.
Yes	Read on.

Complete A and A1.

Write at A the total value of employer contributions made for the member in 2016–17. Do not include:

- contributions made by the member, even where the member has given the SMSF a Notice of intent to claim or vary a deduction for personal super contributions. that applies to the contribution and the SMSF has acknowledged it (include these at B Personal contributions)
- contributions that the member asked their employer to deduct from their after-tax income (include these at B Personal contributions)
- employment termination payments received from an employer (include these at B Personal contributions).

If you have used a contribution reserve strategy for concessional contributions as described in TD 2013/22:

- employer contributions which were received in 2016-2017 must be included at A even if they were not allocated to the member’s account before July 2017
- the relevant members may need to complete a Request to adjust concessional contributions form.

Members with a defined benefit interest

If the member has a defined benefit interest in the SMSF, include at A their notional taxed contributions.

The notional taxed contributions are generally the amount of the assessable contributions which the trustee has allocated to the member’s defined benefit interest during the financial year. See Regulation 292-170.03 of the *Income Tax Assessment Regulations 1997*.

If a member has both a defined benefit interest and an accumulation interest in the SMSF, include at A:

- the sum of the notional taxed contributions, and
- any employer contributions made to their accumulation account.

For more information, see Super contributions – for defined benefits funds and untaxed funds.

A1 ABN of principal employer

Write at A1 the Australian Business Number (ABN) of the employer who made contributions to the member's account.

If more than one employer contributed to the member's account, write the ABN of the employer that contributed the largest amount in 2016–17.

B Personal contributions

Did the SMSF receive personal contributions for the member?

No	Leave B blank. Go to C.
Yes	Read on.

Write at B the total value of personal contributions made for the member in 2016–17, other than contributions subject to elections to exclude them from the contributions caps.

Elections that exclude personal contributions from the contributions caps are:

- the CGT small business retirement exemption (include these contributions at C CGT small business retirement exemption)
- CGT small business 15-year exemption amount (include these contributions at D CGT small business 15-year exemption amount)
- personal injury election (include these contributions at E personal injury election).

Include at B:

- contributions received from an employer for the member paid from the member's after-tax income
- contributions made by the member themselves (regardless of whether they have been claimed or can be claimed by the member as a tax deduction)
- employment termination payments received from an employer for the member
- personal contributions funded by personal injury payments that are not included at E Personal injury election
- personal contributions funded by the proceeds of the sale of assets, other than those you include at
    - C CGT small business retirement exemption
    - D CGT small business 15-year exemption amount

- contributions received from a non-complying super fund (include all amounts received from a non-complying super fund).

Do not include at B:

- amounts excluded from the member's non-concessional contributions and which you include at
    - C CGT small business retirement exemption

  - D CGT small business 15-year exemption amount
  - E Personal injury election

- amounts contributed for the member under salary sacrifice arrangements they have entered into (write these at A Employer contributions)
- a rollover super benefit reported at item 13 on a *Rollover benefits statement* which the SMSF received from another super provider (write the benefit at P Inward rollovers and transfers)
- a super lump sum from a foreign super fund or scheme (include these at I, J or M)
- contributions made by the member's spouse or other third party contributions (include these at F or G).

If you have used a contribution reserve strategy for concessional contributions as described in TD 2013/22:

- you must include at B any personal contributions which you received in 2016-17, even if they were not allocated to the member's account before July 2017
- the relevant members may need to complete a Request to adjust concessional contributions form.

C CGT small business retirement exemption

Did the SMSF receive personal contributions for the member that the member elected to exclude from their non-concessional contributions with a CGT small business retirement exemption?

No	Leave C blank. Go to D.
Yes	Read on.

Write at C the total value of personal contributions made by the member in 2016–17 that the member elected to exclude from their non-concessional contributions with a CGT small business retirement exemption.

To include an amount at C the SMSF must have received a valid Capital gains tax cap election from the member.

The CGT cap election is valid if:

- the member gave it to the SMSF on or before the date the contribution was made, and
- the SMSF has not been advised or become aware that the cap election is no longer valid or applicable.

The exemption from being a non-concessional contribution is not effective if the member made the CGT cap election after making the contribution.

There are two limits that affect the amount you include at C:

- CGT small business retirement exemption lifetime limit: a member cannot elect to apply a CGT small business retirement exemption to more than $500,000 during their lifetime.
- CGT cap: this cap limits the amount of exemptions that a member can claim through a *CGT cap election* during their lifetime. The amounts at C CGT small business retirement exemption and D CGT small business 15-year exemption both apply to the CGT cap. The CGT cap is indexed annually. In 2016–17 the lifetime limit for the CGT cap is $1,415,000.

Do not include amounts at C:

- if you are aware that a CGT cap election is not valid or that the election is not applicable (include these at B Personal contributions)
- that are in excess of the *CGT small business retirement exemption lifetime limit* or the *CGT cap* (include these at B Personal contributions).

If you become aware that a CGT cap election is not valid or applicable after you have lodged the SMSF annual return, you must lodge an amended annual return.

For more information, see:

- Small business retirement exemption
- CGT cap amount.

D CGT small business 15-year exemption amount

Did the SMSF receive personal contributions for the member that the member elected to exclude from their non-concessional contributions with a CGT small business 15-year exemption amount?

No	Leave D blank. Go to E.
Yes	Read on.

Write at D the total value of personal contributions made by the member in 2016–17 that the member elected to exclude from their non-concessional contributions with a CGT small business 15-year exemption amount.

You can include a member's personal contribution at D if it either:

- qualifies for the small business 15-year exemption, or
- would qualify for the small business 15-year exemption but for the fact that:
  - the asset was a pre-CGT asset
  - there was no capital gain, or
  - the 15-year holding period was not met because of the permanent incapacity of the person (or a significant individual of a company or trust).

To write an amount at D the SMSF must have received a valid Capital gains tax cap election from the member.

The CGT cap election is valid if:

- the member gave it to the SMSF on or before the date the contribution was made, and
- the SMSF has not been advised or become aware that the CGT cap election is no longer valid or applicable.

The exemption from being a non-concessional contribution is not effective if the member made the CGT cap election after making the contribution.

The amount that you include at D may be limited by the CGT cap. This cap limits the amount of exemptions that a member can claim through a *CGT cap election* during their lifetime. The amounts at C CGT small business retirement exemption and D CGT small business 15-year exemption both apply to the CGT cap. The CGT cap is indexed annually. In 2016–17 the lifetime limit for the CGT cap is $1,415,000.

Do not include amounts at D:

- if you are aware that a CGT cap election is not valid or that the election is not applicable (include these at B Personal contributions)
- that are in excess of the CGT cap (include these at B Personal contributions).

If you become aware that a CGT cap election is not valid or applicable after you have lodged the SMSF annual return, you must lodge an amended annual return.

For more information, see:

- Small business retirement exemption
- CGT cap amount.

E Personal injury election

Did the SMSF receive personal contributions for the member funded by personal injury payments and where the member has elected to exclude the contributions from their non-concessional contributions?

No	Leave E blank. Go to F.
Yes	Read on.

Write at E the total value of all personal contributions made by the member in 2016–17 that were funded by eligible personal injury payments, and where the member has elected that the contributions be excluded from their non-concessional contributions.

Eligible personal injury payments are either of the following:

- a payment made under a written settlement agreement regarding a claim for damages for personal injury or a court order for such a claim
- a workers compensation payment taken as a lump sum.

To write an amount at E, the SMSF must have received a valid *Contributions for personal injury election* from the member or the member's legal personal representative. For information about making this election, see [Contributions for personal injury election instructions].

Do not include at E:

- personal injury amounts the SMSF received before the member made a valid *Contributions for personal injury election* (include these at B Personal contributions)
- any part of a payment that is not compensation or damages for personal injury (include these at B Personal contributions)
- a personal injury amount which the member did not elect to exclude from their non-concessional contributions (include these at B Personal contributions)
- a personal injury amount that was not contributed to the SMSF within 90 days of whichever of the following events occurs last (in each case include the amount at B Personal contributions)
  - the day on which the member received the personal injury payment
  - the day on which the agreement for settlement of a personal injury payment was entered into
  - the day on which a court order for the personal injury payment was made.

For more information, see [Contributions for personal injury election instructions].

F Spouse and child contributions

Did the SMSF receive spouse or child contributions for the member?

No	Leave F blank. Go to G.
Yes	Read on.

Write at F the total value of the following contributions made for the member in 2016–17:

- contributions made by the member's spouse
- contributions made by parents, relatives or others on behalf of a member who is under 18 years old (excluding those made by (or on behalf of) the member's employer).

Do not include at F:

- contributions made by a parent for their child who is 18 years old or older (include these at G Other third party contributions)
- contributions made by a former spouse when the couple have separated and are now living apart on a permanent basis (include these at G Other third party contributions)
- contributions made by a member who is under 18 years old (include these at B Personal contributions)

- contributions made by (or on behalf of) a member's employer (include these at A Employer contributions)
- amounts transferred from a member's spouse's super for the member as a result of a contributions splitting arrangement. These amounts are super contributions for the person that split their contributions and not super contributions for the member that received the transferred amount into their super as a result of the contributions split. Include these transferred amounts at P Inward rollovers and transfers. For more information, see Superannuation contributions splitting – superannuation funds.

G Other third party contributions

Did the SMSF receive other third party contributions for the member?

No	Leave G blank. Go to I.
Yes	Read on.

Write at G the total value of all of the following third-party contributions the SMSF received for the member in 2016–17:

- contributions made by the member's former spouse
- contributions made by the member's current spouse who is now living separately and apart from the member on a permanent basis
- contributions made by any other person (excluding the member's employer) seeking to benefit the member where the member is 18 years of age or over
- contributions made by another third party contributor acting under an obligation to contribute for the member, for example
    - an insurance company where the member's policy provides for payment of super contributions in the event of sickness or incapacity
    - a government agency making a super contribution under a scheme to compensate injured or incapacitated workers (such as WorkCover Victoria)
    - the ATO or other government agency required to compensate the member through super contributions for errors in their administration of the law
    - a deceased estate where the entitlement is only to a super contribution (the member cannot direct that their share in the estate be paid to them personally).

Do not include at G:

- contributions that you must include at another contribution question A to M
- contributions made for a member who is under 18 years old (include these at F Spouse and child contributions or A Employer contributions).

I and J Foreign super fund amounts

Did the SMSF receive a transfer for the member from a foreign super fund or scheme?

No	Leave I and J blank. Do not include a foreign super fund amount at M. Go to K.
Yes	Read on.

Write, as explained below, the amount of the transfer or part of the transfer at:

- I Assessable foreign superannuation fund amount
- J Non-assessable foreign superannuation fund amount
- M Any other contributions.

Write the transfer from a foreign super fund or scheme received for the member in 2016–17 at J Non-assessable foreign superannuation fund amount except any part of the transfer that:

- exceeds the amount that was 'vested' in the member at the time of the transfer (include that part at I Assessable foreign superannuation fund amount), or
- the member has made a written choice to include in the assessable income of the SMSF (include that part at M Any other contributions).

The member can choose to have a transfer, or part of a transfer, included in the assessable income of the SMSF only under certain circumstances. For more information, see Tax treatment of transfers from foreign super funds.

I Assessable foreign superannuation fund amount

Did the SMSF receive a transfer from a foreign super fund that exceeded the amount that was 'vested' in the member at the time of transfer?

No	Leave I blank. Go to J.
Yes	Read on.

Write at I the amount transferred in 2016–17 that exceeded the amount that was 'vested' in the member at the time of transfer.

For an example of 'an amount that is not vested in the member at the time of transfer' see Example: Transfer from a foreign super fund.

You must include the amount you write at I Assessable foreign superannuation fund amount in the amount at F Transfers from foreign funds in Section B.

Do not include at I any part of a transfer from a foreign super fund or scheme that:

- was 'vested' in the member at the time of transfer (write that amount at J Non-assessable foreign superannuation fund amount or at M Any other contributions)
- the member made a written choice to include in the assessable income of the

SMSF (include that amount at M Any other contributions).

J Non-assessable foreign superannuation fund amount

Did the SMSF receive a transfer from a foreign super fund that is not assessable income of the SMSF?

