



Self-managed super funds

- <https://www.ato.gov.au/Super/Self-managed-super-funds/>
- Last modified: 16 Jul 2021
- QC 23300

Self-managed super funds (SMSFs) are a way of saving for your retirement.

The difference between an SMSF and other types of funds is that the members of an SMSF are usually also the trustees. This means the members of the SMSF run it for their benefit and are responsible for complying with the super and tax laws.

- [News and alerts](#)
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- [Setting up](#)
- [Contributions and rollovers](#)
- [Investing](#)
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- [Administering and reporting](#)
- [SMSF auditors](#)
- [SMSF Resources](#)

Media: SMSF - What's involved with an SMSF

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi93qe>[↗] (Duration: 02:24)

News and alerts

- <https://www.ato.gov.au/Super/Self-managed-super-funds/News-and-alerts/>
- Last modified: 30 May 2018
- QC 55778

Keep up to date with the latest news for self-managed super fund (SMSF) trustees and professionals. We have a range of news and alert services available to keep

you informed.

SMSF News and alerts

Visit our [SMSF News and alerts](#) area where new articles are added regularly and generally remain published for three months.

To make sure you get the latest news as soon as it is published, and to be alerted about new or changed super information on our website, [subscribe](#) to our Super email updates and RSS news feeds.

SMSF News Alert and monthly newsletter

[Subscribe](#)[↗] to our email news products to receive our:

- monthly SMSF newsletter that provides a wrap-up of our latest published news along with useful resources, links and reminders
- news alerts for SMSFs that provide information about current, important topics for SMSFs.

Thinking about self-managed super

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Thinking-about-self-managed-super/>
- Last modified: 10 Aug 2022
- QC 23301

If you set up a self-managed super fund (SMSF), you're in charge – you make the investment decisions for the fund and you're held responsible for complying with the super and tax laws. It's a major financial decision and you need to have the time and skills to do it. There may be better options for your super savings.

An SMSF must be run for the sole purpose of providing retirement benefits for the members or their dependants. Additionally, all decisions you make as trustee of your SMSF must be in the best financial interests of the members.

Don't set up an SMSF to try to get early access to your super, or to buy a holiday home or artworks to decorate your house. This is [illegal](#) and severe penalties apply.

It's best to see a qualified, licensed financial adviser to help you decide if a SMSF is right for you. The Australian Securities and Investments Commission website has information about [choosing a financial adviser](#)[↗]. Be aware of individuals who may be promoting illegal schemes. If you have any doubts, contact us.

If you are thinking about setting up a SMSF, make sure you read through all of our web content, including what is involved in [setting up](#) a SMSF. You can also

download our [Starting a self-managed super fund \(NAT 75397, PDF, 1.6MB\)](#) publication.

Media: Why do I want an SMSF

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi6zor> (Duration: 02:18)

If you're considering setting up an SMSF, see our resources below for more information:

- [Compare SMSFs with other super funds](#)
- [Consider the costs, time and skills.](#)

Authorised by the Australian Government, Canberra.

Compare SMSFs with other super funds

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Thinking-about-self-managed-super/Compare-SMSFs-with-other-super-funds/>
- Last modified: 09 Aug 2022
- QC 47220

There are a lot of differences between SMSFs and other super funds, but the one thing they have in common is to provide retirement benefits to their members.

Members and trustees

SMSF	Other super funds
<p>SMSFs can have a maximum of 6 members. All members are either individual trustees or directors of a corporate trustee of the fund. This means all members are involved in managing the SMSF.</p> <p>Some State and Territory laws restrict the number of trustees a trust can have to less than 6. As an SMSF is a type of trust, it is important that clients seek professional advice to help understand if their SMSF is impacted by these restrictions. Alternatively, they could restructure/structure their SMSF to have a corporate trustee, where each member is a director of that corporate trustee.</p>	<p>Usually no limit on the number of members. Professional, licensed trustees are responsible for managing the fund.</p>

Responsibility

SMSF	Other super funds
Trustees are expected to have knowledge of tax and super laws and must make sure their fund complies with those laws. Compliance risk is borne by the SMSF trustees, or the directors of the corporate trustee, who can be personally fined if their fund breaches the law.	Compliance risk is borne by the professional licensed trustee.

Investments

SMSF	Other super funds
Trustees develop and implement the fund's investment strategy and make all investment decisions.	Most allow you some control over the mix and risk level of your super investments, but you generally can't choose the specific assets your super will be invested in.

Insurance

SMSF	Other super funds
Trustees must consider whether to purchase insurance for their members. Insurance premiums may be higher than in other super funds.	Most offer insurance cover to members. Member insurance usually costs less as large funds can get discounted premiums.

Regulation

SMSF	Other super funds
Regulated by the ATO. Trustees are required to engage with us to manage their fund.	Regulated by the Australian Prudential Regulation Authority (APRA). Generally members don't have to engage with APRA.

Complaints/disputes

SMSF	Other super funds
The ATO is not involved in resolving disputes among members. Disagreements can be resolved through alternative dispute resolution techniques or in court, at the members' own expense. There is no government compensation scheme.	Members have access to the Australian Financial Complaints Authority (AFCA) and may be eligible for statutory compensation.

Fraudulent conduct or theft

SMSF	Other super funds
<p>No government financial assistance is available to SMSFs.</p> <p>Members may have legal options under Corporations Law but there is no guarantee that compensation will be awarded.</p> <p>Be aware of who you provide your personal information to. If you are approached by a financial adviser, make sure they are registered with ASIC.</p>	Members may be eligible for government financial assistance in the event of fraud or theft.

Consider the costs, time and skills

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Thinking-about-self-managed-super/Consider-the-cost,-time-and-skills/>
- Last modified: 01 Jul 2021
- QC 47221

You need to have the time and skills to manage your Self managed super fund, and there are ongoing running costs.

As a trustee of an SMSF you'll be responsible for operating your fund within the law. If you don't, you may face severe penalties and your fund may suffer tax consequences.

You'll also need to make investment decisions for the SMSF that are in the best financial interests of all members. You will need to formulate and give effect to an investment strategy that you review and update regularly, while understanding and complying with the restrictions on the investments an SMSF can make.

It costs money to set up and run an SMSF. You might find that the fees you pay for

an SMSF are more than you would pay in another type of super fund. Every year that you have an SMSF, you'll need to pay for an independent audit and the supervisory levy. Most SMSFs also pay for additional help, such as:

- preparing the SMSF annual return
- valuations of the SMSF's assets
- actuarial certificates for SMSFs paying income streams (pensions)
- financial advice
- legal fees, for example if the trust deed needs to be amended
- assistance with fund administration
- insurance for members.

Watch

Duration 3:06. A transcript of [SMSF – You can't do it all yourself](#) is also available.


Setting up

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/>
- Last modified: 03 Mar 2022
- QC 23305

Your self-managed super fund (SMSF) needs to be set up correctly so that it's eligible for tax concessions, can receive contributions and is as easy as possible to administer.

To set up an SMSF you need to:

- [Consider appointing professionals to help you](#)
- [Choose individual trustees or a corporate trustee](#)
- [Appoint your trustees or directors](#)
- [Create the trust and trust deed](#)
- [Check your fund is an Australian super fund](#)
- [Register your fund and get an ABN](#)
- [Set up a bank account](#)
- [Get an electronic service address](#)
- [Prepare an exit strategy](#)

Before you set up an SMSF, download [Starting a self-managed super fund \(PDF, 1.6MB\)](#) . It will help you understand if an SMSF is right for you and guide you through how to set one up.

Media: Setting up an SMSF

<http://tv.ato.gov.au/ato-tv/media?v=bi9or7odeedxue>  (Duration: 02:50)

Consider appointing professionals to help you

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Consider-appointing-professionals-to-help-you/>
- Last modified: 08 Mar 2018
- QC 23309

You can engage self-managed super fund (SMSF) professionals to help you set up and run your fund. You may want to get them involved right from the start since the decisions you make at start-up can affect their ability to help you later on.

If you use an SMSF professional to help you set up your fund, you're still responsible for making sure it's done correctly:

- An accountant can help set up your fund's financial systems and, once you are operating, they can prepare your fund's accounts and operating statements.
- A fund administrator can assist with administrative tasks during start-up and, afterwards, help you manage the day-to-day running of your fund and meet your reporting and administrative obligations.
- A legal practitioner can prepare and update your fund's trust deed.
- A financial adviser can help you prepare an investment strategy and advise you about different types of investment and insurance products. The Australian Securities & Investment Commission (ASIC) has information about [choosing a financial adviser](#)[↗] and things to consider before getting [robo-advice](#)[↗].
- You'll need an [approved SMSF auditor](#) to audit your fund.
- A tax agent can complete and lodge your SMSF annual return, provide tax advice and represent you in your dealings with us. You can [check if your tax agent is registered](#)[↗] at the Tax Practitioners Board.

Duration 3:05. A transcript of [SMSF – You can't do it all yourself](#) is also available.

Many SMSF professionals offer packages or kits. If you buy a package or kit, make sure the trust deed complies with the current law and meets the needs of your fund, its objectives and the members' circumstances.

Next step:

- [Choose individual trustees or a corporate trustee](#)

Choose individual trustees or a corporate trustee

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Choose-individual-trustees-or-a-corporate-trustee/>
- Last modified: 16 Dec 2022
- QC 23310

How to choose the right SMSF structure for your situation and understand the requirements, cost and penalties.

On this page

- [Differences between SMSF trustee structures](#)
- [Member and trustee requirements](#)
- [Cost](#)
- [Ownership of fund assets](#)
- [Separation of assets](#)
- [Penalties](#)
- [Succession](#)

Differences between SMSF trustee structures

You can choose one of the following structures for your fund:

- individual trustees (restrictions may apply, see below)
- a corporate trustee (essentially, a company acting as trustee for the fund).

You should discuss this decision with an SMSF professional.

Media: SMSF trustees - individual or corporate

<http://tv.ato.gov.au/ato-tv/media?v=bi9or7odwy7akn> (Duration: 02:40)

Note: Single member funds have different trustee features to funds with 2 to 6 members. Refer to [table 2](#) for information.

Member and trustee requirements

Table 1: Comparison of member and trustee requirements for individual and corporate trustees (funds that have more than one member)

Structure	Features
Individual trustees	<ul style="list-style-type: none">• 2 to 6 members.• Each member of the fund must be a trustee, and each trustee must be a member of the fund.

	<ul style="list-style-type: none"> • A member cannot be an employee of another member – unless they are relatives. • Some state and territory laws restrict the number of trustees a trust can have to less than 6. As an SMSF is a type of trust, it is important that clients seek professional advice to help understand if their SMSF is impacted by these restrictions. Alternatively, they could restructure or structure their SMSF to have a corporate trustee, where each member is a director of that corporate trustee (see below).
Corporate trustee	<ul style="list-style-type: none"> • 2 to 6 members. • Each member of the fund must be a director of the corporate trustee, and each director of the corporate trustee must be a member of the fund. • Directors of corporate trustees need to have a director identification number²⁷ (director ID). • A member cannot be an employee of another member – unless they are relatives.

Table 2: Comparison of member and trustee requirements for individual and corporate trustees (single-member funds)

Structure	Features
Individual trustees	<ul style="list-style-type: none"> • There must be 2 trustees. • One trustee must be a fund member. • If the fund member is an employee of the other trustee, the fund member and the other trustee must be relatives.
Corporate trustee	<ul style="list-style-type: none"> • The corporate trustee company can have one or 2 directors, but no more. • The fund member must be the sole director or one of the 2 directors. • Directors of corporate trustees need to have a director ID²⁷. • If there are 2 directors and the fund member is an employee of the other director, the fund member and the other director must be relatives.

Cost

Table 3: Comparison of the costs associated with individual and corporate trustees

Structure	Features
Individual trustees	<ul style="list-style-type: none"> • There are no Australian Securities & Investments Commission (ASIC) fees, so establishment costs and ongoing administrative requirements are less. • A trustee cannot be paid for their duties or services as a trustee.
Corporate trustee	<ul style="list-style-type: none"> • ASIC charges a fee to register a corporate trustee for the first time. • There is an annual review fee, which is lower if the corporate trustee acts solely as a super fund trustee, but higher if the corporate trustee also performs another function, such as running a business. • It's free to apply for a director ID. • A corporate trustee cannot be paid for its services as a trustee, and directors of the corporate trustee cannot be paid for their duties or services as directors in relation to the fund.

Ownership of fund assets

The title of fund assets must be in the name of the current trustees 'as trustees for' the fund.

Table 4: Comparison of ownership of fund assets for individual and corporate trustees

Structure	Features
Individual trustees	<ul style="list-style-type: none"> • If an individual trustee is removed or another added, you must change the titles of the SMSF's assets. This can be costly and time-consuming. • State government authorities may charge a fee for title changes. • Most financial institutions also charge a fee for title changes.
Corporate trustee	<ul style="list-style-type: none"> • Recording and registering assets can be simpler, particularly for changes in membership. • When a person starts or stops being a member of the SMSF, they become, or cease to be, a director of the corporate trustee. • You must notify us and ASIC of any change in director.

	<ul style="list-style-type: none"> • The corporate trustee doesn't change, so the titles of the SMSF's assets are unchanged.
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Separation of assets

The fund's assets must be kept separate from any assets members hold personally.

Table 5: Comparison of the separation of assets for individual and corporate trustees

Structure	Features
Individual trustees	<ul style="list-style-type: none"> • Fund assets must be in the fund's name. • Fund assets must not be combined with personal assets.
Corporate trustee	<ul style="list-style-type: none"> • Fund assets must be in the fund's name. • Fund assets must not be combined with director's personal assets. • Companies have limited liability, so a corporate trustee offers greater protection if the trustee is sued for damages.

Penalties

Table 6: Comparison of penalties for individual and corporate trustees

Structure	Features
Individual trustees	<ul style="list-style-type: none"> • If super laws are breached, administrative penalties are levied on each trustee.
Corporate trustee	<ul style="list-style-type: none"> • If super laws are breached, administrative penalties are levied on the corporate trustee. • Penalties may be imposed if the directors of a corporate trustee do not have a director ID [☞].

Succession

Table 7: Comparison of succession for individual and corporate trustees

Structure	Features
Individual trustees	<ul style="list-style-type: none">• Where changes in trustees occur, the fund is not likely to continue to operate as usual unless an appropriate succession plan has been prepared.
Corporate trustee	<ul style="list-style-type: none">• A corporate trustee continues in the event of a member's death.• In the event of the death or incapacity of a member, control of an SMSF and its assets by a corporate trustee is more certain.

Once you have considered which structure will be most suitable for your fund, [appoint your trustees](#).

Appoint your trustees or directors

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Appoint-your-trustees-or-directors/>
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- QC 23314

All members of a self-managed super fund (SMSF) must be individual trustees or directors of the corporate trustee. If you are not eligible to be a trustee or director, you cannot be a member of an SMSF.

On this page

- [Trustee and director consent](#)
- [Ensure members are eligible to be trustees or directors](#)
- [Ensure the company can act as a corporate trustee](#)
- [What it means to be a trustee or director](#)
- [Legal personal representatives](#)
- [Trustee declaration](#)

Trustee and director consent

New funds usually appoint trustees or directors under the fund's trust deed.

You need to ensure that the people who become trustees or directors of the SMSF:

- are [eligible to be a trustee or director](#)
- understand [what it means to be a trustee or director](#).

All trustees and directors must:

- consent in writing to their appointment
- sign the *Trustee declaration* stating they understand their responsibilities (this must be done within 21 days of becoming a trustee or director).

You must keep these documents on file for the life of the SMSF and for 10 years after the SMSF winds up.

We may impose penalties if you don't comply. All trustees and directors are bound by the trust deed and are equally responsible if its rules aren't followed.

If you want to become a director of a corporate trustee or are already one, you will need a [director identification number](#)²⁷ (director ID). This is a unique identifier that a director will apply for once and keep forever. You can apply for a director ID on Australian Business Registry Services (ABRS) online. When you must apply for your director ID, depends on the date you become a director. You will need to apply for your director ID yourself to verify your identity. No one can apply on your behalf.

Media: Trustee declaration

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi93w5>²⁸ (Duration: 02:23)

Ensure members are eligible to be trustees or directors

All members of the fund must be individual trustees or directors of the corporate trustee, so make sure they're eligible.

Anyone 18 years old or over can be a trustee or director of a super fund so long as they're not under a legal disability (such as mental incapacity) or a disqualified person.

Members under 18 years old can't be a trustee or director. However, a parent, guardian or [legal personal representative](#) can be a trustee or director on their behalf.

To knowingly act as a trustee, a trustee director or an office holder of a corporate trustee (such as secretary), while being a disqualified person, is an offence.

To be sure you are not a disqualified person you need to be able to answer no to all of the following questions.

Disqualified person checklist

Checklist	Yes or No
Have you ever been convicted of a dishonest offence, in any state,	Yes or No

territory or a foreign country?	
Offences of a dishonest conduct are things such as fraud, theft, illegal activity or dealings. These convictions are for offences that occurred at any time, including convictions that have been 'spent' and those that the court has not recorded, due to age or first offender.	
Have you ever been issued with a civil penalty order?	Yes or No
Civil penalty orders are imposed when an individual contravenes a civil penalty provision, this can be an order to pay a fine or serve jail time.	
Are you currently bankrupt or insolvent under administration?	Yes or No
You cannot be a trustee of an SMSF while you are an undischarged bankrupt, you cannot remain a trustee if you become bankrupt or insolvent after you are appointed.	
Have you been previously disqualified by the ATO or APRA?	Yes or No
The commissioner of taxation as regulator can disqualify a trustee, this disqualification is permanent and is not just specific to the SMSF you were a trustee of at the time.	
The Federal Court can make an order to disqualify a trustee of an APRA fund. This is permanent and this disqualification does not allow you to operate an SMSF.	

Applying to waive disqualified status

You can apply for a waiver of disqualified status if the offence leading to the disqualification was not an offence involving serious dishonest conduct. This means that the penalty imposed for the offence was not either a:

- term of imprisonment for more than two years
- fine of more than 120 penalty units.

The application must be in writing. It must include:

- details of the offence
- court documents about the offence
- consent for us to inquire about the offence to any law enforcement agencies or courts that we think are relevant.

The application should be made within 14 days of the conviction. We will accept applications after this time if you explain the circumstances of your late application.

You cannot become a trustee until we notify you of our acceptance to waive the disqualified status.

Send your signed application and supporting documents to:

PO Box 3100
Penrith NSW 2740

You can check our [disqualified trustees register](#)²⁷ to see if an individual has previously been disqualified by us. The register:

- provides information already publicly available in the [Government Notices Gazette](#)²⁷. It has functionality to help you search easily and determine if a potential trustee has been disqualified.
- is updated quarterly
- includes all individuals who have been disqualified by us since 2012 (when this information was first published electronically).

Ensure the company can act as a corporate trustee

A company cannot act as a corporate trustee of a superannuation entity, including an SMSF if certain events occur. This can include if:

- the company is aware or has reasonable grounds to suspect that a person who is, or is acting as, a responsible officer of the company is a disqualified person
- an administrator has been appointed in respect of the company
- the company has been deregistered by ASIC
- a receiver, or a receiver and manager, has been appointed in respect of property beneficially owned by the company
- a provisional liquidator or restructuring practitioner in respect of the company has been appointed
- action has started to wind up the company.

What it means to be a trustee or director

Whether you're a trustee or director of a corporate trustee, you are responsible for running the fund and making decisions that affect the retirement interests of each fund member, including yourself.

As a trustee or director, you must:

- act honestly in all matters concerning the fund
- act in the best interests of all fund members when you make decisions
- manage the fund separately from your own superannuation affairs
- know, understand and meet your responsibilities and obligations
- ensure that the SMSF complies with the laws that apply to it.

All trustees and directors are equally responsible for managing the fund and making decisions. You are responsible for decisions made by other trustees, even if you're not actively involved in making the decision.

You can appoint other people to help you or provide services to your fund (for example, an accountant, administrator, tax agent or financial planner). However, the

ultimate responsibility and accountability for the SMSF's actions lie with you, as trustee or director.

As an individual trustee or director of a corporate trustee, you may be personally liable to pay an administrative penalty if certain laws relating to SMSFs are not followed.