No	Leave J blank. Go to K.
Yes	Read on.

Write at J the total amount transferred from a foreign super fund or scheme for the member in 2016–17 except any part of the transfer that is assessable income of the fund because:

- it exceeds the amount that was 'vested' in the member at the time of the transfer (write that part at I Assessable foreign superannuation fund amount) or
- the member has made a written choice to include that amount in the assessable income of the SMSF (write that part at M Any other contributions).

Example: Transfer from a foreign super fund

(All amounts are in Australian dollars.)

David has been a resident of Australia for 2 years. David transfers his entire interest in a foreign super fund to his Australian SMSF. The amount of the transfer is $60,000 made up of:

- $2,000 that was not 'vested' in his account at the time of the transfer (This amount is the result of the exercise of discretion by the trustee of the foreign super fund.)
- $50,000 that was the balance of his account in the foreign super fund when David became an Australian resident
- $8,000 of earnings in the foreign super fund that was allocated to his account while David was an Australian resident and which David chose to have included in the assessable income of the SMSF.

In David's record in Section F, the SMSF reports:

- $2,000 at I Assessable foreign superannuation fund amount
- $50,000 at J Non-assessable foreign superannuation fund amount
- $8,000 at M Any other contributions.

The SMSF also reports $10,000 ($8,000 plus $2,000) at F Transfers from foreign funds in Section B. If David had not chosen to have the $8,000 included in the assessable income of the SMSF, the $8,000 would have been included in David's assessable income. It would not be included at M Any other contributions, and $58,000 would be reported at J Non-assessable foreign superannuation fund amount. $2,000 is still reported at I Assessable foreign superannuation fund amount in Section F and also

$2,000 at F Transfers from foreign funds in Section B.

K and L Transfers from reserves

Did the SMSF transfer any amounts to the member's account from the SMSF's reserves?

No	Leave K and L blank. Do not include a transfer from reserve for the member at O. Go to T.
Yes	Read on.

Write the amount the SMSF transferred in 2016–17 from a reserve to the member's account at:

- K Transfer from reserve: assessable amount
- L Transfers from reserve: non-assessable amount
- O Allocated earnings or losses.

Read on for information about how to complete these items.

Legislation

Regulations 291-25.01 and 292-90.01 of the *Income Tax Assessment Regulations 1997.*

K Transfer from reserve: assessable amount

Did the SMSF allocate an amount to the member's account where the amount:

- is an assessable contribution of the SMSF not included at another question
- was allocated from a reserve and would be assessable income if the amount was made as a contribution or
- was allocated from a reserve and is not excluded from being a concessional contribution?

No	Leave K blank. Go to L.
Yes	Read on.

Write at K the total of the assessable amounts allocated in 2016–17 from the SMSF's reserves to the member's account.

In some cases, the amount you write at K is greater than the amount actually allocated to the member’s account. Where the amount was allocated to the member’s account from a reserve instead of an employer making a contribution to the SMSF, multiply the amount that was transferred from the reserve by 1.176 to include the 15% tax that the SMSF would have paid if the employer had actually made a contribution to the SMSF for the member. Write at K this grossed-up amount rather than the amount that was transferred from the reserve.

The amount at K is included in the member's concessional contributions.

If you have used a contribution reserve strategy for concessional contributions as described in TD 2013/22 then do not include at K the contributions received by the SMSF in 2016–17 and allocated to the member’s account in the following financial year (instead include those contributions at either A Employer contributions or B Personal contributions).

> Example: Grossing up a transfer from reserve: assessable amount
>
> An employer has an obligation to make a $1,000 super contribution for the member.
>
> Instead of the employer making the $1,000 contribution to the SMSF, the SMSF trustee allocates $850 to the member’s account from a reserve. The $850 takes into account that 15% tax is payable on a $1,000 employer contribution to super.
>
> The trustee writes $999.60 (that is, $850 × 1.176) at K.

L Transfer from reserve: non-assessable amount

Did the SMSF allocate an amount to the member's account where the amount is:

- not assessable contributions of the SMSF and not included at another question, and
- not an amount that should be included at *O Allocated earnings or losses* (see information at *Transfers from reserves that are not included at K or L*)?

No	Leave L blank. Go to T.
Yes	Read on.

Write at L the non-assessable amount allocated from the SMSF's reserves to the member's account (other than amounts included at O Allocated earnings or losses).

The amount written at L is included in the member's non-concessional contributions.

Transfers from reserves that are not included at K or L

Generally, all allocations from reserves are reported as either assessable or non-assessable amounts, but certain exceptions apply and these amounts are reported at O Allocated earnings or losses. For example, the following allocations from reserves are included at O Allocated earnings or losses:

- amounts allocated to all members, or to a class of members to which the reserve relates, on a fair and reasonable basis, and the amount allocated for 2016–17 is less than 5% of the value of the members' interest
- amounts allocated for the sole purpose of discharging super income stream liabilities that are currently payable
- allocations following the commutation of a pension, where the amount in the reserve is allocated to an individual as a result of the death of the primary beneficiary of the pension, and it is used to support another income stream for that individual.

T Contributions from non-complying funds and previously non-complying funds

Was the SMSF non-complying in 2015–16 and its status changed to complying at the beginning of the 2016–17 year?

No	Leave T blank. Go to M.
Yes	Read on.

Write at T the total amount of contributions received for the member where those contributions:

- were made on or after 10 May 2006, and when the SMSF was non-complying, and
- haven't previously been reported at this question in an earlier year.

Do not include the contributions you write at T in the member's 'Opening account balance'.

Do not include at T contributions made in 2016–17 when the SMSF was complying. Include these amounts at A to M.

M Any other contributions

Did the SMSF receive any other contributions for the member (including super co-contributions and low income super contributions) that are not included at questions A to T?

No	Leave M blank. Go to N.
Yes	Read on.

Write at M the total value of other contributions received for the member in 2016–17 that you have not included at questions A to T.

Include at M:

- super co-contributions and low income super contributions paid to the SMSF

for the benefit of the member by us (including where they are transferred by us to the SMSF from the Superannuation Holding Account (SHA) special account)
- any amount transferred from a foreign super fund or scheme that the member has chosen to have included in the SMSF's assessable income (see Tax treatment of transfers from foreign super funds).

Do not include at M:

- amounts transferred from the member's spouse's super as a result of a contributions splitting arrangement. These amounts are super contributions for the person that split their contributions and not super contributions for the member that received the transferred amount into their super as a result of the contributions split. Include these transferred amounts at P Inward rollovers and transfers.

For more information, see Offering contributions splitting for members.

N Total contributions

Did you write any contributions at A to M above for this member?

No	Write 0 at N. Go to Other transactions questions.
Yes	Read on.

Write at N the total of all the contributions for this member that you wrote at A to M:

- A Employer contributions
- B Personal contributions
- C CGT small business retirement exemption
- D CGT small business 15-year exemption amount
- E Personal injury election
- F Spouse and child contributions
- G Other third party contributions
- I Assessable foreign superannuation fund amount
- J Non-assessable foreign superannuation fund amount
- K Transfer from reserve: assessable amount
- L Transfers from reserve: non-assessable amount
- T Contributions from non-complying funds and previously non-complying funds
- M Any other contributions.

Other transactions

At O to R2, show transactions for the member in 2016–17 that were not contributions included at questions A to M:

- O Allocated earnings or losses
- P Inward rollovers and transfers
- Q Outward rollovers and transfers
- R1 Lump Sum payment

- R2 Income stream payment.

O Allocated earnings or losses

If you could not include an amount of a transaction at the contribution questions A to M, and cannot include it at P Inward rollovers and transfers, Q Outward rollovers and transfers, R1 Lump sum payments, or R2 Income stream payment, include it at O Allocated earnings or losses.

Did the SMSF allocate any earnings, losses, taxes or expenses to the member?

No	Leave O blank. Go to P.
Yes	Read on.

Write at O the sum of:

- all earnings allocated to this member

less

- expenses (including taxes) and losses allocated to this member.

If the amount at O is a loss, print L in the box to the right of the amount.

Include at O any transactions affecting the member's closing balance that you have not included at another question in Section F or Section G. For example, the amount at O could include:

- investment earnings allocated to the member's account
- expenses allocated to the member's account
- gains and losses allocated to the member's account
- payments received for the member under an insurance policy held by the SMSF for death or disability cover
- allocations from reserves that are not included at either K Transfer from reserve: assessable amount or L Transfer from reserve: non-assessable amount. For more information, see Transfers from reserves that are not included at K or L.

P Inward rollovers and transfers

Did the SMSF receive rollovers or transfers for the member?

No	Leave P blank. Go to Q.
Yes	Read on.

Write at P the total amount of rollovers and transfers received for the member in 2016–17 from within the Australian superannuation system.

These rollovers and transfer amounts are shown on the Rollover benefits statement that you should have received from the transferring fund. You should have received the *Rollover benefits statement* within seven days of the member's previous fund making the rollover or transfer payment.

Examples of inward amounts you include at P include:

- rollover payments received for the member from other funds where you receive *a Rollover benefits statement* from that fund
- amounts transferred from the member's spouse's super into the member's account as a result of a contributions splitting arrangement (for more information, see Offering contributions splitting for members)
- amounts transferred for the member because of a family law obligation (such as a super agreement or a Family Law Court order as a result of a relationship breakdown)
- amounts transferred to the member's account from their spouse's account as a result of the spouse's death (a reversionary pension or entitlement).

These amounts are not contributions for the member that receives them into their account.

Do not include transfers from foreign super funds at P. Show these at

- I Assessable foreign superannuation fund amount
- J Non-assessable foreign superannuation fund amount, or
- M Any other contributions.

If an amount is transferred between members accounts in your SMSF, for information about how to record the transaction, see Transfers between members within the SMSF.

Example: How to report inward rollovers

A large public offer super fund transferred $250,000 to *SMSF P* and provided a *Rollover benefits statement* that identified David as the recipient member and reported:

> 13 Tax components:
>
> Taxable component:
>
> Element taxed in the fund: $250,000 (the net amount)

The SMSF reports the entire $250,000 at P Inward rollovers or transfers in David's record in Section F.

If the $250,000 includes contributions that were made during 2016–17, the large public offer super fund must report this to us, as well as reporting the outward rollover amount. The SMSF does not report any of the inward rollover as a contribution at questions A to M.

Q Outward rollovers and transfers

Did the SMSF make any outward rollovers or transfers from the member's account?

No	Leave Q blank. Go to R1.
Yes	Read on.

Write at Q the total amount of the outward rollovers and transfers paid from the member's account (other than to a foreign recipient).

The SMSF was required to report the transfers and rollovers on a *Rollover benefits statement* that it gave to the receiving fund when the transfer or rollover occurred. The amount that you write at Q is the same as the total of the amounts shown at item 13 on the *Rollover benefits statement*.

Examples of the outward amounts you write at Q include:

- rollover payments made for the member to another fund where you provided a *Rollover benefits statement* to the fund
- amounts transferred out of the member's account, to their spouse's super account, as a result of a contributions splitting arrangement (for more information, see Offering contributions splitting for members)
- amounts transferred from the member's account because of a family law obligation (such as an order by a Family Law Court)
- amounts transferred from the member's account to their spouse's super account as a result of the member's death (a reversionary pension or entitlement).

Example: How to report outward rollovers

James is a member and trustee of an SMSF. On 1 July 2016 James' account balance in the SMSF was $300,000.

On 1 January 2017 James rolled over his entire interest in the SMSF to a large public offer super fund. Between 1 July 2016 and 1 January 2017:

- James's employer contributed $20,000 to the SMSF
- the SMSF deducted $3,000 from James's account as an allowance for tax.

The SMSF transfers the $317,000 in James's account to the large public offer super fund. It also sends a *Rollover benefits statement* to the large public offer super fund.

On the SMSF annual return for 2016–17, the SMSF reports for James in Section G:

Opening account balance	$300,000
Contributions:	
A Employer contributions	$20,000
N Total contributions	$20,000
O Allocated earnings or losses	$3,000 L
Other transactions	
Q Outward rollovers and transfers	$317,000
S Closing account balance	$0

Transfers between members within the SMSF

If an amount is transferred between two members in the same SMSF, include the amount of the transfer at:

- Q Outward rollovers and transfers in the record of the member that sends the transfer and
- P Inward rollovers and transfers in the record of the member that receives the transfer.