Other members of the fund can take action against you if you don't follow the terms of the trust deed. Any fund member who suffers loss or damage because of a breach of any trustee duties may sue any person involved in the breach.

For more information, see:

- [Self-managed super funds](#)
- [Approved education courses for SMSFs](#).

Legal personal representatives

A legal personal representative can be:

- the executor of the will or the administrator of the estate of a deceased person
- the trustee of the estate of a person under a legal disability or a minor
- a person who holds enduring power of attorney to act on behalf of another person (see also [SMSF ruling 2010/2](#)).

A legal personal representative can act as a trustee or director of a corporate trustee, on behalf of:

- a deceased member, until the death benefit becomes payable
- a member under a legal disability
- a minor (a parent or guardian can also act as a trustee on behalf of a minor).

A legal personal representative can't act as a trustee on behalf of a disqualified person, such as an undischarged bankrupt.

A legal personal representative does not include a registered tax agent or an accountant unless they meet the definition above.

Trustee declaration

The *Trustee declaration* is signed by trustees and directors of a corporate trustee of an SMSF to declare they understand their obligations and responsibilities.

How to obtain this form

For more information and to download the form see [Trustee declaration](#).

Who should complete this declaration

You must complete this declaration if you become a trustee or the director of a corporate trustee of a new SMSF or of an existing SMSF.

This declaration must be signed within 21 days of becoming a trustee or director.

A separate declaration is required to be completed and signed by each and every trustee or director.

You must also complete this declaration if you:

- have undertaken an ATO approved course of education to comply with an education direction
- are a legal personal representative who has been appointed as a trustee or director on behalf of a:
 - member who is under a legal disability (usually a member under 18 years old)
 - member for whom you hold an enduring power of attorney
 - deceased member.

Next step

- [Create the trust and trust deed](#)

Create the trust and trust deed

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Create-the-trust-and-trust-deed/>
- Last modified: 16 Feb 2018
- QC 23313

A trust is an arrangement where a person or company (the trustee) holds assets (trust property) in trust for the benefit of others (the beneficiaries). A super fund is a special type of trust, set up and maintained for the sole purpose of providing retirement benefits to its members (the beneficiaries).

To create a trust, you need:

- trustees or directors of a corporate trustee
- governing rules (a [trust deed](#))
- [assets](#) (an initial nominal consideration to give legal effect to the trust can be used, for example, \$10 attached to the trust deed)
- identifiable beneficiaries (members).

Trust deed

A trust deed is a legal document that sets out the rules for establishing and operating your fund. It includes such things as the fund's objectives, who can be a member and whether benefits can be paid as a lump sum or income stream. The

trust deed and super laws together form the fund's governing rules.

The trust deed must be:

- prepared by someone competent to do so as it's a legal document
- signed and dated by all trustees
- properly executed according to state or territory laws
- regularly reviewed, and updated as necessary.

Assets

To establish your fund, assets must be set aside for the benefit of members.

If a rollover, transfer or contribution is expected in the near future, a nominal amount (for example, \$10) can be held with the trust deed. This amount is regarded as a contribution and must be allocated to a member.

If a member can't contribute to the SMSF (for example, they are over 65 or don't meet the work test), an administrative discretion is automatically applied to allow a nominal contribution for the member. The amount must be allocated to the member, solely for the purpose of registering the SMSF.

Next step:

- [Check your fund is an Australian super fund](#)

Check your fund is an Australian super fund

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Check-your-fund-is-an-Australian-super-fund/>
- Last modified: 09 Aug 2022
- QC 23312

Your SMSF needs to be a resident regulated super fund at all times during the financial year to receive tax concessions.

On this page

- [Fund residency conditions](#)
- [What to do if members go overseas](#)

Fund residency conditions

An SMSF is an Australian super fund if it meets all 3 of these residency conditions:

1. The fund was established in Australia, or at least one of its assets is located in

Australia.

- The fund was 'established in Australia' if the initial contribution to establish the fund was paid and accepted in Australia.
2. The central management and control of the fund is ordinarily in Australia.
- This means the SMSF's strategic decisions are regularly made, and high-level duties and activities are performed, in Australia. It includes
 - formulating the investment strategy of the fund
 - reviewing the performance of the fund's investments
 - formulating a strategy for the prudential management of any reserves, and
 - determining how assets are to be used for member benefits.
 - In general, your fund will still meet this requirement even if its central management and control is temporarily outside Australia for up to 2 years. If central management and control of the fund is permanently outside Australia for any period, it will not meet this requirement.
3. The fund either has no active members or it has active members who are Australian residents and who hold at least 50% of either
- the total market value of the fund's assets attributable to super interests, or
 - the sum of the amounts that would be payable to active members if they decided to leave the fund.

What to do if members go overseas

If members are planning to go overseas for an extended period, get professional advice about maintaining the residency status of your SMSF.

If a member of your fund becomes a non-resident but still wishes to make or receive contributions, they should do this outside their SMSF, for example through a retail or industry super fund. They can then rollover the contributions to their SMSF when they return as an Australian resident.

If your SMSF fails the residency test, you should roll over your funds to a resident regulated super fund and wind up the SMSF. Otherwise the fund will become non-complying.

More guidance can be found in, [TR 2008/9](#) *Income tax: meaning of 'Australian superannuation fund' in subsection 295-95(2) of the Income Tax Assessment Act 1997*.

To register your SMSF, see [Register your fund and get an ABN](#).

Register your fund and get an ABN

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Register-your-fund/>
- Last modified: 12 Dec 2022
- QC 23317

When your fund is established and all trustees have been appointed (including signing the *Trustee declaration*), you have 60 days to [register the SMSF](#) with us by applying for an Australian business number (ABN).

Register your SMSF and apply for an ABN

When completing the ABN application, you should:

- ask for a tax file number (TFN) for your fund
- elect for your fund to be an ATO-regulated SMSF. If you don't, your fund will not receive tax concessions and the members' employers can't claim deductions for contributions
- register for GST (if necessary).

Two common errors in applications to register an SMSF and get an ABN are:

- the SMSF trust is not set up correctly before applying for an ABN, including setting aside an asset as the SMSF's property
- the details of the members, trustees or directors of the corporate trustee are incorrect or incomplete.

To avoid common mistakes, refer to:

- [Create the trust and trust deed](#) – offers information about setting up a fund
- [Associate details](#) – outlines the information you'll be asked for
- [Eligibility to register and get an ABN](#)
- [What you need for your registration and ABN application](#)

On this page

- [Registrations by tax professionals](#)
- [Eligibility to register and get an ABN](#)
- [What you need for your registration and ABN application](#)
- [Registering for GST](#)
- [Check your registration status](#)
- [Registration application delays](#)

Registrations by tax professionals

Tax professionals can use the Australian Business Register's tax professional's

services to register SMSFs and [apply for an ABN](#)¹⁷ on behalf of their clients.

Eligibility to register and get an ABN

Registering your SMSF isn't the first step in setting up an SMSF.

Before you register, you must already have:

- considered appointing professionals to help you
- chosen individual trustees or a corporate trustee
- in the case of a corporate trustee
 - created the trustee company, or
 - ensured that the pre-existing company you have chosen is eligible to act as corporate trustee
- appointed trustees or directors of the corporate trustee
- created a trust (including transferring an asset to the trust)
- checked that your fund is an Australian super fund
- [ensured the company can act as a corporate trustee](#).

Once you have completed these steps then you are ready to register. Obtaining an ABN is part of the registration process.

See also

- [Appoint your trustees or directors](#)
- [Setting up an SMSF](#)
- [Create the trust and the deed trust](#)

What you need for your registration and ABN application

The SMSF registration and ABN application form is easier to complete if you have the right information at hand when you apply.

Previous ABN or TFN

You will be asked if the entity you are registering:

- currently has or previously held an ABN
- wants to apply for an ABN
- has a TFN
- wants to apply for a TFN.

New SMSF applicants will not have an existing ABN or TFN and must apply for both to be registered as an SMSF.

If the SMSF previously held an ABN and it was cancelled in error, call us on 13 10 20 if you want it to be reinstated.

Type of fund

Questions that relate to the type of fund being registered

Question	SMSFs must answer
For taxation purposes which type of entity is the applicant?	Superannuation entity
What type of organisation is the applicant?	An ATO Regulated Self-Managed Superannuation Fund
What type of fund is the applicant?	Do not answer (leave blank)
If the fund is a trust or government organisation, what tier of government does it belong to?	Do not answer (leave blank)
What is the structure of the superannuation entity?	Accumulation fund (Note: On or after 1 July 2006, new SMSFs must be registered as accumulation funds. Defined benefit funds were only available for a fund that was established before 1 July 2006).

Resident status

An entity must be an [Australian super fund](#) in order to be an SMSF.

Tax agent's details

If you are using the services of a tax agent, you can provide their registration number. You can get their registration number:

- by asking them
- from a tax return that they have prepared for you
- on an invoice they have given you.

Recording your tax agent's number against your ABN will enable them to undertake work on your behalf.

Name of SMSF

The name of the SMSF that you put on the registration form must be the name that you used when you created the fund's trust deed.

We will check that you are able to use that name; if the name that you choose has already been used for an SMSF it may delay processing your registration and ABN

application. You can check whether your SMSF's name has been used previously at [Super Fund Lookup](#)[☞].

Date SMSF came into existence

The SMSF came into existence on the date that you [created the trust](#).

SMSF business details

You'll need to provide at least one business address for your SMSF. For each address you'll be asked for the:

- street address
- phone and email contacts
- business activity details.

The business location that you provide could be the home address of one of the trustees or the office of a professional that assists with the administration of the SMSF on an ongoing basis.

Electronic fund transfer details

Your SMSF must have a bank account in the name of the fund for your SMSF members' super payments (such as rollovers and contributions) to be paid into. It also needs to have a bank account for tax refunds, this can be the SMSFs bank account or your Tax Agent's bank account, see [Set up a bank account](#).

Provide your SMSFs bank account

Once you have your SMSFs bank account, you must provide the details to us by using:

- Online services for business
- your registered agent
- phone us on 13 10 20.

For more information, see [Notify us of changes](#).

Electronic service address alias

You can provide your [SMSFs electronic service address](#) (ESA) alias when you register for an ABN.

Your SMSF needs a registered ESA:

- to receive non-related employer contributions
- make electronic release authorities
- for members to rollover super to and from your SMSF.