If contributions were made for a member and transferred to another member, they are reported as contributions in the record of the member for whom they were made. Do not report them as if they were contributions of the member that received the transfer.

Example: Transfer within an SMSF

Bob and Jasmine are both members of the same SMSF. As a result of a family court order, Bob transferred $100,000 to Jasmine in 2016–17. The $100,000 included $5,000 employer contributions that were made during 2016–17. In Section F of the 2016–17 SMSF annual return:

- Bob's record includes $5,000 at A Employer contributions and $100,000 at Q Outward rollovers and transfers
- Jasmine's record includes $100,000 at P Inward rollovers and transfers.

R1 Lump sum payment

Did the SMSF pay any super lump sums for the member?

No	Leave R1 blank. Go to R2.
Yes	Read on.

Write at R1 the total amount of super lump sum benefits paid for the member in 2016–17.

Use table 11 to work out which code applies to the amount you wrote at R1. Print the code in the Code box to the right of R1. If more than one benefit type applies, use the code that describes the largest payment amount.

Do not include at R1:

- amounts transferred from the member's account to their spouse's super account as a result of a contributions splitting arrangement (include these at Q Outward rollovers and transfers)
- amounts transferred from the member's account because of a family law obligation (include these at Q Outward rollovers and transfers).

Where a member receiving an income stream chooses to receive a super payment in addition to their normal income stream payments, in some circumstances the additional payment is a super lump sum. For more information, see Payments in addition to income streams.

Table 11: Lump sum benefit type codes

Code	Benefit type
A	Lump sum benefit for a member 60 years old or older
B	Lump sum benefit for a member less than 60 years old
C	Death benefit to a dependant
D	Death benefit to a non-dependant
E	Terminal medical condition benefit
F	Other lump sum benefit type (for example, permanent incapacity, severe financial hardship, approved compassionate payment)
G	Release authority payment (for example where an amount is paid under a release authority given for excess non-concessional contributions tax)

R2 Income stream payment

Did the SMSF pay a super income stream to the member?

No	Leave R2 blank. Go to S.
Yes	Read on.

Write at R2 the total amount of super income stream benefits paid to the member in 2016–17.

Use table 12 to work out which code applies to the amount you wrote at R2. Print the code in the Code box to the right of R2. If more than one benefit type applies, use the code that describes the income stream with the largest total payment amount.

Do not include at R2:

- amounts transferred from the member's account to their spouse's super account as a result of a contributions splitting arrangement (include these at Q Outward rollovers and transfers)
- amounts transferred from the member's account because of a family law obligation (include these at Q Outward rollovers and transfers).

Where a member receiving an income stream chooses to receive a super payment in addition to their normal income stream payments, in some circumstances the additional payment is a super income stream. For more information, see Payments in addition to income streams.

Table 12: Income stream benefit type codes

Code	Benefit type
M	Income stream benefit for a member 60 years old or older (other than transition to retirement)
N	Income stream benefit for a member under 60 years old (other than transition to retirement)
O	Transition to retirement
P	Death benefit to a dependant where: • the member died at 60 years old or older, or • the dependant is 60 years old or older.
Q	Death benefit to a dependant where: • the member died before age 60, and

	• the dependant is under 60 years of age.
R	Other income stream type (for example paid due to the member's temporary incapacity or permanent incapacity)

Payments in addition to income stream payments

A payment made as a result of a full commutation of an income stream is a super lump sum and must be reported at R1 Lump sum payments.

If there is a partial commutation of a super income stream, the payment is a super income stream payment and must be reported at R2 Income stream payments unless the member has elected to have the payment treated as a super lump sum, in which case include the payment at R1 Lump sum payments.

S Closing account balance

Write at S the member's account balance at 30 June 2017. If the member's closing account balance is zero or a negative amount, write 0 (zero) at S. To work out the member's closing account balance at 30 June 2017:

- add
  - Opening account balance (at 1 July 2016)
  - N Total contributions
  - O Allocated earnings and losses (if the amount is positive)
  - P Inward rollovers and transfers

- and then subtract
  - O Allocated earnings and losses (if the amount is a loss)
  - Q Outward rollovers and transfers
  - R1 Lump sum payments
  - R2 Income stream payments.

If a member has multiple accounts, you should have combined them so that each member has only one statement in either Section F or Section G.

Total superannuation balance

We will use the amount you enter at 'Closing account balance' to calculate the total superannuation balance for each of the members.

From 1 July 2017 the member's total superannuation balance may impact upon their non-concessional contributions cap and affect other superannuation measures. If the amount you enter at 'Closing account balance' does not equal the sum of the member's accumulation phase value and retirement phase value, you can provide those two values to us separate from this annual return from October 2017.

For more information see Super changes.

Example: Calculating Closing account balance

This example is for an SMSF with a single member. In such a case, all the SMSF's expenses are allocated to the member.

Closing account balance for previous year

The member's closing account balance at 30 June 2016 was $50,000.

Transactions for 2016–17

Transaction	Add/subtract	Amount
Employer contributions	+	$12,000
Bank interest	+	$5,000
Partnership distribution	+	$2,000
Auditor fees*	–	$1,000
Income tax*	–	$2,500
Supervisory levy*	–	$ 259

* These amounts were paid in 2016–17.

Member closing account balance 30 June 2017

Item	Amount
Opening account balance	$50,000 (2015–16 closing account balance)
N TOTAL CONTRIBUTIONS	$12,000 (employer contributions)
O Allocated earnings or losses**	$3,241
S CLOSING ACCOUNT BALANCE	$65,241

** O Allocated earnings or losses is the total of all the transactions for 2016–17, excluding transactions accounted for at another question (in this case employer contributions, which are already accounted for at N TOTAL CONTRIBUTIONS).

Section H: Assets and liabilities

You must complete Section H. Section H covers the assets and liabilities of the SMSF.

The SMSF's total assets must equal its total liabilities, that is, the amount at U Total Australian and overseas assets must equal the amount at Z Total liabilities.

Print the market value of the assets, as shown in the SMSF's balance sheet (also known as the SMSF's statement of financial position) at 30 June 2017.

For more information, see Valuation guidelines for self-managed superannuation funds.

Section H: Assets and liabilities covers:

- 15a Australian managed investments (items A to D)
- 15b Australian direct investments (items E to O)
- 15c Overseas direct investments (items P to U)
- 15d In-house assets (item A)
- 15e Limited recourse borrowing arrangements (items A and B)
- 16 Liabilities (items V to Z).

15a Australian managed investments

15a Australian managed investments covers the SMSF's investment in entities that make subsequent investments on behalf of the SMSF.

If the entity in which the SMSF has invested is located or registered in Australia, then the SMSF's investment in that entity is recorded at A, B, C or D. The four questions of 15a Australian managed investments relate to:

- A Listed trusts
- B Unlisted trusts
- C Insurance policy
- D Other managed investments.

A Listed trusts

A listed trust is a trust which has its units traded on an Australian stock exchange, and the unit values are reported as shares.

Did the SMSF own any units in an Australian listed trust?

No	Leave A blank. Go to B.
Yes	Read on.

Write at A the value (on 30 June 2017) of listed trust units owned by the SMSF. Do not include at A the value of units in listed trusts that are held on trust under a limited recourse borrowing arrangement (include the value of these at J6 Other in 15b).

B Unlisted trusts

Unlisted trusts are trusts that are not traded or purchased through an Australian stock exchange.

Did the SMSF own any units in an Australian unlisted trust?

No	Leave B blank. Go to C.
Yes	Read on.

Write at B the value (on 30 June 2017) of unlisted trust interests held by the SMSF that were registered or located in Australia.

If the SMSF is complying and received a share of net income from the trust that is non-arm's-length income, you must also include the distributions in Section B at U2 Net non-arm's-length trust distributions.

Do not include at B the value of units in unlisted trusts that are held on trust under a limited recourse borrowing arrangement (include the value of these at J6 Other in 15b).

C Insurance policy

Did the SMSF own any life insurance policies that were issued by an organisation registered under the *Life Insurance Act 1995*?

No	Leave C blank. Go to D.
Yes	Read on.

Write at C the value (on 30 June 2017) of life insurance policies owned by the SMSF that were issued by an organisation registered under the *Life Insurance Act 1995*.

Do not include at C the value of insurance policies that are held on trust under a limited recourse borrowing arrangement (write the value of these at J6 Other in 15b).

D Other managed investments

Did the SMSF own any other Australian managed investments?

No	Leave D blank. Go to 15b.

Yes	Read on.

Write at D the value (on 30 June 2017) of the SMSF's other investments in entities located or registered in Australia that:

- invest on behalf of the SMSF, and
- you did not include at A Listed trusts, B Unlisted trusts or C Insurance policy above.

This asset category includes investments with all external investment managers and pooled superannuation trusts (PSTs) located or registered in Australia.

An external investment manager is a person appointed by the trustee of the SMSF in accordance with section 124 of the *Superannuation Industry (Supervision) Act 1993* to make investments on behalf of the SMSF. Investments managed by an external investment manager are called managed funds.

A managed fund that is registered in Australia is an Australian managed investment even if it invests in overseas assets.

Do not include at D the value of any Australian managed investments that were held on trust under a limited recourse borrowing arrangement (write the value of these at J6 Other in 15b).

15b Australian direct investments

15b Australian direct investments covers investments located in Australia where the SMSF directly holds the assets, either in the name of the SMSF or in another legally recognised format.

The sections in 15b Australian direct investments are:

- E Cash and term deposits
- F Debt securities
- G Loans
- H Listed shares
- I Unlisted shares
- J1 to J Limited recourse borrowing arrangements
- K Non-residential real property
- L Residential real property
- M Collectables and personal use assets
- O Other assets.

E Cash and term deposits

Did the SMSF own any cash or term deposits?

No	Leave E blank. Go to F.
Yes	Read on.

Write at E the value (on 30 June 2017) in Australian currency of all cash accounts and term deposits held by the SMSF with Australian financial institutions (or other similar organisations).

Do not include holdings in crypto-currencies at E. Include these assets at T Other overseas assets. For more information about crypto-currencies, see Tax treatment of crypto-currencies in Australia – specifically Bitcoin.

F Debt securities

Debt securities:

- are typically financial securities which establish ownership and represent borrowings that must be repaid by the issuer
- include negotiable instruments such as bonds, bills of exchange, promissory notes and share certificates which are traded in financial markets
- may consist of a combination of two or more financial instruments. These debt securities are called hybrid securities. They can combine bonds or notes, swaps, forward or futures contracts and options.

Did the SMSF own any debt securities?

No	Leave F blank. Go to G.
Yes	Read on.

Write at F the value (on 30 June 2017) of debt securities or hybrid securities, held by the SMSF, that are traded or available in Australia.

Do not include at F the value of debt securities held on trust under a limited recourse borrowing arrangement. Include the value of these securities at J6 Other in 15b.

G Loans

Did the SMSF have any Australian loans (where the SMSF is the lender)?

No	Leave G blank. Go to H.
Yes	Read on.

Write at G the total value (on 30 June 2017) of loans where:

- the SMSF is the lender, and
- the SMSF entered into or finalised the loan in Australia.

H Listed shares

Did the SMSF own any public shares and equities that are traded on Australian stock exchanges?

No	Leave H blank. Go to I.
Yes	Read on.

Write at H the value (on 30 June 2017) of public shares and equities held by the SMSF that are traded on Australian stock exchanges. These include shares, equities and similar financial contracts that are traded on Australian stock exchanges.

Do not include at H:

- debt securities (include these at F Debt securities)
- investments in listed trusts (include these at A Listed trusts)
- listed shares held on trust under a limited recourse borrowing arrangement (include these at J4 Australian shares).

I Unlisted shares

Did the SMSF own any unlisted shares, equities or similar financial contracts that are not traded on Australian stock exchanges?

No	Leave I blank. Go to J1 to J Limited recourse borrowing arrangement.
Yes	Read on.

Write at I the value (on 30 June 2017) of shares, equities and similar financial contracts held by the SMSF that are not listed on Australian stock exchanges.

Do not include at I:

- investments in unlisted trusts here (include these at B Unlisted trusts in 15a)
- unlisted shares that are held on trust under a limited recourse borrowing arrangement (include the value of these at J4 Australian shares).

If the SMSF is complying and non-arm's-length dividends were paid to the SMSF from a private company include them at U1 Net non-arm's-length private company dividends in Section B.

J1 to J6 and J Limited recourse borrowing arrangements

Did the SMSF have a beneficial interest in any assets that were held on trust as security under a limited recourse borrowing arrangement?

No	Leave J1 to J blank. Go to K.
Yes	Read on.

Write at J1 to J6 the value (on 30 June 2017) of assets beneficially held by the SMSF in a trust as security for a borrowing of money under a limited recourse borrowing arrangement, including instalment warrants.

- The amounts you write at J1 to J6 are the values of the assets held on trust under limited recourse borrowing arrangements and not the amounts borrowed or the amount of outstanding borrowings.
- Write the value of the outstanding borrowings under the limited recourse borrowing arrangements at V1 in item 16 Liabilities.
- Do not include the amounts you write at J1 to J6 at any other asset question in Section H.
  For example, if the SMSF holds a beneficial interest in overseas shares on trust under a limited recourse borrowing arrangement, record the value of the shares at J5 and not at P Overseas shares in item 15c.

Example: Limited recourse borrowing arrangements

For example, at 30 June 2017, if the SMSF has a beneficial interest in residential land with a market value of $300,000 held in a trust under a limited recourse borrowing arrangement and the outstanding amount borrowed is $100,000, the trustee includes:

- $300,000 at J1 Australian residential real property
- $300,000 at J Limited recourse borrowing arrangements
- $100,000 at V1 Borrowings for limited recourse borrowing arrangements

SMSFs are prohibited from borrowing to invest except in certain limited circumstances. For more information, see Limited recourse borrowing arrangements by self-managed superannuation funds – questions and answers.

J1 Australian residential real property

Did the SMSF have a beneficial interest in any Australian residential real property that was held on trust as security under a limited recourse borrowing arrangement?

No	Leave J1 blank.
Yes	Read on.

Write at J1 the value (on 30 June 2017) of the SMSF's beneficial interest in residential real property that is:

- located in Australia, and
- held in a trust as security for a borrowing under a limited recourse borrowing arrangement.

J2 Australian non-residential real property

Did the SMSF have a beneficial interest in any Australian non-residential real property that was held on trust as security under a limited recourse borrowing arrangement?

No	Leave J2 blank.
Yes	Read on.

Write at J2 the value (on 30 June 2017) of the SMSF's beneficial interest in non-residential real property that is:

- located in Australia, and
- held in a trust as security for a borrowing under a limited recourse borrowing arrangement.

J3 Overseas real property

Did the SMSF have a beneficial interest in any overseas real property that was held on trust as security under a limited recourse borrowing arrangement?

No	Leave J3 blank.
Yes	Read on.

Write at J3 the value (on 30 June 2017) of the SMSF's beneficial interest in residential and non-residential real property that is:

- located overseas, and
- held in a trust as security for a borrowing under a limited recourse borrowing arrangement.

J4 Australian shares

Did the SMSF have a beneficial interest in any Australian shares that were held on trust as security under a limited recourse borrowing arrangement?

No	Leave J4 blank. Go to J5.
Yes	Read on.

Write at J4 the value (on 30 June 2017) of the SMSF's beneficial interest in public shares, unlisted shares, equities and similar financial contracts that are held in a trust as security for a borrowing under a limited recourse borrowing arrangement.

Do not include:

- derivatives (include these at O Other assets)

- a beneficial interest in debt securities that is held under a limited recourse borrowing arrangement (include these at J6 Other).

J5 Overseas shares

Did the SMSF have a beneficial interest in any overseas shares that were held on trust as security under a limited recourse borrowing arrangement?

No	Leave J5 blank. Go to J6.
Yes	Read on.

Write at J5 the value (on 30 June 2017) of the SMSF's beneficial interest in public and private shares, equities and similar financial contracts that are:

- traded on overseas stock exchanges, and
- held in a trust as security for a borrowing under a limited recourse borrowing arrangement.

Do not include:

- derivatives (include these at O Other assets)
- a beneficial interest in debt securities that is held under a limited recourse borrowing arrangement (include these at J6 Other).

J6 Other

Did the SMSF have a beneficial interest in any other assets that were held on trust as security under a limited recourse borrowing arrangement?

No	Leave J6 blank. Go to J.
Yes	Read on.

Write at J6 the value (on 30 June 2017) of the SMSF's beneficial interest in other assets that:

- are held in a trust as security for a borrowing under a limited recourse borrowing arrangement, and
- do not fall within any of the categories in questions J1 to J5.

J Limited recourse borrowing arrangements

Write at J the total of J1 to J6.

If the SMSF reports an amount here, it must also complete:

- A and B in item 15e Limited recourse borrowing arrangements
- V1 Borrowings for limited recourse borrowing arrangements in item 16 Liabilities.

K Non-residential real property

Did the SMSF own any Australian non-residential real property?

No	Leave K blank. Go to L.
Yes	Read on.

Write at K the value (on 30 June 2017) of the SMSF's non-residential real property that is located in Australia.

Do not include at K non-residential real property that is held on trust under a limited recourse borrowing arrangement (write the value of these at J2).

L Residential real property

Did the SMSF own any Australian residential real property?

No	Leave L blank. Go to M.
Yes	Read on.

Write at L the value (on 30 June 2017) of the SMSF's residential real property that is located in Australia.

Do not include at L residential real property that is held on trust under a limited recourse borrowing arrangement (write the value of these at J1).

M Collectables and personal use assets

Did the SMSF own any collectables or personal use assets?

No	Leave M blank. Go to O.
Yes	Read on.

Write at M the total value (on 30 June 2017) of the SMSF's collectable and personal use asset investments.

Collectable and personal use asset include:

- artwork
- jewellery
- antiques
- artefacts
- coins, medallions and bank notes
- postage stamps and first day covers
- rare folios, manuscripts and books

- memorabilia
- wine and spirits
- motor vehicles
- recreational boats
- memberships of sporting and social clubs.

Artwork includes a painting, sculpture, drawing, engraving or photograph or a reproduction of one of these things and any property of a similar description or use.

Coins and bank notes are collectables if their value exceeds their face value.

Spirits can include (but is not limited to) whiskey, gin, vodka, tequila, brandy and rum where their purchase is considered an investment.

Do not include collectables and personal use assets that are held on trust under a limited recourse borrowing arrangement at M (write the value of these at J6).

O Other assets

Did the SMSF own any other assets that are located in Australia?

No	Leave O blank. Go to 15c.
Yes	Read on.

Write at O the value (on 30 June 2017) of the SMSF's other assets that:

- are located in Australia, and
- were not included at A to M.

Include the value of derivatives at O.

Do not include instalment warrants at O. Include them at J1 to J6.

15c Overseas direct investments

15c Overseas direct investments covers the SMSF's direct investments that are located outside Australia. It includes overseas direct investments where the entities invested in make subsequent investments in Australian markets. If the SMSF has an investment which is in an entity that is not an Australian-regulated entity, include the investment at P, Q, R, S or T.

If the SMSF has investments in Australian-regulated entities that make subsequent investments on behalf of the SMSF, do not include the investments here at item 15c (include them at A to O in 15a and 15b).

The sections in 15c Overseas direct investments are:

- P Overseas shares
- Q Overseas non-residential real property
- R Overseas residential real property

- S Overseas managed investments
- T Other overseas assets.

P Overseas shares

Did the SMSF own any public and private shares, equities and similar financial contracts that are traded on an overseas stock exchange?

No	Leave P blank. Go to Q.
Yes	Read on.

Write at P the value (on 30 June 2017) of the SMSF's public and private shares, equities and similar financial contracts that are traded on an overseas stock exchange.

Do not include:

- debt securities (include these at T Other overseas assets)
- investments in listed or unlisted trusts (include these at S Overseas managed investments)
- overseas shares that are held on trust under a limited recourse borrowing arrangement (include these at J5 in 15b).

Q Overseas non-residential real property

Did the SMSF own any non-residential real property that is located outside Australia?

No	Leave Q blank. Go to R.
Yes	Read on.

Write at Q the value (on 30 June 2017) of the SMSF's non-residential real property that is located outside Australia.

Do not include at Q the value of overseas non-residential real property that is held on trust under a limited recourse borrowing arrangement (include the value of these properties at J3 in 15b).

R Overseas residential real property

Did the SMSF own any residential real property that is located outside Australia?

No	Leave R blank. Go to S.
Yes	Read on.

Write at R the value (on 30 June 2017) of the SMSF's residential real property that is located outside Australia.

Do not include at R the value of overseas residential real property that is held on trust under a limited recourse borrowing arrangement (include the value of these properties at J3 in 15b).

S Overseas managed investments

Did the SMSF own any managed investments with investment managers located outside Australia?

No	Leave S blank. Go to T.
Yes	Read on.

Write at S the value (on 30 June 2017) of the SMSF's managed investments with investment managers located outside Australia.

This category includes investments with all external investment managers located overseas. An external investment manager is someone appointed by the trustee of the SMSF in accordance with section 124 of the *Superannuation Industry (Supervision) Act 1993* to make investments on behalf of the SMSF. Investments managed by an external investment manager are often called managed funds.

Do not include at S:

- investments in a managed fund that is registered or located in Australia where the managed fund invests in overseas assets (include their value at D Other managed investments in 15a)
- overseas managed investments that are held on trust under a limited recourse borrowing arrangement (include their value at J6 in 15b).

T Other overseas assets

Did the SMSF own any other assets located outside Australia?

No	Leave T blank. Go to U.
Yes	Read on.

Write at T the value (on 30 June 2017) of the SMSF's other assets that are located outside Australia and could not be included at questions P to S.

Do not include at T other overseas assets that are held on trust under a limited recourse borrowing arrangement at T (include the value of these assets at J6 in 15b).

U Total Australian and overseas assets

Write at U the total of A to T (including J but not including J1 to J6).

If the total of A to T is zero (that is, the SMSF has no assets) write 0 at U.

An SMSF that has no assets must be wound up. If the SMSF has no assets it must have answered Yes in Section A at 9 Was the fund wound up during the income year?

15d In-house assets

Did the SMSF hold any in-house assets on 30 June 2017?

No	Print X in the No box at A. Go to 15e Limited recourse borrowing arrangements.
Yes	Read on.

- Print X in the Yes box at A.
- Write at A the total value of the in-house assets on 30 June 2017.
- Make sure that any amount you include at A are also included at A to T in 15a, 15b and 15c. Do not include at A any related party investments that are not in-house assets.

Identifying in-house assets

Generally, an in-house asset of an SMSF is an asset that is:

- a loan to a related party of the SMSF
- an investment in a related party of the SMSF
- an investment in a related trust of the SMSF, or
- subject to a lease or lease arrangement between the trustee of the SMSF and a related party of the SMSF.

Some in-house asset exceptions do exist, such as a lease or lease agreement, between the SMSF and a related party of the SMSF involving business real property. There is also a limited exception for certain investments in related non-geared unit trusts and companies.

For more information on what is an in-house asset see:

- Part 8 of the *Superannuation Industry (Supervision) Act 1993*
- Self Managed Superannuation Funds Ruling SMSFR 2009/4 *Self Managed Superannuation Funds: the meaning of 'asset', 'loan', 'investment in', 'lease' and 'lease arrangement' in the definition of an 'in-house asset' in the Superannuation Industry (Supervision) Act 1993*.

15e Limited recourse borrowing arrangements

SMSFs that had a Limited recourse borrowing arrangement (LRBA) must complete:

- A If the fund had an LRBA, were the LRBA borrowings from a licensed financial institution?
- B Did members or related parties of the fund use personal guarantees or other security for the LRBA?
- J Limited recourse borrowing arrangements in item 15b
- V1 Borrowings for limited recourse borrowing arrangements in item 16

SMSFs are prohibited from borrowing to invest except in certain limited circumstances. For more information, see Limited recourse borrowing arrangements by self-managed superannuation funds – questions and answers.