For electronic release authorities and rollovers, the ESA needs to be SuperStream enabled.

For more information, see [register of SMSF messaging providers](#) who can give you an ESA.

To avoid delays you must register with an [ESA](#) provider and provide us with your SMSF's ESA before contributions, electronic release authorities or rollovers can be received by your SMSF.

Authorised contact details

You must nominate at least one [authorised contact](#).

Associate details

The associates of an SMSF are the:

- individual trustees
- corporate trustee
- members
- directors of a corporate trustee.

For all your associates, you'll need to provide:

- for individuals – their name, date of birth, position held and either their tax file number (TFN) or residential address
- for organisations – their legal name, ACN/ARBN/ABN if applicable, and either their TFN or address and date of formation.

We'll use these details to identify your associates in our existing records. If we can't identify or exactly match details of an associate, your registration and ABN application will be delayed or refused.

Election to be regulated

To register as an SMSF, you need to formally elect for the fund to be regulated by us.

Registering for GST

Most SMSFs don't need to [register for GST](#) because SMSFs mainly make input-taxed sales, and these don't count towards GST turnover.

SMSFs with an annual GST turnover of more than \$75,000 must register for GST. Annual GST turnover doesn't include:

- contributions
- interest and dividends
- residential rent or income generated outside Australia.

However, it does include gross income from the lease of equipment or commercial property.

Check your registration status

Your fund's details will be included in [ABN lookup](#)[🔗] and [Super Fund Lookup](#)[🔗].

ABN lookup

ABN lookup shows the status of your ABN. Your SMSF will appear on ABN lookup once it has an ABN after your application has been processed and your SMSF is registered.

Super Fund Lookup

Super Fund Lookup shows the status of the SMSF's registration with the regulator (us).

Initially, your SMSF's Super Fund Lookup status may be displayed as 'Pending'.

Employers and other super funds will not transfer benefits to your fund until its status in Super Fund Lookup is displayed as 'Registered'. This takes up to 56 days. An SMSF with this status is treated as complying and is eligible to receive rollovers and employer contributions. Within seven days of the SMSF being displayed on SFLU as 'Registered', a Notice of compliance will issue to the SMSF and their SFLU status will then be displayed as 'Complying'.

If we have any concerns about your SMSF's eligibility, then your Super Fund Lookup status may be displayed as 'Regulation details withheld' while we take a closer look at your application.

Registration application delays

We do not automatically accept every registration application we receive. We will not accept your registration if we decide that:

- you have not completed the set-up steps listed in [Eligibility to register and get an ABN](#)
- we cannot confirm the identity of all of the SMSF's [Associates](#) (trustees or directors of the corporate trustee)
- you or another trustee (or director) of the SMSF are not able to run an SMSF within the rules.

In many cases, the online registration and ABN application tool will check your answers as you enter them and will let you know that the SMSF cannot be registered (and an ABN cannot be provided) even before you submit the application.

In other cases where we cannot be sure of your eligibility based on your answers alone, we will withhold your registration while we investigate. You will be unable to transfer money from another super fund into your SMSF until we complete our investigation and register your SMSF.

For every SMSF applicant we consider all the trustees and other entities that they have controlled. We consider factors, including but not limited to:

- history of insolvency
- crimes related to dishonesty

- previous SMSF history
- personal lodgment and payment history
- super balance and income
- information about identities that have been used fraudulently.

If we have any concerns about your application, we will withhold your registration and contact you to let you know that we are investigating your application. Most of these cases are resolved in under 2 months, but it can take longer where a more extensive investigation is needed or the applicant trustees do not assist us fully.

Set up a bank account

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Set-up-a-bank-account/>
- Last modified: 27 Jun 2022
- QC 23316

How to set up a bank account for your self-managed super fund to accept contributions and pay expenses and liabilities.

On this page

- [Why your SMSF needs a bank account](#)
- [SMSF bank account requirements](#)
- [Notify us of your fund's bank account or any changes](#)
- [If you suspect fraud](#)

Why your SMSF needs a bank account

You need to open a bank account in your self-managed super fund's (SMSF) name to:

- manage the fund's operations
- accept contributions
- accept rollovers of super
- accept income from investments.

This account is also used to pay the fund's expenses and liabilities.

SMSF bank account requirements

As a trustee, you need to make sure the bank account is:

- unique to the SMSF
- recorded correctly with us.

If your SMSF does not have a unique bank account, then your member's retirement

benefits may not be protected.

A unique bank account is one not used by any other entity or individual. For example, your tax agent's account for receiving tax refunds is not unique.

Banks usually provide your fund with a bank account after you register it and get an Australian business number (ABN). To enable rollovers into the fund, you will need to notify us of your fund's unique bank account.

The fund's bank account must be kept separate from the trustees' individual bank accounts and any related employers' bank accounts.

You don't have to open a separate bank account for each member, but you must keep a separate record of their entitlement or 'member account'. Each member account shows:

- contributions made by or on behalf of the member
- fund investment earnings allocated to them
- payments of any super benefits (lump sums or income streams).

Notify us of your fund's bank account or any changes

You can notify us of your fund's bank account details or update it at any time:

- through a registered agent
- through Online services for business
- by calling us on 13 10 20
- by lodging a SMSF Annual Return (SAR).

When a change is made to the SMSF's bank account details held with us, we send you an [email or text message alert \(or both\)](#). If you and other trustees receive an alert and are not aware of the change, contact us immediately on 13 10 20.

If you suspect fraud

As a trustee, you also need to check that only people you have authorised are listed as third-party authorities and signatories on your SMSF's bank account.

Giving a third-party authority to your SMSF bank account increases your exposure to fraud such as unauthorised withdrawals from your fund account.

Report suspicious activity to your bank immediately, including if you:

- suspect a third-party has been added as a signatory to your accounts without your authority
- notice suspicious account transactions made by a third party without your consent.

For your fund to accept a rollover, once you set up the bank account the next step is to [get an electronic service address](#).

Get an electronic service address

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Get-an-electronic-service-address/>
- Last modified: 25 May 2021
- QC 45556

If your self-managed super fund (SMSF) receives contributions from employers (other than related-party employers), it needs to be able to receive the contributions and associated SuperStream data electronically. From 1 October 2021, your fund will need to use SuperStream to rollover any super to or from your SMSF.

SuperStream is a data and payment standard that applies to super transactions (including contributions made by employers and rollovers between funds) to any super fund, including SMSFs. To receive SuperStream data, you need an electronic service address (ESA), (this is a special internet address, different to an email address).

You can use SuperStream by making sure your SMSF has an ESA and your SMSF details are up to date. To rollover to or from your SMSF, your ESA needs to be compliant to accept rollovers.

Your administrator may provide you with an electronic service address or you can use a [SuperStream message solution provider](#).

When you receive an ESA, you must update your records with us. See [Notify us of changes](#) for how to update your details.

An employer will need the following information about your SMSF:

- Australian business number (ABN)
- bank account details (BSB and account number)
- Electronic Service Address (ESA).

Next step:

- [Prepare an exit strategy](#)

See also:

- [SuperStream](#)

Prepare an exit strategy

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Setting-up/Prepare->

[an-exit-strategy/](#)

- Last modified: 20 Jun 2018
- QC 42459

Even when you're setting up your SMSF you need to consider what happens when your SMSF ends, or 'winds up'.

Sometimes SMSFs become difficult to manage because of an unexpected event such as:

- [a relationship breakdown](#) between the trustees
- an illness or accident that leaves a trustee incapacitated (and unable to perform their role as a trustee)
- [a trustee dies](#).

Having an exit strategy may reduce the impact of 'unexpected' events. As part of your exit strategy, some of the things you should consider are:

- ensure all trustees can access the SMSF's records and electronic transaction accounts
- include specific rules in your fund's trust deed that are triggered by events that could otherwise lead to the fund becoming unmanageable
- members to make binding death benefit nominations (and renew them every three years)
- encourage members to appoint an enduring power of attorney
- the likely costs involved in winding up an SMSF.

Media: [SMSF planning for the unexpected]

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi6z97>¹⁷ (Duration: 2:13)

See also:

- [Winding up](#)
- [Death of a member](#)
- [Superannuation and relationship breakdowns](#)
- [Estate planning](#)

Contributions and rollovers

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Contributions-and-rollovers/>
- Last modified: 15 Mar 2022
- QC 23325

As an SMSF trustee, you can accept contributions and rollovers for your members

from various sources but there are some restrictions, mostly depending on the member's age and the contribution caps.

You need to properly document contributions and rollovers, including the amount, type and breakdown of components, and allocate them to the members' accounts within 28 days of the end of the month in which you received them.

From 1 October 2021, to rollover any super to or from your SMSF, you will need to use SuperStream.

Find out about

- [Contributions you can accept](#)
- [SuperStream Rollovers v3 guide for SMSFs](#)
- [SuperStream rollovers and release authorities for SMSFs](#)
- [Contribution caps](#)
- [Rollovers](#)
- [Personal contributions – deductions](#)
- [Re-contribution of COVID-19 early release superannuation amounts](#)

See also

- Tax on income - [assessable contributions](#)

Contributions you can accept

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Contributions-and-rollovers/Contributions-you-can-accept/>
- Last modified: 15 Dec 2022
- QC 23326

There are minimum standards for accepting contributions into your SMSF.

On this page

- [Allowable contribution](#)
- [Member's tax file number](#)
- [In specie \(asset\) contributions](#)

Allowable contribution

There are minimum standards for accepting contributions into your self-managed super fund (SMSF), and the trust deed of your fund may have more rules.

Whether a contribution is allowable depends on:

- whether you have the [member's tax file number \(TFN\)](#) – if not, you can't accept

member contributions

- the type of contribution – for example, you can accept [mandated employer contributions](#), such as super guarantee contributions from a member's employer, at any time
- the age of the member – for example, you generally can't accept [non-mandated contributions](#) for members 75 years old or older
- whether the contribution exceeds the member's [fund-capped contributions limit](#).

Generally, you can't accept an [asset as a contribution](#) from related parties of your fund, but there are some exceptions.

If your SMSF will receive contributions from employers (other than related-party employers), you'll need an [electronic service address](#) to receive the associated SuperStream data.