A If the fund had an LRBA, were the LRBA borrowings from a licensed financial institution?

No	Print X in the No box. Go to B.
Yes	Print X in the Yes box. Go to B.

A licensed financial institution includes a bank or approved deposit taking institution. Examples of licensed financial institutions include:

- Australian-owned banks
- foreign banks (branches or subsidiaries)
- credit unions
- building societies
- authorised non-operating holding companies
- finance companies.

Answer '*No*' if the fund borrowed money under the LRBA from:

- a related party of the fund
- a non-licensed financial institution.

Also answer 'No' if the fund holds more than one LRBA, and the money to acquire at least one (or part) of an asset has been borrowed from a source other than a licensed financial institution.

B Did members or related parties of the fund use personal guarantees or other security for the LRBA?

No	Print X in the No box. Go to 16 Liabilities.
Yes	Print X in the Yes box. Go to 16 Liabilities.

Answer '*Yes*' if:

- a member of the fund or a related party of the fund has provided a personal guarantee or security for the LRBA
- the fund holds more than one LRBA, and a member or related party has used a personal guarantee or other security for at least one of the LRBAs.

16 Liabilities

The sections in Liabilities are:

- V1, V2, V3 and V Borrowings
- W Total member closing account balances
- X Reserve accounts
- Y Other Liabilities
- Z Total Liabilities.

V1 V2, V3 and V Borrowings

Did the SMSF have any outstanding borrowings (where the SMSF is the borrower)?

No	Leave V1, V2, V3 and V blank. Go to W.
Yes	Read on.

Write at V1 to V3 the total value of each type of outstanding borrowing by the SMSF (including accrued interest) on 30 June 2017.

SMSFs are prohibited from borrowing to invest except in certain limited circumstances. For more information, see Limited recourse borrowing arrangements by self-managed superannuation funds – questions and answers.

V1 Borrowings for limited recourse borrowing arrangements

Did the SMSF have any outstanding borrowings held under limited recourse borrowing arrangements?

No	Leave V1 blank. Go to V2.
Yes	Read on.

Write at V1 the value of outstanding borrowings held under all limited recourse borrowing arrangements at 30 June 2017.

Do not include the value of the assets held under the limited recourse borrowing arrangement here. The values of the assets held on trust under limited recourse borrowing arrangements are to be included at J1 to J6 and the total at J of item 15b.

If the SMSF reports borrowings for an LRBA at V1, it must also report at:

- J Limited recourse borrowing arrangements in item 15b
- A and B in item 15e.

V2 Permissible temporary borrowings

Did the SMSF have any permissible temporary borrowings?

No	Leave V2 blank. Go to V3.
Yes	Read on.

Write at V2 the value (on 30 June 2017) of any permissible temporary borrowings held by the SMSF.

Permissible temporary borrowings are those borrowings allowed under subsections 67(2), (2A) and (3) of the *Superannuation Industry (Supervision) Act 1993*, and include:

- borrowing money for a maximum of 90 days to meet benefit payments due and required to be made to members, or to meet an outstanding superannuation surcharge liability (where, in either case, the SMSF would not able to make such a payment without the borrowing), provided the borrowing does not exceed 10% of the value of the SMSF's total assets
- borrowing money for a maximum of 7 days to cover the settlement of certain security transactions (where, at the time the relevant investment decision was made, it was likely that the borrowing would not be required), provided the borrowing does not exceed 10% of the value of the SMSF's total assets.

V3 Other borrowings

Did the SMSF have any other outstanding borrowings?

No	Leave V3 blank. Go to V.
Yes	Read on.

Write at V3 the value (on 30 June 2017) of all other borrowing amounts.

V Borrowings

Write at V the total of V1, V2 and V3.

Example: SMSF with multiple borrowings

At 30 June 2017, an SMSF has a beneficial interest in residential land with a market value of $300,000 held in a trust under a limited recourse borrowing arrangement.

The outstanding amount borrowed under the limited recourse borrowing arrangement at that time is $100,000.

The SMSF also has $5,000 in permissible temporary borrowings to meet benefit payments due to members.

The SMSF reports:

V1 Borrowings for limited recourse borrowing arrangements	$100,000
V2 Permissible temporary borrowings	$5,000
V3 Other outstanding borrowings	(Blank)
V Borrowings	$105,000

W Total member closing account balances

Was the SMSF wound up during 2016–17?

No	Write at W the total value of all member account balances on 30 June 2017. The amount at W must equal the total of all the S Closing account balance amounts in sections F and G.
Yes	• Leave W blank. • You must have answered Yes in Section A at 9 Was the fund wound up during the income year? • Go to X.

If you have used a contribution reserve strategy for concessional contributions as described in TD 2013/22, then ensure that the amount you calculate and write at W includes the contributions that were received in 2016–17, even where they were not allocated to a member's account until the following financial year.

X Reserve accounts

Did the SMSF have any assets not allocated to members on 30 June 2017?

No	Leave X blank. Go to Y.
Yes	Read on.

Write at X the total value of assets not allocated to members on 30 June 2017.

Y Other liabilities

Did the SMSF have other liabilities?

No	Leave Y blank. Go to Z.

Yes	Read on.

Write at Y the total value (on 30 June 2017) of liabilities that you could not include in:

- V Borrowings
- W Total member closing account balances
- X Reserve accounts.

Z Total liabilities

Work out the SMSF's total liabilities at 30 June 2017. Add up all the liabilities at V to Y. Write the total at Z.

If the SMSF was wound up during 2016–17 (that is, it has no liabilities), write 0 at Z.

Z Total liabilities must equal U Total Australian and overseas assets in 15c.

Section I: Taxation of financial arrangements (item 17)

Complete Section I only if the taxation of financial arrangements (TOFA) rules apply to the SMSF.

The TOFA rules apply to an SMSF only where:

- the value of the SMSF's assets is $100 million or more, or
- the SMSF has elected to have the TOFA rules apply to it.

For the purposes of this test, work out the value of the SMSF's assets at 30 June 2016. If the SMSF came into existence during 2016–17, work out the value of its assets at 30 June 2017.

Once the TOFA rules apply to an SMSF, they will continue to apply to that SMSF even if later, the value of its assets falls below $100 million.

Do the TOFA rules apply to the SMSF?

No	Leave Section I blank. Go to Section J.
Yes	Read on.

Effect of the TOFA rules

The TOFA rules provide for:

- the time at which the gains and losses from financial arrangements are brought to account
- methods for taking into account gains and losses from financial arrangements, namely

  - accruals
  - realisation
  - fair value
  - foreign exchange retranslation
  - hedging
  - reliance on financial reports
  - balancing adjustments.

For more information, see Guide to the taxation of financial arrangements (TOFA).

H Total TOFA gains

Did the SMSF have an assessable TOFA gain in 2016–17?

No	Leave H blank.
Yes	Write at H the SMSF's total assessable TOFA gains from financial arrangements.

I Total TOFA losses

Did the SMSF have a deductible TOFA loss in 2016–17?

No	Leave I blank.
Yes	Write at I the SMSF's total deductible TOFA losses from financial arrangements.

Section J: Other information

Has the SMSF made or is it making:

- a family trust election (FTE) or
- an interposed entity election (IEE)?

No	Leave Section J blank. Go to Section K.
Yes	Read on.

For more information, see

Family trust election (FTE) status

A Year of family trust election

Have the trustees of the SMSF made, or are they making, an FTE?

No	Go to B.
Yes	Read on.

Complete A if the trustees of the SMSF:

- are making an FTE specifying the 2004–05 or later income year (see section 272-80 of Schedule 2F to the ITAA 1936), or
- have previously made an FTE specifying an income year from 1994–95 to 2015-16 and that election has not been revoked in an income year before 2016-17 (see section 272-80 of Schedule 2F to the ITAA 1936 and, if applicable, item 22 or 22A of Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998)*.

If the trustees of the SMSF have made, or are making, an FTE, write at A the income year from which that election takes effect. For example, if making an FTE to apply to and from 2016–17, write ‘2017’.

Provided certain conditions are met, a trustee can make an FTE to take effect from 2016–17 or to take effect from a prior income year, although that prior income year cannot be earlier than 2004–05. Trustees may, however, have previously made an FTE that took effect prior to 2004–05.

If the trustees are making an FTE, complete a Family trust election, revocation or variation 2017 form. Attach the completed form to the annual return.

B Revoking or varying an FTE

Are the trustees of the SMSF revoking or varying an FTE?

No	Go to C.
Yes	Read on.

Complete B if the trustees of the SMSF:

- are revoking in 2016–17 a previously made FTE (see subsections 272-80(6) to (8) of Schedule 2F to the ITAA 1936), or
- are varying the specified individual of a previously made FTE (see subsections 272-80 (5A) to (5D) and (6B) to (8) of Schedule 2F to the ITAA 1936).

Print at B the appropriate letter from table 13.

Table 13 – FTE revocation or variation codes

Code letter	Meaning

R	The FTE made by the trustee of the SMSF is being revoked in 2016-17.
V	The specified individual of an FTE is being varied from a time in 2016-17.

In certain limited circumstances an SMSF may revoke the FTE, or vary the FTE, so that a different individual is specified as the individual whose family group is taken into account for the election.

A trustee cannot vary the specified individual or revoke an FTE unless the variation or revocation is in respect of an income year that occurs during the period:

- starting at the beginning of the income year specified in the election and finishing at the end of the fourth income year after the income year specified in the election, or
- starting on 1 July 2007 and finishing on 30 June 2009.

The trustee may only vary the specified individual of an FTE once, except where doing so under subsection 272-80(5C) of Schedule 2F to the ITAA 1936 for a relevant family law order, agreement or award.

The trustee must make the variation or revocation of an election with the annual return for the income year from which the variation or revocation is to take effect.

Accordingly when revoking an FTE or varying the specified individual of an FTE in 2016–17, you must attach a Family trust election, revocation or variation 2017 to the SMSF's annual return.

If you do not lodge the annual return electronically using ELS, and you are lodging a *Family trust election, revocation or variation 2017* with the annual return, send the annual return and the attachments to:

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

Interposed entity election status

C Year of interposed entity election (IEE)

Have the trustees of the SMSF made, or are they making, an IEE?

No	Go to D.
Yes	Read on.

Complete C if the trustees of the SMSF:

- are making one or more interposed entity elections (IEEs) specifying a day in the 2004–05 or a later income year (see section 272-85 of Schedule 2F to the ITAA 1936), or

- have previously made one or more IEEs specifying a day in any income year from 1994–95 to 2015-2016 and at least one election has not been revoked in an income year before 2016–17 (see section 272-85 of Schedule 2F to the ITAA 1936 and, if applicable, item 23 or 23A of Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998*).

If the trustees are making one or more IEEs specifying a day in the 2004–05 or later income year:

- write at C the earliest income year specified, and
- complete an *Interposed entity election or revocation 2017* for each IEE. Attach the completed forms to the annual return.

If the trustees are not making an IEE but have previously made one or more IEEs specifying a day in an income year before 2016–17, write the earliest income year specified at C.

Provided certain conditions are met, a trustee can make an IEE:

- to take effect after a specified day in 2016–17, or
- to take effect after a specified day in a prior income year not earlier than 2004–05.

Do not attach an election form to the annual return specifying an income year before 2004–05. However, trustees may have previously made one or more IEEs that took effect after a specified day in an income year prior to 2004–05.

D Revoking an IEE

Are the trustees of the SMSF revoking an IEE?

No	Go to Section K.
Yes	Read on.

Print R at D if the trustees of the SMSF are revoking, from 2016–17, one or more previously made IEEs.

An IEE can be revoked in certain limited circumstances (see subsections 272-85(5A) to (6) of Schedule 2F to the ITAA 1936).

A trustee cannot revoke an IEE unless the revocation is in respect of an income year that occurs during the period:

- beginning on 1 July 2007 and finishing on 30 June 2009

or

- beginning at the later of
    - the start of the income year specified in the election, and

    - the start of the income year in which the entity became a member of the family group, and

- finishing at the end of the fourth income year after the income year referred to in the above two points.

You must make the revocation with the annual return for the income year from which the revocation is to take effect. Accordingly, you must attach an *Interposed entity election or revocation 2017* to the SMSF's annual return.

If you are not lodging the annual return electronically using ELS and you are lodging an *Interposed entity election or revocation 2017* form with the annual return, send the annual return and the attachments to:

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

Example: Making new elections – specifying the current year

The trustee has not previously made an FTE or an IEE but wants to make:

- an FTE specifying 2016–17, and
- an IEE specifying a day in 2016–17.

The trustee:

- writes 2017 at A
- writes 2017 at C
- completes a *Family trust election, revocation or variation 2017* form specifying 2016–17, to provide details of the FTE the trustee of the SMSF is making
- completes an *Interposed entity election or revocation 2017* form specifying a day in 2016–17, to provide details of the IEE the trustee of the SMSF is making
- attaches the completed forms to the annual return.

Example: Making new elections – specifying an earlier year

The trustee has not previously made an FTE or an IEE but wants to make:

- an FTE specifying 2004–05, and
- an IEE specifying a day in 2004–05.

The trustee:

- writes 2005 at A
- writes 2005 at C
- completes a *Family trust election, revocation or variation 2017* form, specifying 2004–05, to provide details of the FTE the trustee of the SMSF is making
- completes an *Interposed entity election or revocation 2017* form, specifying a day in 2004–05, to provide details of the IEE the trustee of the SMSF is making
- attaches the completed forms to the annual return.

Example: An SMSF with existing elections

The trustee has previously made:

- an FTE specifying 1994–95, and
- an IEE specifying a day in 1994–95.

The trustee:

- writes 1995 at A
- writes 1995 at C.

The trustee does not need to complete

- a *Family trust election, revocation or variation 2017*
- an *Interposed entity election or revocation 2017*.

Section K: Declarations

Complete all of Section K.

Trustee's or director's declaration

All trustees, or all directors of the body corporate if the SMSF has a corporate trustee, are equally responsible and accountable for managing the SMSF and making sure it complies with the law.

Signing this declaration confirms that:

- the information supplied is true, and
- all trustees, and all directors of the body corporate if the SMSF has a corporate trustee, have authorised this annual return.

All trustees of the SMSF, and all directors of the body corporate if the SMSF has a corporate trustee, should:

- authorise the annual return
- document their authorisation in the SMSF's records
- review the audit undertaken on the SMSF before they authorise the annual return.

We may impose penalties for providing false or misleading information. The penalty can apply to shortfall amounts and to statements that do not result in a change in a tax liability.

Preferred trustee or director contact details

Write the name and contact details of the individual (not the tax agent) that we can contact if required.

Provide a contact phone number including area code.

Non-individual trustee name (if applicable)

Print the name and ABN of the corporate trustee, referred to here as non-individual trustee, if the SMSF has one.

Time taken to prepare and complete this annual return

We want to reduce the cost of complying with the SMSF's taxation and regulatory obligations. Your response to this question is voluntary.

When completing this annual return, how much time, rounded up to the nearest hour, did you spend:

- reading the annual return instructions
- collecting the necessary information to complete this annual return
- making the necessary calculations
- completing this annual return or putting the tax affairs of the SMSF in order so the information can be handed to the SMSF's registered tax agent?

Include the time spent preparing and completing the annual return by:

- the trustee
- the tax agent
- any other person who helped.

Tax agent's declaration

If the tax agent is a partnership or a company, a person authorised by that partnership or company must sign this declaration. Print that person's name at this question.

Tax agent's contact details

Write the tax agent's title, name, phone number, area code and:

- the name of the tax agent's practice under Tax agent's practice
- the client number that the tax agent has allocated to the SMSF under Reference number

- the number that the Tax Practitioners Board has issued to the tax agent under Tax agent number.

Capital works expenditure

Division 43 of the ITAA 1997 provides for a system of deducting capital expenditure incurred in the construction of buildings and other capital works used to produce assessable income.

You can deduct construction costs for the following capital works:

- buildings or extensions, alterations or improvements to a building
    - begun in Australia after 21 August 1979 or
    - begun outside Australia after 21 August 1990

- structural improvements or extensions, alterations or improvements to structural improvements begun after 26 February1992
- environmental protection earthworks on which the expenditure was incurred after 18 August 1992.

Deductions for construction costs must be based on actual costs incurred. If it is not possible to genuinely determine the actual costs, obtain an estimate by a quantity surveyor or other independent qualified person. The costs incurred by the SMSF to obtain this estimate are deductible as a tax-related expense, not as an expense in gaining or producing assessable income.

Different deduction rates apply (2.5% or 4%) depending on:

- the date the construction began
- the type of capital works
- the manner of use.

Who can claim?

The SMSF can claim a deduction under Division 43 for an income year only if it:

- owns, leases, or holds under quasi-ownership rights, part of a construction expenditure area of capital works ('your area')
- incurred the construction expenditure or is an assignee of the lessee or holder who incurred the expense (in the case where the fund is a lessee of the capital works or is a holder of a quasi-ownership right), and
- uses 'your area' in a deductible way (which generally means to produce assessable income).

In calculating the SMSF's deduction identify 'your area' for each construction expenditure area of the capital works. Your area may comprise the whole of the construction area or part of it.

Lessee or holder of capital works

A lessee or holder can claim a deduction for an area of capital works leased or held under a quasi-ownership right.

To claim a deduction the lessee or holder must have:

- incurred the construction expenditure or been an assignee of the lessee who incurred the expenditure
- continuously leased or held the capital works area itself or leased or held the area that had been so held by previous lessees, holders or assignees since completion of construction, and
- used the area in a deductible way (which generally means to produce assessable income).

If there is a lapse in the lease, the entitlement to the deduction reverts to the building owner.

Requirement for deductibility

An SMSF can deduct an amount for capital works in an income year if:

- the capital works have a ‘construction expenditure area’
- there is a ‘pool of construction expenditure’ for that area, and
- the SMSF uses the area in the income year in a deductible way (which generally means to produce assessable income) set out in section 43-140 of the ITAA 1997.

No deduction until construction is complete

An SMSF cannot claim a deduction for any period before the completion of construction of the capital works even though the SMSF used them, or part of them, before completion. Additionally, the deduction cannot exceed the undeducted construction expenditure for your area (see section 43-30 of the ITAA 1997).

When capital works begin

Capital works are taken to have begun when the first step in the construction phase starts, for example, pouring foundations or sinking pylons for a building (see section 43-80 of the ITAA 1997).

Establishing the deduction base

The SMSF can deduct an amount for capital works if there is a construction expenditure area for the capital works.

Whether there is such an area and how it is identified depends on:

- the type of expenditure incurred (only construction expenditure as defined in section 43-70 of the ITAA 1997 is deductible under Division 43 of the ITAA 1997)
- the time the capital works commenced
- the area of the capital works to be owned, leased or held by the entity that incurred the expenditure
- for capital works begun before 1 July 1997, the area of the capital works that was to be used in a particular manner (see section 43-90 of the ITAA 1997).

Construction expenditure

Construction expenditure includes:

- preliminary expenses, such as architect's fees, engineering fees, foundation excavation expenses, and costs of building permits
- costs of structural features that are an integral part of the income-producing building or income-producing structural improvements, for example, lift wells and atriums
- some portion of indirect costs.

For an owner-builder entitled to a deduction under Division 43 of the ITAA 1997, the value of their contributions to the works (that is, labour or expertise and any notional profit element) do not form part of construction expenditure. See Taxation Ruling TR 97/25 – *Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements.*

Construction expenditure does not include expenditure on:

- acquiring land
- demolishing existing structures
- clearing, levelling, filling, draining or otherwise preparing the construction site before carrying out excavation work
- landscaping
- plant
- property for which a deduction is allowable or would be allowable if the property were to be used for the purpose of producing assessable income under another specified provision of the ITAA 1936 or the ITAA 1997.

Construction expenditure area

The construction of the capital works must be complete before the construction expenditure area is determined. A separate construction expenditure area is created each time an entity undertakes the construction of capital works.

The construction expenditure area for capital works that started after 30 June 1997 is the part of the capital works on which the construction expenditure was incurred by an SMSF that, at the time it was incurred, was to be owned, leased or held (under quasi-ownership rights) by the SMSF.

For the construction expenditure area of capital works begun before 1 July 1997, the capital works must have been intended for use for a certain specified purpose at the time of completion. The type of capital works, and the intended use on completion, depends on the time when the capital works commenced. The first specified use construction time was 22 August 1979 (see the table at section 43-90 and subsection 43-75(2) of the ITAA 1997).

No deduction is available under Division 43 of the ITAA 1997 for capital works which began in Australia, on or before 21 August 1979 or outside Australia on or before 21 August 1990 (see subsection 43-20(1) of the ITAA 1997).

Pool of construction expenditure

The pool of construction expenditure is the portion of the construction expenditure incurred on capital works that is attributable to the construction expenditure area.

The portion of the pool of construction expenditure that is attributable to the area that is owned, leased or held by the SMSF is called ‘your construction expenditure’.

Deductible use

An SMSF can only claim a deduction under Division 43 of the ITAA 1997 if it uses the area ('your area') in a way described in Table 43-140 or Table 43-145 of Subdivision 43-D of the ITAA 1997.

Special rules about uses

Your area is taken to be used for a particular purpose or in a particular manner if:

- it is maintained ready for that use or that manner, is not used for another purpose or in any other manner, and its use had not been abandoned, or
- its use for a particular purpose or in a particular manner has temporarily ceased because of construction of an extension, alteration or improvement or the making of repairs or seasonal or climatic factors.

Your area is not accepted as being used to produce assessable income:

- if it is a building (other than a hotel building or apartment building)
  - used, or for use, wholly or mainly for exhibition or display in connection with the sale of all or part of any building, and
  - for which construction began after 17 July 1985 but before 1 July 1997 (if construction began after 30 June 1997, buildings that are used for display are eligible)

- if it is a building (other than a hotel building or apartment building), or an extension, alteration or improvement to such a building, where construction began after 19 July 1982 and before 18 July 1985 and it is used or available for use wholly or mainly for
  - or in association with, residential accommodation, or
  - exhibition or display in connection with the sale or lease of all or part of any building for use wholly or mainly for, or in association with, residential accommodation

- to the extent the building (other than a hotel building or apartment building) is for the use mainly for, or in association with, residential accommodation by the SMSF or an associate. For exceptions to this rule, see subsection 43-170(2) of the ITAA 1997.

Your area is taken to be used, or for use, wholly or mainly for, or in association with, residential accommodation if it is:

- property (other than a hotel building or apartment building) and is part of an

individual’s home, or
- a building (other than a hotel building or apartment building)
  - where construction began after 19 July 1982 and before 18 July 1985, and
  - used, or for use, wholly or mainly for the purpose of operating a hotel, motel or guest house.

Thus a hotel, motel or guest house for which construction began during the specified time, and which does not qualify as a hotel building or apartment building (for example, because it has fewer than 10 bedrooms or apartments) does not qualify for a deduction under Division 43.

Special rules for hotel and apartment buildings are contained in section 43-180 of the ITAA 1997.

Calculation and rate of deduction

The SMSF’s entitlement to a deduction must be worked out having regard to the date the building is first used to produce assessable income after construction is completed. The first and last years of use may be apportioned. The entitlement to a deduction runs for either 25 or 40 years (the limitation period) depending on the rate of deduction applicable.

The legislation contains two calculation provisions:

- section 43-215 of the ITAA 1997 covers deduction for capital works which began before 27 February 1992
- section 43-210 of the ITAA 1997 covers deduction for capital works which began after 26 February 1992.

Capital works begun before 27 February 1992 and used as described in table 43-140 of the *Income Tax Assessment Act 1997*

Calculate the deduction separately for each part of capital works that meets the description of your area.

Multiply your construction expenditure by:

- the applicable rate (either 4% if the capital works began after 21 August 1984 and before 16 September 1987 or 2.5% in any other case)

and

- the number of days in the income year in which the SMSF owned, leased or held your area and used it in a relevant way.