Member's tax file number

When a member joins your fund, you need to ask for their TFN and provide it to us. You can do this when you register the fund or when a new member joins.

A member is not required by law to provide their TFN, however if they don't:

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

If the member hasn't provided their TFN and you've accepted member contributions for them, you'll need to return the contribution within 30 days (of becoming aware of the contribution). However, if they provide their TFN within 30 days of receiving the contribution, you don't have to return the amount.

If you receive employer contributions on behalf of a member and you pay additional income tax because you did not have your member's TFN, you may be able to claim a tax offset in a later financial year if the member later gives you their TFN.

Mandated employer contributions

Mandated employer contributions are contributions made by an employer under a law or industrial agreement for the benefit of a fund member. They include super guarantee contributions.

You can accept mandated employer contributions for members at any time, regardless of their age or the number of hours they're working.

Non-mandated contributions

Non-mandated contributions include:

- contributions made by employers over and above their super guarantee or award obligations (such as salary sacrifice contributions)
- member contributions – these are contributions made by or on behalf of a member, such as
 - personal contributions
 - eligible proceeds from primary residence disposal (downsizer contribution)
 - super co-contributions
 - eligible spouse contributions
 - contributions made by a third party, such as an insurer
- [re-contribution of COVID-19 early release superannuation amounts](#).

Non-mandated member contributions can only be accepted if you have their tax file number (TFN). If you receive a member contribution and you don't have the member's TFN, you need to return the contribution within 30 days unless the member's gives you their TFN within that period.

You can accept non-mandated contributions in the following circumstances.

Members under 75 years old

From 1 July 2022, you can accept all types of non-mandated contributions, except [downsizer contributions](#) (these can only be made if the member has reached eligible age).

For a member turning 75, contributions must be received no later than 28 days after the end of the month they turn 75.

Between 1 July 2020 and 30 June 2022, you could accept all types of non-mandated contributions for members under 67. If they were between 67 and 75, you could only accept non-mandated contributions if they were gainfully employed on at least a part-time basis.

Before 1 July 2020, you could accept all types of non-mandated contributions for members under 65. If they were between 65 to 75, you could only accept non-mandated contributions if they were gainfully employed on at least a part-time basis.

Members 75 years old or over

You can accept downsizer contributions (there is no maximum age limit) if you have their TFN, but you generally can't accept other non-mandated contributions.

Super co-contributions and employer contributions that relate to a valid contribution period for the member can be accepted at any time.

Note: 'Gainfully employed on at least a part-time basis' means the member is gainfully employed for at least 40 hours in a period of 30 consecutive days in each financial year in which the contributions are made. Unpaid work does not meet the definition of 'gainfully employed'.

In specie (asset) contributions

'In specie' contributions are contributions to your fund in the form of a non-monetary asset.

Generally, you must not intentionally [acquire assets](#) (including in specie contributions) from related parties of your fund. However, there are some exceptions to this rule, including:

- listed shares and other securities
- business real property (land and buildings used wholly and exclusively in a business).

Contribution caps

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Contributions-and-rollovers/Contribution-caps/>
- Last modified: 02 Aug 2022
- QC 42460

Work out your concessional and non-concessional contribution caps by financial year.

On this page

- [Making contributions to SMSFs](#)
- [Concessional contributions](#)
- [Non-concessional contributions](#)

Making contributions to SMSFs

A member whose total contributions exceed the contribution caps in a year may be liable for [additional tax on the excess contributions](#). Contribution caps are indexed annually.

There are minimum standards for [accepting contributions](#) into your SMSF and the trust deed of your fund may have more rules.

See more about what is included in [member contributions and meeting the work test](#).

Concessional contributions

Concessional contributions are contributions made into your SMSF that are included in the SMSF's assessable income. These contributions are taxed in your SMSF at a 'concessional' rate of 15%, which is often referred to as 'contributions tax'.

The most common types of concessional contributions are employer contributions, such as super guarantee and salary sacrifice contributions. Concessional contributions also include personal contributions made by the member for which the member claims an income tax deduction.

Concessional contributions are subject to a yearly cap:

- From 1 July 2021, the general concessional contributions cap is \$27,500 for all individuals regardless of age.
- For the 2017–18, 2018–19, 2019–20 and 2020–21 financial years, the general concessional contributions cap is \$25,000 for all individuals regardless of age.
- For the 2014–15, 2015–16 and 2016–17 financial years, the concessional contributions cap is \$30,000 per financial year and is increased to \$35,000 for members 49 or over.
- For the 2013–14 financial year onwards, excess concessional contributions are no longer subject to excess contributions tax. If a member's contributions exceed the cap, the amount will be included in the member's assessable income and taxed at their marginal tax rate.

Unused concessional cap carry forward

From 1 July 2018, members can make 'carry-forward' concessional super contributions if they have a total superannuation balance of less than \$500,000. Members can access their unused concessional contributions caps on a rolling basis for 5 years. Amounts carried forward that have not been used after 5 years will expire.

The first year in which you can access unused concessional contributions is the 2019–20 financial year.

Non-concessional contributions

Generally, non-concessional contributions are contributions made into your SMSF that are not included in the SMSF's assessable income.

Non-concessional contributions include:

- personal contributions made by the member for which no income tax deduction is claimed - this is the most common type of non-concessional contribution
- excess concessional contributions for the financial year which the member does not elect to remove from the superfund after we send them an excess contributions determination will also count towards your member's non-concessional contributions cap.

Non-concessional contributions do not include:

- super co-contributions
- structured settlements
- orders for personal injury or capital gains tax (CGT) related payments that the member has validly elected to exclude from their non-concessional contributions

- [re-contribution of COVID-19 early release superannuation amounts](#) made between 1 July 2021 and 30 June 2030. Individuals can re-contribute amounts they withdrew under the [COVID-19 early release of super](#) program without them counting towards their non-concessional contributions cap.

If a member's non-concessional contributions exceed the cap, a tax of 47% is levied on the excess contributions. Individual members are personally liable for this tax and must have their super fund release an amount of money equal to the tax.

From 1 July 2022

From 1 July 2022, the non-concessional contributions cap is \$110,000. Members under 75 years of age may be able to make non-concessional contributions of up to 3 times the annual non-concessional contributions cap in a single year.

If eligible, when you make contributions greater than the annual cap, you automatically gain access to future year caps. This is known as the 'bring-forward' option.

Bring-forward arrangements

From the 2022–23 financial year members who are under 75 may be able to access a bring-forward arrangement as outlined in the table below.

Table: contribution and bring-forward available to members under 75

Total superannuation balance as at 30 June of the prior financial year	Contribution and bring-forward available
Less than \$1.48 million	Access to \$330,000 cap (over 3 years)
Greater than or equal to \$1.48 million and less than \$1.59 million	Access to \$220,000 cap (over 2 years)
Greater than or equal to \$1.59 million and less than \$1.7 million	Access to \$110,000 cap (no bring-forward period, general non-concessional contributions cap applies)
Greater than or equal to \$1.7 million	Nil

See more on [bring-forward arrangements](#).

From 1 July 2021

From 1 July 2021, the non-concessional contributions cap increased from \$100,000 to \$110,000.

1 July 2017 to 30 June 2021

For the 2017–18, 2018–19, 2019–20 and 2020–21 financial years, the non-concessional contributions cap is \$100,000.

1 July 2014 to 30 June 2017

For the 2014–15, 2015–16 and 2016–17 financial years, non-concessional contributions are subject to a yearly cap of \$180,000 for members 65 or over but under 75 or \$540,000 over a 3-year period for members under 65.

[Transitional arrangements](#) apply to individuals who brought forward their non-concessional contributions cap in the 2015–16 or 2016–17 financial years.

Rollovers

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Contributions-and-rollovers/Rollovers/>
- Last modified: 10 Nov 2022
- QC 23328

What you need to know about self-managed super fund (SMSF) rollovers.

On this page

- [What is an SMSF rollover?](#)
- [Receiving a rollover](#)
- [Making a rollover](#)
- [Reporting a rollover](#)

What is an SMSF rollover?

A rollover is when you, as a member, transfer some or all your existing super between funds. You need to use SuperStream for rollovers (other than in-specie rollovers) to or from your SMSF.

Receiving a rollover

When you initiate a rollover into your SMSF, the transferring fund uses the [SMSF verification service](#) to verify you are a member and the fund's details are correct.

To check your SMSF membership, look at the fund details screen on ATO Online. You need to make sure all fund details are up-to-date in our systems and [notify us of any changes](#).

When the transferring fund uses the SMSF verification service, you will receive an

[email or text message alert](#). If you receive an alert and you're aware of the rollover, you don't need to do anything. If you're not aware of the rollover, you need to contact the transferring fund immediately as rollovers are processed within 3 days.

To receive a rollover, your SMSF needs to have:

- a complying or registered status on Super Fund Lookup
- an active electronic service address (ESA) registered for rollover services
- an Australian business number
- up-to-date details recorded with us, including your SMSF's unique bank account for super payments.

Note: If there is a mismatch between the transferring fund information provided and the data we hold, there may be difficulties in receiving a rollover.

To check if your ESA provider offers SuperStream rollovers or if you need an ESA provider, use the [register of SMSF messaging providers](#).

Processing the rollover

The transferring fund must ensure the payment and associated message are sent to you within 3 business days of receiving all the required information. They may request additional details from you to confirm the request is not fraudulent.

If the transferring fund suspects illegal activity, they will report it to us, the Australian Prudential Regulation Authority and any relevant law enforcement agencies.

It is the receiving fund's responsibility to:

- confirm the payment and associated data has been received within 3 business days
- allocate the rollover amount to your member's account within 3 business days of receiving the payment and associated details.

Depending on your software solution, you may be required to alert your SMSF messaging provider that the rollover has been completed. After you check the bank account and allocate the benefits, you can direct your provider to send an outcome response message.

Making a rollover

Follow these steps to roll your benefits out of the SMSF to another super fund:

1. Validate your TFN with the [SMSFmemberTICK](#) system.
2. When you're rolling over to another SMSF, verify the fund and member details using the [SMSF verification service](#).
3. When you're rolling over to an APRA-regulated fund, verify the fund details using the [Fund Validation Service](#).
4. Make the rollover via SuperStream no later than 3 business days after receiving all the information required to process the request (unless you received an exemption from us to use a paper rollover form).