Divide that amount by the number of days in the income year (see section 43-215 of Subdivision 43-F of the ITAA 1997).

Apportion the amount if your area is used only partly to produce assessable income.

The amount the SMSF claims cannot exceed the undeducted construction expenditure.

Capital works begun after 26 February 1992

Calculate the deduction separately for each part of the capital works that meets the description of your area.

Multiply your construction expenditure by the:

- applicable rate, and
- number of days in the income year in which the SMSF owned, leased or held your area and used it in a relevant way.

Divide that amount by the number of days in the income year (see section 43-210 of Subdivision 43-F of the ITAA 1997).

Apportion the amount if your area is used only partly to produce assessable income (or if relevant partly for the purposes of conducting research and development activities).

There is a basic entitlement to a rate of 2.5% for parts used as described in Table 43-140 (current year use). The rate is 4% for parts used as described in Table 43-145 (use in the 4% manner). See section 43-25 of the ITAA 1997.

Undeducted construction expenditure

The undeducted construction expenditure for your area is the part of your construction expenditure that remains to write off. It is used to work out:

- the number of years in which the SMSF can deduct amounts for construction expenditure, and
- the amount that the SMSF can deduct under section 43-40 of the ITAA 1997 if your area or a part of it is destroyed.

The methods for calculating undeducted construction expenditure are included in sections 43-230, 43-235 and 43-240 of the ITAA 1997.

Balancing deduction on destruction

If a building is destroyed in the circumstances described in section 43-40 of the ITAA 1997 during an income year, you can claim a deduction for the remaining amount of undeducted construction expenditure that has not yet been deducted, less any compensation received. This applies even if the destruction or demolition is voluntary.

You can claim the deduction in the income year in which the destruction occurs.

The deduction is reduced if the capital works are used in an income year only partly for the purpose of producing assessable income.

The method statement for calculating the amount of the balancing deduction is included at section 43-250 of the ITAA 1997.

For guidance, see Taxation Ruling TR 97/25 *Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements and its addendum TR 97/25A*.

Forestry managed investment schemes

Division 394 of the ITAA 1997 sets out rules about deductions for contributions to forestry managed investment schemes (FMIS). It also sets out the tax treatment of proceeds from the sale of interests in such schemes, and of proceeds from harvesting trees under such schemes.

The treatment of FMIS also allows for secondary market trading of interests in such schemes. As a result, there are two different types of investors:

- initial participants
- subsequent participants.

The FMIS income and FMIS deductions that the SMSF must report depend on whether it is an initial or subsequent participant.

An SMSF that invests in an FMIS shows:

- capital gains from an FMIS at A Net capital gain in Section B
- income from an FMIS at X Forestry managed investment scheme in Section B
- deductible and non-deductible payments made to an FMIS at U1 or U2 Forestry managed investment scheme expense in Section C.

If the SMSF is a member of a collapsed agribusiness managed investment scheme, then to help you calculate the SMSF's income and deductions, see Collapse of agribusiness managed investment schemes: participant information.

FMIS income

Initial participants in an FMIS

Thinning receipts

Include at X Forestry managed investment scheme income in Section B the amount of thinning proceeds received by the SMSF from its forestry interest.

Sale and harvest receipts: forestry interest no longer held

Include the market value of the forestry interest at the time of the CGT event at X Forestry managed investment scheme income if:

- the SMSF ceased holding its forestry interest as a result of a CGT event (for example, it sold its interest or it received harvest proceeds), and
- the SMSF can deduct or has deducted amounts paid under the FMIS for an income year, or would be entitled to deduct such amounts but for a CGT event happening within 4 years after the end of the income year in which the SMSF first pays an amount under the FMIS.

Sale and harvest receipts: forestry interest still held

Include at X Forestry managed investment scheme income in Section B the amount by which the market value of the forestry interest was reduced as a result of the CGT event if:

- a CGT event happened and the SMSF still holds its forestry interest (for example, it sold part of its interest or it received partial harvest proceeds), and
- the SMSF can deduct or has deducted amounts paid under the FMIS for an income year, or would be entitled to deduct such amounts but for a CGT event happening within 4 years after the end of the income year in which the SMSF first pays an amount under the FMIS.

Subsequent participants in an FMIS

Thinning receipts

Include at X Forestry managed investment scheme income in Section B the amount of thinning proceeds received by the SMSF from its forestry interest

Sale and harvest receipts: forestry interest no longer held

If the SMSF:

- ceased holding its forestry interest as a result of a CGT event (for example, it sold its interest or it received harvest proceeds), and
- can deduct or has deducted amounts paid under the FMIS for an income year, or could deduct such amounts for an income year if the SMSF had paid the amount under the FMIS in that income year

include the lesser of the following two amounts at X Forestry managed investment scheme income in Section B:

- the market value of the forestry interest at the time of the CGT event, or
- the amount, if any, by which the total forestry scheme deductions exceed the incidental forestry scheme receipts (‘net deductions’).

Example: Sale receipts – forestry interest no longer held shows how to calculate the amount to include at X Forestry managed investment scheme income where the SMSF sold its forestry interest. It also shows the capital gains tax consequences.

Show the SMSF's net capital gains in Section B at A Net capital gain rather than at X Forestry managed investment scheme income. For more information on the CGT treatment of the SMSF’s forestry interests, see Capital gains tax.

Sale and harvest receipts: forestry interest still held

If:

- a CGT event happened and the SMSF still held its forestry interest (for example, it sold part of its interest or it received partial harvest proceeds), and
- the SMSF can deduct or has deducted amounts paid under the FMIS for an income year, or could deduct such amounts for an income year if the SMSF had paid the amount under the FMIS in that income year

then work out the following two amounts:

- the market value of the forestry interest at the time of the CGT event
- the amount (if any) by which the total forestry scheme deductions exceed the incidental forestry scheme receipts (‘net deductions’).

Use the lesser of the two amounts you worked out above in the following formula:

$$\text{Lesser of the two amounts worked out above} \times \frac{\text{the decrease, if any, in the market value of the forestry interest (as a result of the CGT event)}}{\text{the market value of the forestry interest just before the CGT event}}$$

Include the result of this formula at X Forestry managed investment scheme income. Include the remainder in a future income year in which the SMSF receives further proceeds from a harvest or the sale of the forestry interest.

Example: Harvest receipts: forestry interest still held shows how to calculate the amount to include at X Forestry managed investment scheme income, where the SMSF:

- receives a harvest payment, and
- still holds the forestry interest.

It also shows the capital gains tax consequences.

Show the SMSF's net capital gains in Section B at A Net capital gain rather than at X Forestry managed investment scheme income. For more information on the CGT treatment of the SMSF’s forestry interests, see Capital gains tax.

Example: Sale receipts: forestry interest no longer held

Cedar Superannuation Fund is an SMSF and a subsequent participant in an FMIS. Cedar Superannuation Fund sold its forestry interest (held on capital account) for $20,000 (market value). The sale of the forestry interest is a CGT event. The original cost base for the forestry interest is $14,000.

During the time that Cedar Superannuation Fund held the forestry interest, it claimed $4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management fees and the cost of felling that it paid to the forestry manager.

During the same period, Cedar Superannuation Fund received $1,500 from thinning proceeds (its incidental forestry scheme receipts).

Cedar Superannuation Fund include $2,500 (that is, $4,000 minus $1,500) at X Forestry managed investment scheme income in its SMSF annual return, because this amount is less than the market value of its forestry interest at the time of the CGT event.

Capital gains tax notes

- Cedar Superannuation Fund will take the amount that it included at X Forestry managed investment scheme income into account when working out the amount to include at A Net capital gain.
- The capital gain would be $3,500, which is capital proceeds of $20,000 less cost base of $16,500 (made up of $14,000 plus $2,500 that was included in assessable income).

Example: Harvest receipts: forestry interest still held

Oakey Superannuation Fund is an SMSF and a subsequent participant in an FMIS. Oakey Superannuation Fund holds the forestry interest on capital account and received a harvest proceeds payment of $5,000 in 2016–17. Oakey Superannuation Fund's interest has been reduced by 25%.

The market value of Oakey Superannuation Fund's forestry interest just before it received payment for the harvest (a CGT event) is $20,000. After Oakey Superannuation Fund received this harvest payment, the market value of its forestry interest was reduced to $15,000. The original cost base for the forestry interest is $14,000.

During the time Oakey Superannuation Fund has held the forestry interest, it claimed $4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management fees and the cost of felling that it paid to the forestry manager.

During the same period, Oakey Superannuation Fund received $1,500 from thinning proceeds (its incidental forestry scheme receipts).

Step 1

Work out the lesser of the market value and net deductions

The market value of the forestry interest (at the time of the CGT event) is $20,000.

The amount by which the total forestry scheme deductions exceed the incidental forestry scheme receipts is $2,500 (that is, $4,000 minus $1,500) net deductions.

The amount used in step 2 is $2,500 (net deductions).

Step 2

Using the formula:

$$\text{Lesser of the two amounts worked out above} \times \frac{\text{the decrease, if any, in the market value of the forestry interest (as a result of the CGT event)}}{\text{the market value of the forestry interest just before the CGT event}}$$

You calculate:

$2,500 × ($5,000 ÷ $20,000) = $625

Step 3

Oakey Superannuation Fund will need to include $625 at X Forestry managed investment scheme income on its 2016–17 annual return.

The remainder of each of total forestry scheme deductions and incidental forestry scheme receipts ($2,500 minus $625, that is, $1,875) that is not included at X Forestry managed investment scheme income in 2016–17 will be reported in a future income year (the year in which the SMSF receives further proceeds from the harvest or sale of its forestry interest).

For example, if in 2017–18 Oakey Superannuation Fund received the balance of harvest proceeds of $15,000 (at the time of the CGT event, the market value of its forestry interest is $15,000) and it had no further forestry scheme deductions or incidental forestry scheme receipts, it would include the balance of $1,875 as assessable income in 2017–18.

Capital gains tax notes

- Oakey Superannuation Fund has disposed of 25% of its forestry interest. The SMSF will take the amount that it included at X Forestry managed investment scheme income into account when working out the amount to include at A Net capital gain.
- For 2015–17, the capital gain would be $875 (capital proceeds of $5,000 less apportioned original cost base of $4,125 (made up of $3,500 (25% of $14,000) plus $625) that is included in assessable income).

FMIS expenses

Show payments made to an FMIS at either U1 or U2 Forestry managed investment scheme expense in Section C.

The SMSF may be entitled to claim a deduction at U1 Deductible forestry managed investment scheme expenses in Section C for payments made to an FMIS if:

- the income from the FMIS is not exempt – see exempt current pension income
- the SMSF currently holds a forestry interest in an FMIS, or held a forestry interest in an FMIS during 2016–17
- the SMSF paid an amount to a forestry manager of an FMIS under a formal agreement

- the forestry manager has advised the SMSF that the FMIS satisfies the 70% direct forestry expenditure rule in Division 394 of the ITAA 1997
- the SMSF does not have day to day control over the operation of the scheme
- there is more than one participant in the scheme or, the forestry manager or an associate of the forestry manager manages, arranges or promotes similar schemes, and
- all the trees are established within 18 months of the end of the income year in which an amount is first paid under the FMIS by a participant in the scheme.

If the SMSF is an initial participant in an FMIS it can claim a deduction for initial and ongoing payments at this question. The SMSF cannot claim a deduction if a CGT event happens in relation to its forestry interest in an FMIS within four years after the end of the income year in which it first made a payment under the FMIS. However, the deduction will not be denied for that reason if the CGT event happens because of circumstances outside of the SMSF's control, provided the SMSF could not have reasonably foreseen the CGT event happening when it acquired the interest. CGT events happening that would generally be outside the SMSF's control may include compulsory acquisition, insolvency of the SMSF or the scheme manager, or cancellation of the interest due to fire, flood or drought.

If the SMSF is a subsequent participant, it cannot claim a deduction for the amount paid to acquire the interest. The SMSF can only claim a deduction for ongoing payments.

The deduction is claimed in the income year in which the payment is made.

Excluded payments

The SMSF cannot claim a deduction at U1 Deductible forestry managed investment scheme expenses in Section C for any of the following payments:

- payments for borrowing money
- payments of interest and payments in the nature of interest (such as a premium on repayment or redemption of a security, or a discount of a bill or bond)
- payments of stamp duty
- payments of goods and services tax (GST)
- payments that relate to transportation and handling of felled trees after the earliest of the following
    - sale of the trees
    - arrival of the trees at the mill door
    - arrival of the trees at the port
    - arrival of the trees at the place of processing (other than where processing happens in-field)
- payments that relate to processing
- payments that relate to stockpiling (other than in-field stockpiling).

While the payments are not deductible under Division 394 of the ITAA 1997, the payments may be deductible under other provisions of the ITAA 1997 or ITAA 1936 and claimable at other questions.

Definitions

Accumulation fund

An SMSF is an accumulation fund if the SMSF provides its members with a benefit which is the total of:

- specifically defined contributions to the SMSF

plus

- earnings on those contributions

minus

- any costs attributed to the member.

This SMSF is considered an accumulation fund even if the SMSF or any of its accounts is supporting a super income stream benefit.

Active member

A member is considered to be an active member of an SMSF if:

- they are a contributor to the SMSF, or
- contributions to the SMSF have been made on their behalf (and they are not covered by the next paragraph).

A member on whose behalf contributions have been made to the SMSF is not an active member if:

- they are not a resident of Australia
- they are not currently a contributor, and
- the only contributions that were made on their behalf after they ceased to be an Australian resident were made in relation to a time when they were an Australian resident.

Approved compassionate payment

An approved compassionate payment is a lump sum payment paid to a member on compassionate grounds (for example, for medical treatment, mortgage assistance when the lender is considering repossessing or selling the member's home, funeral costs for a dependant, home or vehicle modifications due to disability). Services Australia determines whether a member has satisfied the criteria for a release of super benefits under compassionate grounds.

For more information, see Conditions of release.

Arm's-length income

Income is arm's-length income unless it meets the definition of non-arm's-length income. Complying SMSFs must consider each component of their income and decide if it is non-arm's-length income.

Australian super fund

If an SMSF satisfies all three of the following tests at the same time at any point in the income year then it is an Australian super fund for the entire income year:

1. The SMSF was established in Australia, or at least one of the SMSF's assets is located in Australia.
2. The central management and control of the SMSF is ordinarily in Australia.
3. Either
    1. the SMSF has no active members, or
    2. it has active members who are Australian residents and who hold at least 50% of
        - the total market value of the SMSF's assets attributable to super interests held by active members, or
        - the sum of the amounts that would be payable to or in respect of active members if they voluntarily ceased to be members.

If the SMSF does not meet the definition of Australian superannuation fund at all times during the income year, the SMSF is not a complying SMSF and it will not receive the concessional rate of tax.

For more information, see Taxation Ruling TR 2008/9 – *Income tax: meaning of 'Australian superannuation fund' in subsection 295-95(2) of the Income Tax Assessment Act 1997*.

Central management and control

The central management and control of an SMSF is ordinarily in Australia if the SMSF's strategic and high level decisions are regularly made in Australia. These decisions are generally made by the trustees of the SMSF.

The SMSF will continue to meet the central management and control requirement in cases where the SMSF's central management and control is temporarily, that is for a period of 2 years or less, outside Australia. The SMSF will not continue to meet the central management and control requirement if the central management and control of the SMSF is permanently outside Australia.

Child

A person's children include:

- their adopted children, stepchildren or ex-nuptial children
- their spouse's children
- someone who is the person's child within the meaning of the *Family Law Act 1975* (for example, a child who is considered to be a child of the person under a State or Territory court order giving effect to a surrogacy arrangement).

Complying SMSF

The compliance status of an SMSF affects how you report income and the tax rates that apply. An SMSF is a complying super fund if:

- it is an Australian superannuation fund at all times during the income year, and
- we have not issued the SMSF with a *Notice of non-compliance*.

A tax rate of 47% applies to the taxable income of a non-complying SMSF. In the year that an SMSF becomes a non-complying SMSF, the SMSF will typically pay additional tax as a result of that change in its status. For more information, see T Assessable income due to changed tax status of fund.

Contribution

A contribution can be anything of value that increases the capital of an SMSF provided by a person whose purpose is to benefit one or more members of the SMSF.

For more information about our view on the meaning of contribution, how a contribution can be made and when a contribution is made, see Taxation Ruling TR 2010/1 *Income tax: superannuation contributions*.

Death benefit

A death benefit is a lump sum benefit payment or income stream benefit payments made by the SMSF to a person other than the member because of the death of the member of the SMSF.

For more information, see Death of a member.

Defined benefit fund

An SMSF is a defined benefit fund if the SMSF provides its members with a benefit that is calculated from a formula based on a combination of factors, including the years of membership in the SMSF and average salary level over a specific time.

Dependant

A dependant for death benefit purposes is:

- a spouse or de facto spouse of the deceased
- a former spouse or de facto spouse of the deceased
- a child of the deceased under 18 years of age
- a person who, at the time of death, relied on the deceased for financial maintenance, or
- any person who, at the time of death, lived with the deceased in a close personal relationship where one or both of them provided the other with financial and domestic support and personal care.

A non-dependant for super death benefit purposes is a person who does not fall into one of the categories of dependants listed above.

Exempt current pension income

If the SMSF paid a super income stream (or super pension) to one or more members during the current income year, some or all of its otherwise assessable income is tax exempt under the 'exempt current pension income' rules unless it is non-arm's-length income or assessable contributions. This tax exempt income is known as 'exempt current pension income' or ECPI.

For more information, see Self-managed super funds and tax exemptions on pension assets.

Forestry managed investment scheme initial participant

The SMSF is an initial participant in a forestry managed investment scheme (FMIS) if:

- the SMSF obtained its forestry interest in the FMIS from the forestry manager of the scheme, and
- the SMSF's payment to obtain the forestry interest in the FMIS results in the establishment of trees.

The forestry manager of an FMIS is the entity that manages, arranges or promotes the FMIS.

A forestry interest in an FMIS is a right to the benefits produced by the FMIS (whether the right is actual, prospective or contingent and whether it is enforceable or not).

Forestry managed investment scheme subsequent participant

The SMSF is a subsequent participant in an FMIS if it acquired its interest through secondary market trading. This means it acquired its interest other than as an initial participant, usually by purchasing that interest from an initial participant in the scheme.

Net exempt income

A resident SMSF's 'net exempt income' is the SMSF's gross exempt income *less* expenses (other than capital expenses) incurred in deriving the exempt income and any taxes payable outside Australia on that exempt income.

Net exempt income includes:

- exempt current pension income
- amounts that are not included in assessable income because family trust distribution tax has been paid
- tax-exempt distributions from pooled development funds.

Non-residential real property

Non-residential real property includes land and buildings that are used for commercial or business purposes. This includes premises that are used for both business and residential purposes.

Permanent incapacity benefit

A permanent incapacity benefit is a lump sum benefit payment or income stream benefit payments paid by the SMSF to a member who is unlikely, due to ill health (physical or mental) to ever engage in gainful employment of the type for which they are reasonably qualified by education, training or experience and their condition has been certified by at least two medical practitioners.

For more information, see [Conditions of release].

Pooled superannuation trusts

A pooled superannuation trust (PST) is a resident unit trust regulated by the Australian Prudential Regulation Authority (APRA). A PST is used for investing assets of a number of super funds or approved deposit funds, other PSTs and certain other specified entities.

Related party

Related parties of an SMSF are:

- all members of the SMSF and their associates
- all standard employer-sponsors of the SMSF and their associates.

Associates of a member of the SMSF include:

- every other member of the SMSF
- relatives of any member of the SMSF
- business partners of any member of the SMSF
- companies and trustees of trusts that any member of the SMSF controls (either alone or with their other associates).

A standard employer-sponsor is an employer who contributes to the SMSF for the benefit of a member, under an arrangement between the employer and the trustee of the SMSF.

Associates of a standard employer-sponsor include:

- business partners
- companies or trustees of trusts that the employer controls (either alone or with their other associates)
- companies and trustees of trusts that control the employer.

Release authority payment

A release authority payment is a lump sum payment to the member, or to us on the member's behalf, in response to a release authority for excess contributions tax or Division 293 tax.

For more information, see [Release authorities – your obligations].

Residential real property

Residential real property means premises which are lawfully

- occupied as a place of residence, or
- suitable for occupation as a place of residence.

If the premises are suitable as a place of residence but are used for commercial or business purposes, it is non-residential real property.

Self-managed superannuation fund (SMSF)

SMSFs are entities used for providing for individuals' retirement. Members of an SMSF are its trustees or, if the SMSF has a company trustee, are the directors of the company. This means the members of the SMSF run it for their benefit.

Generally your super fund with more than one member is an SMSF if:

- it has two to four members
- no member of the fund is an employee of another member of the fund unless they are related
- each member of the fund is a trustee and each trustee is a member of the fund, and
- no trustee of the fund receives any remuneration for their services as a trustee of the fund.

Alternatively, your super fund is an SMSF if it has a company as a trustee (known as a corporate trustee) and:

- the fund has two to four members
- each member of the fund is a director of the company and each director of the company is a member of the fund
- no member of the fund is an employee of another member of the fund unless they are related, and
- no remuneration is received by either the trustee company or a director of the company for services to the SMSF.

Your super fund is an SMSF if it has only one member and:

- the trustee of the fund is either
  - the member of the fund and a second person who is either a relative of the member or is not the member’s employer, or
  - a company where
    - the member is the sole director of the company, or
    - the member is one of two directors of the company and the second director is a relative of the member or is not the member’s employer

and

- no remuneration is received by either the trustee (individual or company) or a director of the company for services to the fund.

Severe financial hardship benefit

A severe financial hardship benefit is a super lump sum benefit paid to a member because:

- they have received Commonwealth income support benefits continuously for 26 weeks, and
- they were unable to meet reasonable and immediate family living expenses.

For more information, see Conditions of release.

SMSF supervisory levy

SMSFs pay an annual supervisory levy to us. It is currently $259. The supervisory levy to be paid with the SMSF annual return 2017 is for the 2017–18 year.

For more information, see SMSF supervisory levy.

Spouse

A spouse of a member (at the relevant time) includes another person (of any gender) who:

- the member was in a relationship with that was registered under a prescribed State or Territory law, or
- although not legally married to the member, lives with the member on a genuine domestic basis in a relationship as a couple.

Taxation of financial arrangements (TOFA)

The TOFA rules apply to an SMSF where the value of the SMSF’s assets is $100 million or more. For the purposes of this test:

- work out the value of the SMSF’s assets at the end of the immediately preceding income year
- if the SMSF came into existence during the current income year, work out the value of its assets at the end of this income year.

Once the TOFA rules apply to an SMSF, they will continue to apply to that SMSF even if the value of its assets later falls below $100 million.

An SMSF that does not meet these requirements can elect to have the TOFA rules apply to it.

The TOFA rules generally provide for:

- methods of taking into account gains and losses from financial arrangements, being
    - accruals
    - realisation
    - fair value
    - foreign exchange retranslation

    - hedging
    - reliance on financial reports
    - balancing adjustment

- the time at which the gains and losses from financial arrangements will be brought to account.

If the TOFA rules apply to the SMSF then it needs to:

- use the TOFA rules to calculate the amount it enters at some questions in Section B: Income and Section C: Deductions and other deductible expenses
- complete Section I: Taxation of financial arrangements.

For more information, see Guide to the taxation of financial arrangements (TOFA).

Temporary incapacity benefits

Temporary incapacity benefits are amounts paid as an income stream to a member because they temporarily ceased gainful employment due to physical or mental ill health, but were not permanently incapacitated.

For more information, see Conditions of release.

Terminal medical condition benefits

Terminal medical condition benefits are super benefits paid to a member with a terminal medical condition where two registered medical practitioners have certified that the member suffers from an illness, or has incurred an injury, that is likely to result in the member's death within 24 months of the date of certification.

For more information, see Conditions of release.

Transition to retirement income stream

A transition to retirement income stream is a super income stream paid to a member who has reached their preservation age but is still working and has converted part or all of their accumulated benefits to an income stream.

For more information, see SMSF – transition to retirement income streams.

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