If it is a death benefit rollover and the recipient is a dependent child beneficiary, you also need to complete the [death benefit rollover statement](#). Send this to the receiving fund as soon as possible. See more about [SuperStream death benefit rollovers](#).

The SMSFmemberTICK system provides an invalid response if:

- the ATO or transferring fund holds an incorrect name or date of birth
- the TFN has a compromised or duplicate status on our systems
- our data matching system cannot establish a single match.

In these instances, you may need to update your details. Do this by either:

- visiting our [update your details](#) page to learn how
- contacting us on 13 28 61.

How to minimise delays when making a rollover

To help prevent issues with rollovers, ensure all fund and member details are correct. Check the following:

- The SMSF details provided to the transferring fund match the details held by us.
- Your details, such as a surname, held by the transferring fund match those of the receiving fund. Sometimes these need to be updated with the transferring fund before requesting a rollover.
- Whether your financial institution has a daily limit on the amount that can be transferred. This may impact the amount being rolled out. You need to confirm this with your financial institution before initiating the rollover. Then determine if you need to
 - increase the transfer limit with them
 - change the rollover amount to below your limit and repeat as required
 - change to a different financial institution.

The transferring fund may request further information such as [proof of identity \(POI\)](#) documents and bank account details for fraud prevention reasons. If they do, they must request this information within 5 business days of receiving your request. They must then complete that rollover within 3 business days of receiving the information.

When transferring super from an APRA fund to an SMSF, contact your APRA fund to discuss your specific POI requirements. Submit the documents in a timely manner. Do not submit multiple rollover requests when there is a delay.

When rolling out of your SMSF, ensure the payment reference number (PRN) on the message and payment match. Send the message and payment to the receiving fund at the same time where possible.

For more on making a rollover, see [SuperStream rollovers and release authorities for SMSFs](#).

Note: Each rollover message must be linked to a single payment. You cannot send

multiple part payments for the one rollover message.

Correcting a mistake

If you have made a mistake with the rollover payment, you need to contact the receiving fund to resolve.

Reporting a rollover

A rollover from another fund is not included in the assessable income of your fund unless the rollover amount includes an untaxed element in the fund.

If it does contain an untaxed element, you need to include the amount of that element in the assessable income of your fund – up to the [untaxed plan cap amount](#) – in the financial year in which the rollover occurs.

If the untaxed element exceeds the untaxed plan cap, the originating fund should withhold tax (at the top marginal rate plus Medicare levy) from the amount over the cap before releasing the rollover to your fund. You can then add this now-taxed amount to the tax-free component of the rolled-over amount.

Example: rollover with an untaxed element

On 5 September 2019, Tom asks his fund to roll over his super interest of \$1.7 million. This is an untaxed element.

The untaxed plan cap amount for 2019–20 is \$1.515 million, meaning that Tom's rollover amount exceeds the cap by \$185,000. The originating fund must withhold tax of \$90,650 (49% of \$185,000).

The amounts reported by the originating fund on the rollover benefits statement will be \$94,350 (\$185,000 – \$90,650) at the tax-free component label and \$1.515 million at the element untaxed in the fund label.

Tom's SMSF will report the \$1.515 million as income at the personal contributions label in the SMSF annual return.

Ensure you report all member contributions in your *SMSF annual return*, even if they were rolled out to another fund later. This is different to the process that applied before 1 July 2013.

Transfer balance cap reporting and rollovers

We strongly encourage you to report the rollover as a commutation via the TBAR where the member rolls the amount into an APRA-regulated fund and starts an income stream there as soon as the rollover occurs.

If you do not report the rollover to us when it happens, double-counting of your

member's income streams may occur.

See [how to report SMSF contributions that you roll over](#) and [event-based reporting for SMSFs](#).

Personal contributions – deductions

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Contributions-and-rollovers/Personal-contributions---deductions/>
- Last modified: 30 Jun 2016
- QC 42470

[If a member is eligible](#), they can claim an income tax deduction for super contributions they make for their own benefit. A member who intends to claim a deduction must notify you of this intent.

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

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

The notice is invalid if:

- the person is no longer a member of your SMSF
- you no longer hold the contribution because of a partial rollover that included the contribution
- you have paid a lump sum or have started to pay a super income stream that includes the contribution.

In these circumstances, the member will not be able to claim a deduction for the personal contribution made.

Acknowledging valid notices

You must acknowledge your member's valid notice. Your acknowledgment should include:

- the date your fund received the notice
- any subsequent variations that your fund received
- member account and fund details
- the total amount of personal contributions that the notice covers
 - the amount the member has notified you they intend to claim as a deduction
 - the dates the contributions were made or the financial year they were made in.

This ensures that your members are able to claim the deductions they're entitled to and that super co-contributions and excess contributions tax are correctly applied.

You don't have to acknowledge the notice if the value of the relevant super interest on the day you received the notice is less than the tax that would be payable by you for the contribution.

Deadline for varying notices

If the member claiming the deduction has made an error with their notice of intent to claim a deduction, the notice can be varied (including varied to nil). Generally they need to do this by the same deadline as the original notice. After this, the notice can't be varied unless:

- a deduction for the contributions is not allowable (that is, the member was ineligible to claim a deduction)
- the variation reduces the amount shown on the original notice by the amount that is not allowable as a deduction.

See also:

- [Claiming deductions for personal super contributions](#) – information for your member.

SuperStream rollovers and release authorities for SMSFs

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Contributions-and-rollovers/SuperStream-rollovers-and-release-authorities-for-SMSFs/>
- Last modified: 27 Nov 2020
- QC 64222

There will be some changes for self-managed super funds (SMSFs) due to measures announced by the government in 2019.

From 1 October 2021, to rollover any super to or from your SMSF, you will need to use SuperStream.

These changes will impact your SMSF if your members want to:

- rollover funds to your SMSF, such as transferring money from any other super fund to your SMSF
- rollover funds from your SMSF, which includes when you are winding up your SMSF

- receive and action certain [release authorities](#) including first home super saver (FHSS) scheme more quickly via SuperStream.

What is SuperStream

SuperStream is a data and payment standard used for digital transactions within the super industry. Many SMSFs already use SuperStream for contributions, and large super funds also use SuperStream as their primary way to transact with employers, other large funds, and the ATO.

Benefits of SuperStream

SuperStream rollovers can be processed faster, more efficiently and with fewer errors.

For SMSFs who can receive release authorities in the SuperStream standard, the benefits include eliminating postage delays so your super monies can be released faster. This may mean for example quicker access to FHSS scheme money for your first home purchase or releasing amounts over the contributions caps sooner, so they incur less interest.

What you need

For SuperStream you will need:

- an electronic service address (ESA)
- an Australian business number (ABN)
- to ensure your SMSF details are up to date, including your SMSF's bank account.

Given the digital nature of these transactions, you may also consider appointing professionals to help you.

Electronic service address (ESA)

To use SuperStream your SMSF needs an active ESA. This is a special internet address (that is different to an email address) that helps SuperStream transactions get to the right destination – see [Electronic service address](#).

From 1 October 2021, if you don't have an active ESA you will not be able to rollover funds to or from your SMSF. Release authorities will be issued to you in paper via the mail.

Make sure your SMSF has an active ESA:

- If you already use SuperStream to receive contributions, or have had an ESA in the past, you should check with your provider that it is still active.
- If you have an active ESA, you will also need to check that your current ESA provider will be providing rollover SuperStream services as well.

If you use an SMSF administrator or use SMSF software from a provider, they may have issued you with an ESA as part of their service. If unsure you can check with

them about this and their plans regarding SuperStream rollovers.

If none of the above apply to you, you can [get an electronic service address](#) from an [SMSF messaging provider](#). Alternatively, you may like to [consider appointing professionals to help you](#) manage SuperStream rollovers and release authorities on your behalf.

Australian business number (ABN)

From 1 October 2021, if you want to rollover funds to or from your SMSF, you will need an ABN to use SuperStream.

If your SMSF doesn't have an ABN, you can apply for one via the [Australian Business Register](#)³ (ABR).

Update your SMSF details

Make sure the details we hold for your SMSF are accurate and up to date. To check your SMSF's details:

- if you have a myGov account, check via ATO online services or the ABR
- talk to your registered tax agent
- [contact us](#).

If you need to advise us of your SMSF's new or updated details, you can [notify us of changes to your SMSF](#). This includes your SMSF's new or updated:

- ESA
- financial institution account
- members and trustee details.

Consider appointing professionals to help you

Many SMSFs already use SuperStream for contributions and often use an SMSF professional to meet their SuperStream transaction requirements.

Some SMSF professionals provide SuperStream ready software that you can use for these electronic transactions, or they can undertake these transactions on behalf of your SMSF.

You may like to [consider appointing professionals to help you](#) manage SuperStream rollovers and release authorities on your behalf if you haven't already.

When you need to take action

You can get prepared early, then start using SuperStream anytime from 31 March 2021 depending on when your ESA provider will be transitioning.

From 1 October 2021 you must be SuperStream ready if you want to rollover funds to or from your SMSF. If you are not SuperStream ready by then:

- APRA-regulated super funds will be unable to process your rollover request

- an SMSF to SMSF rollover will contravene the trustees' regulatory obligations.

Once you have transitioned to SuperStream rollovers, we'll also send certain release authorities to you via SuperStream.

Technical documentation

Technical information for SMSF software providers and other SMSF intermediaries is available at <https://softwaredevelopers.ato.gov.au/rolloverV3>⁵⁷.

SuperStream Rollovers v3 guide for self-managed super funds

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Contributions-and-rollovers/SuperStream-Rollovers-v3-guide-for-self-managed-super-funds/>
- Last modified: 17 Dec 2021
- QC 67540

Rollovers using SuperStream Rollovers v3

From 1 October 2021 SMSFs are required to transact in the Superannuation data and payment standard (the SuperStream standards) for rollovers. This means you will need to use SuperStream to process rollovers (other than *in-specie* rollovers) to or from your SMSF.

Under the SuperStream standards, APRA funds and SMSFs are required to process the rollover within three business days of receiving all the required information.

Note: as *in-specie* rollovers are exempt from SuperStream, they can be actioned using your existing processes.

What you need

To use SuperStream, your SMSF will need to:

- engage an [SMSF messaging provider](#) offering SuperStream rollover services and obtain their [electronic service address](#) (ESA)
- obtain an Australian business number (ABN)
- ensure [up-to-date details](#) are recorded with us, including the SMSF's unique bank account for superannuation payments and ESA.
- ensure they have a '[Complying](#)' or '[Registered](#)' status on Super Fund Lookup.

Verification prior to rollovers

Prior to rolling super into your SMSF, the transferring fund (APRA or SMSF) will use

the [SMSF verification service](#) (SVS) to verify certain details about you and your SMSF.

The SVS will send a non verified response if the:

- ATO or the transferring fund does not hold the required and/or correct SMSF details, including bank account and ESA
- SMSF is not 'Complying' or 'Registered' on Super Fund Lookup
- provided ABN is not registered as an SMSF
- In these instances, (an authorised contact of) your SMSF will need to contact us by
 - telephoning 13 10 20 and selecting fast key codes 4 then 1
 - visiting our webpage [notify us of changes](#) for further information
- When the transferring fund uses the SVS you will receive an [SMS alert](#).

Prior to rolling super out of your SMSF you must use the [SMSFmemberTICK service](#) to validate the tax file number (TFN) of the SMSF member.

The SMSFmemberTICK service will send an invalid response if:

- the ATO or transferring fund holds the incorrect name or date of birth for the member
- the TFN has a compromised or duplicate status on our systems
- our data matching system cannot establish a single match
- In these instances, the impacted member must contact the ATO by
 - telephoning 13 28 61
 - visiting our webpage [update your details](#) for further information

Partial rollovers

- For requests to rollover a partial amount of super benefits, you must make the request directly to either the transferring or receiving fund.
- Partial rollovers cannot be requested via ATO Online.
- Partial rollovers must be completed using SuperStream.

Tips to minimise delays when rolling super to or from an SMSF

- Ensure the SMSF details provided to the transferring fund match the details we hold.
- Ensure the member details, such as a surname, held by the transferring fund match those of the receiving fund. Sometimes these need to be updated with the transferring fund prior to requesting a rollover.
- When rolling super out of the SMSF, be aware your financial institution may have a daily limit on the amount that can be transferred which may impact the amount being rolled out. You will need to confirm this with your financial institution before initiating the rollover and then determine if you need to
 - increase the transfer limit with them
 - change the rollover amount to an amount below your limit and repeat as required
 - change to a different financial institution.

- The transferring fund may request further information such as [proof of identity \(POI\)](#) documents and bank account details for fraud prevention reasons.
- If they do, they must request this information within five business days of receiving your request, and then complete that rollover within three business days of receiving the information.
- When transferring super from an APRA fund to an SMSF, contact your APRA fund to discuss your specific POI requirements and submit the documents in a timely manner.
- Use the [Fund Validation Service](#) to obtain the APRA fund's current banking details.
- Do not submit multiple rollover requests when there is a delay.
- Ensure your SMSF is ready to rollover the amounts before submitting your request, such as confirming your SMSF has sufficient liquid assets.
- Ensure the ESA of your [SMSF provides rollover services](#), as not all ESAs can be used to process a rollover.
- When rolling out of your SMSF ensure the payment reference number (PRN) on the message and payment match and send the message and payment to the receiving fund at the same time where possible.

Release authorities using SuperStream Rollovers v3

A release authority (RA) is a document the ATO gives to a fund to authorise release of their member's super.

SMSFs who have an SMSF messaging provider who offers SuperStream rollover services will receive the following release authorities electronically:

- Excess Concessional Contributions
- Excess Non-Concessional Contributions
- Excess Non-Concessional Contributions Tax
- Division 293 due and payable
- Division 293 deferred debt
- First home super saver scheme

Upon receipt of an electronic RA, your SMSF must, within 10 business days from the date of release authority:

- Electronically pay us the lesser of
 - the amount stated in the release authority, or
 - the total amount of the super interest that could be paid at that time
- Send us a release authority statement (RAS) message via SuperStream advising
 - the amount that was released to us
 - for partial releases, whether any super benefits remain in the account.
- Send us a release authority error message (RAER) via SuperStream if your SMSF is unable to action the release authority.

Tips for responding to a RA via SuperStream

- The RAS must be returned via the same channel the RA was received.
- Send one response for each RA (either RAS or RAER).
- Each RAS message must be accompanied by one payment – do not send a bulk payment for multiple RAS messages.
- Make the payment to the [SuperStream bank account](#).
- Ensure the PRN of the payment matches the PRN advised within the RAS message.

More information

Visit the for following webpages for more information:

- [SMSF checklists](#)
- [SuperStream release authorities](#)
- [SuperStream rollovers and release authorities for SMSFs](#).

Investing

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/>
- Last modified: 01 Jul 2021
- QC 23319

You need to manage your fund's investments in the best financial interests of fund members and in accordance with the law. You also need to ensure that you separate your fund's investments from the personal and business affairs of fund members, including your own.

Visit our [ATO Community](#)²⁷ to ask a question and read moderated answers about investing.

Find out about:

- [Your investment strategy](#)
- [Sole purpose test](#)
- [Ownership and protection of assets](#)
- [Restrictions on investments](#)
- [Carrying on a business in an SMSF](#)
- [Tax on income](#)

Your self-managed superannuation fund

(SMSF) investment strategy

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Your-investment-strategy/>
- Last modified: 16 Dec 2022
- QC 23320

How to develop your self-managed super fund (SMSF) investment strategy and achieve your investment objectives.

On this page

- [What is an SMSF investment strategy?](#)
- [What to include in the strategy](#)
- [Restrictions to what your SMSF can invest in](#)
- [Risks with investing all of your savings in one asset](#)
- [Giving effect to your strategy](#)
- [Reviewing your strategy](#)
- [Auditor's role](#)
- [If your strategy isn't compliant](#)
- [Getting help with your strategy](#)

What is an SMSF investment strategy?

Watch:

Media: SMSF – Investment strategy

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfshbrr> (Duration: 02:17)

Your investment strategy is your plan for making, holding and realising assets consistent with your investment objectives and retirement goals. It should set out why and how you've chosen to invest your retirement benefits to meet these goals.

The super laws require that you must:

- prepare and implement an investment strategy for your SMSF
- give effect to and review the strategy regularly.

What to include in the strategy

Your SMSF investment strategy should be in writing and be tailored and specific to your fund's circumstances. It should not be a repeat of the legislation.

It should explain how your investments meet each member's retirement objectives. Relevant circumstances of the members may include (but are not limited to) their:

- age
- employment status

- retirement needs which influence the risk appetite.

Under the super laws, your strategy must consider the following specific factors regarding the whole circumstances of your fund:

- risks involved in making, holding and realising, and the likely return from your fund's investments regarding its objectives and cash flow requirements
- composition of your fund's investments including the extent to which they are diverse (such as investing in a range of assets and asset classes) and the risks of inadequate diversification
- liquidity of the fund's assets (how easily they can be converted to cash to meet fund expenses such as the cost of managing the fund and income tax expenses)
- fund's ability to pay benefits (such as when members retire and require a lump sum payment or regular pension payments) and other costs it incurs
- whether to hold insurance cover (such as life, permanent or temporary incapacity insurance) for each SMSF member.

When formulating your investment strategy, it is not a valid approach to merely specify investment ranges of 0 to 100% for each class of investment. You also need to articulate:

- how you plan to invest your super, or
- why you require broad ranges to achieve your investment strategy requirements.

The percentage or dollar allocation of the fund's assets invested in each asset class should support and reflect your articulated investment approach towards achieving your retirement goals. If you choose not to use allocated portions or percentages in your strategy, you must list material assets. Also include the reasons why investing in those assets will achieve your retirement goals.

Find more on how to plan, choose and track your investments on moneysmart.gov.au.

Restrictions to what your SMSF can invest in

You are free to choose what type of assets you invest in, providing those investments:

- are permitted by your fund's trust deed
- are not prohibited by the super laws
- meet the [sole purpose test](#).

For instance, be aware of the:

- in-house asset rules
- acquisitions from related party rules
- non-arm's length income rules for income tax purposes.

Where your investments breach the super laws, we can take compliance action against you. Depending on the severity of the breach, we may apply penalties and potentially disqualify you as trustee.

Find out more about your [activity limitations under the super laws](#).

Risks with investing all of your savings in one asset

While you can choose to invest all your retirement savings in one asset or asset class, risks such as return, volatility and liquidity can be minimised if you invest in a variety of assets. This is called a diversified portfolio which helps to spread investment risk.

Investing the predominant share of your retirement savings in one asset or asset class can lead to concentration risk. In this situation, your strategy should document:

- that you considered the risks associated with a lack of diversification
- how you still think the investment will meet your fund's investment objectives including your return objectives and cash flow requirements.

Asset concentration risk is heightened in highly leveraged funds, such as where the trustee has used a limited recourse borrowing arrangement to acquire the asset. This can expose you to a loss in your retirement savings if the asset declines in value. It could also trigger a forced asset sale if loan covenants (for example, the loan to valuation ratio) are breached.

Super laws also require you to invest in accordance with the best financial interest of all members. You need to be aware of any legal risks that may result from investing in one asset class.

Giving effect to your strategy

The super laws require that you as trustee must formulate and regularly review your fund's investment strategy. You must also give effect to an investment strategy that has regard to the whole of the fund's circumstances.

This means ensuring your fund's investments are in accordance with your investment strategy so that you are on track to meet your retirement goals. To help meet this requirement, you could consider specifying appropriate allocations, percentages or dollar ranges for each class of investment. This typically allow some flexibility for market fluctuations.

However, broad investment ranges between 0% to 100% in a broad range of assets do not reflect proper consideration in satisfying the strategy requirements. Your strategy must articulate how you plan to invest your super to meet your retirement goals.

We don't consider that short term variations to your articulated investment approach, including to specified asset allocations, constitute a variation from the investment strategy.

Reviewing your strategy

Your investment strategy should not be a 'set and forget' document. Review it regularly to ensure it continues to meet the current and future needs of your members depending on their personal circumstances.

Certain significant events should also prompt you to review your strategy, such as:

- a market correction
- when a new member joins or departs the fund
- when a member starts receiving a pension – this ensures the fund has sufficient liquid assets and cash flow to meet minimum pension payments before 30 June each year.

Review your strategy at least annually and document that you have undertaken this review and any decisions made arising from the review.

For example, you could do this as part of the annual trustee meeting minutes. Provide these minutes or other evidence of a review to your auditor. This shows that you met the requirement to review regularly and, where necessary, revised your investment strategy.

Auditor's role

When conducting the annual audit on your fund, your auditor will check whether it meets the investment strategy requirements under the super laws for the relevant financial year. This means they will check that your:

- SMSF had an investment strategy in place for the relevant financial year that considered the factors outlined above
- fund's investments during the relevant financial year were in accordance with that strategy
- strategy had been reviewed at some stage during the relevant financial year.

Where you don't comply with the investment strategy requirements, your auditor may need to notify us about this by lodging an auditor contravention report (ACR).

If your strategy isn't compliant

If your auditor identifies that you have breached the investment strategy requirements, then you should fix the breach.

If your strategy failed to adequately address some of the factors mentioned above, such as the risk of inadequate diversification, fix this by attaching a:

- signed and dated addendum to the strategy
- trustee minute which adequately addresses the requirements.

Show this to your auditor before the audit is finalised.

If you failed to invest in accordance with your strategy, revise it to ensure it reflects your fund's investments and how they will meet your retirement objectives. Then make sure you regularly review and adhere to your new strategy in the future.

Your auditor only needs to lodge an ACR notifying us of the breach if it meets the ACR reporting criteria. For most funds, the criteria will be met if either:

- the auditor has identified the same breach in a previous income year and it has been repeated in the current income year
- it is a breach from a previous year that remains unrectified at the time of audit.

However, the criteria may also be met if the fund is less than 15 months old and the value of any single breach exceeds \$2,000.

After your auditor lodges an ACR

If your auditor is required to lodge an ACR and the breach has not been rectified, we will ask you to rectify it.

A [penalty](#) can be applied on each individual trustee or the corporate trustee for a breach of the investment strategy requirements. The directors of a corporate trustee are jointly and severally liable to pay this penalty.

Getting help with your strategy

We cannot help you prepare your SMSF investment strategy as this could amount to the provision of financial advice. If you need help, reach out to your usual SMSF adviser or a licensed financial adviser.

Note that your usual adviser may not be a licensed financial adviser and legally capable of assisting you. They may be able to guide you on where to find resources such as an investment strategy template.

Take care with standard investment strategy templates because they:

- may not satisfy the super rules
- must be appropriately tailored to your fund's circumstances as discussed above
- must be reviewed regularly as required by the super rules.

For more on how to find a licensed financial advisor, see moneysmart.gov.au²⁷.

Insurance for members

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Your-investment-strategy/Insurance-for-members/>
- Last modified: 16 Jun 2015
- QC 42469

When preparing your investment strategy you're required to consider whether to hold insurance cover for each member of your SMSF.

Your SMSF can generally provide insurance for a member for an event that is consistent with one of these conditions of release of the member's super:

- death
- terminal medical condition
- permanent incapacity (causing the member to permanently cease working)
- temporary incapacity (causing the member to temporarily cease working).

Trauma insurance

Trauma insurance typically pays a lump sum if the insured person is diagnosed with a critical illness or injury as specified in the policy, such as cancer, stroke, coronary bypass or heart attack. The lump sum is paid regardless of whether the insured person ceases work or becomes permanently disabled. This is not consistent with one of the conditions of release of the member's super, so SMSFs generally cannot provide trauma insurance for their members.

However, SMSFs can continue to provide trauma insurance benefits to a member if it is a continuation of insurance benefits for that member that existed before 1 July 2014. In this situation the member can vary the level of the cover, and any associated premiums, after 1 July 2014.

To meet the sole purpose test, the following conditions must be met:

- any benefits payable under the policy must be paid to a trustee of the SMSF
- those benefits will become part of the assets of the SMSF at least until such time as the relevant member satisfies a condition of release
- the policy was not acquired to secure some other benefit for another person, such as a member or member's relative.

Sole purpose test

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Sole-purpose-test/>
- Last modified: 22 Nov 2019
- QC 23323

Your SMSF needs to meet the sole purpose test to be eligible for the tax concessions normally available to super funds. This means your fund needs to be maintained for the sole purpose of providing retirement benefits to your members, or to their dependants if a member dies before retirement.

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

It's likely your fund will not meet the sole purpose test if you or anyone else, directly

or indirectly, obtains a financial benefit when making investment decisions and arrangements (other than increasing the return to your fund).

When investing in collectables such as art or wine, you need to make sure that SMSF members don't have use of, or access to, the assets of the SMSF.

Your fund fails the sole purpose test if it provides a pre-retirement benefit to someone – for example, personal use of a fund asset.

See also:

- Self-managed superannuation funds ruling [SMSFR 2008/2](#): sole purpose test
- [Fractional property investment - ATO guidance on approach](#)

Fractional property investment – ATO guidance on approach

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Sole-purpose-test/Fractional-property-investment---ATO-guidance-on-approach/>
- Last modified: 21 Nov 2019
- QC 60675

This guidance is for self-managed super funds (SMSFs) considering the sole purpose test implications of fractional property investments following the recent Full Federal Court decision in [Aussiegolfa Pty Ltd \(Trustee\) v Commissioner of Taxation \[2018\] FCAFC 122](#)¹⁷.

As indicated in our [Decision impact statement](#) for that case, a trustee of an SMSF could potentially breach the sole purpose test by investing in a sub-fund of the DomaCom Fund if the facts and circumstances indicate the SMSF was maintained for the collateral purpose of providing accommodation to a related party.


This is consistent with our long-standing views in [SMSF Ruling 2008/2](#). The ruling states that the purpose an SMSF is maintained for is determined by considering all the facts and circumstances surrounding the trustee's behaviour.

To address this, DomaCom Australia Ltd (DomaCom) have updated their product requirements to include a 'Sole Purpose Test Declaration' for SMSF trustee investors.

By signing this declaration, the trustee agrees to avoid behaviour that may be of concern to us relating to a breach of the sole purpose test. This includes avoiding:

- entering into an investment based on its potential to provide related-party accommodation

- influencing DomaCom or a relevant property manager to engage a related party as a tenant of the property
- influencing a related party to become tenant of the property.

A sample copy of the declaration can be found in [DomaCom's ASX 31 October media release \(PDF 377KB\)](#)  .

Our compliance approach for the DomaCom Fund

We won't undertake compliance activities where an SMSF trustee has breached the sole purpose test in section 62 of the *Superannuation Industry (Supervision) Act 1993* (SISA) through their investment in the DomaCom Fund, if the SMSF trustee has signed the 'Sole Purpose Test Declaration' and:

- retains a copy of this declaration
- provides a copy to their approved auditor
- we're not subsequently made aware of evidence that indicates the trustee has acted inconsistently with the terms of the declaration.

We'll continue to look closely at whether SMSF trustees breach other provisions of the SISA, or whether they've breached the sole purpose test through other transactions or behaviour.

Our broader administration of the sole purpose test

We welcome others offering similar fractional investment products (who are considering the sole purpose test implications of their product) to engage with us to explore a similar approach by supporting our continued commitment to provide practical and administrative certainty to SMSF trustees.

If you have any questions about fractional property investment and the sole purpose test, contact us via our [Request for specific advice](#) form.

See also:

- [Sole purpose test](#)
- [How to contact us for specific advice](#)

Ownership and protection of assets

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Ownership-and-protection-of-assets/>
- Last modified: 26 Sep 2016
- QC 23322

You need to manage your fund's investments separately from the personal or

business investments of members, including your own. This includes ensuring the fund has clear ownership of its investment assets.

Duration 2.20. A [transcript of Separation of assets](#) is also available.

To protect fund assets in the event of a creditor dispute, and prevent costly legal action to prove who owns them, assets should be recorded in a way that:

- distinguishes them from your personal or business assets
- clearly shows legal ownership by the fund.

Fund assets (other than money) should be held in the name of either:

- the individual trustees 'as trustees for' the fund
- the corporate trustee 'as trustee for' the fund.

The assets can't be held in the name of a trustee or a member as an individual. Nor can they be held by a standard employer-sponsor or their associate.

In some circumstances, assets of the fund can be leased to a related party of your fund, such as [business real property](#) and [in-house assets](#). There are restrictions on the types of assets your fund can invest in. It's a good idea to speak to an SMSF professionals to make sure your investments comply with the law.

On this page:

- [Corporate trustees](#)
- [Trustees joining or leaving](#)
- [Assets unable to be held in fund's name](#)
- [Limited recourse borrowing arrangements](#)

Corporate trustees

The easiest way to comply with the ownership rules is for your fund to have a company set up solely for the purposes of being the corporate trustee of the fund.

If there is a change in directors of the company, you don't have to change the name on the ownership documents for each fund asset as the trustee of the fund has not changed. A separate corporate trustee reduces the chance of personal assets becoming intermingled with fund assets.

Trustees joining or leaving

If an individual trustee joins or leaves your SMSF you must change the names on the ownership documents (such as a title deed) for each fund asset. Document this change in your records, along with clear evidence to support the fund's ownership of the asset.

Some systems, such as some share trading accounts, will not allow more than three names to be recorded on the online share application form as trustees of a super account. If there are four trustees, document the names of all individual trustees in your fund's records as owners of the shares.

Assets unable to be held in fund's name

An unavoidable restriction (such as state law) may prevent your SMSF from holding assets using the fund's name.

If assets cannot be held in the fund's name, ownership by the fund must be clearly established. You can do this by executing a caveat, or creating an instrument or declaration of trust to enable the fund to assert its ownership.

If possible, documents such as sale agreements should be executed in the name of the trustees 'as trustees for' the fund.

Limited recourse borrowing arrangements

If you enter into a limited recourse borrowing arrangement, ensure correct asset ownership before and after transfer of the trust asset.

Restrictions on investments

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/>
- Last modified: 30 Sep 2016
- QC 23321

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

Generally:

- you can't buy assets from, or lend money to, fund members or other related parties (there are some exceptions to this rule)
- your fund can't borrow money.

If you don't comply with the investment restrictions we may impose significant penalties, including disqualifying you as a trustee and even prosecution. It's a good idea to speak to an SMSF professional to make sure your investments comply with the law.

Find out about:

- [Related parties and relatives](#)
- [Loans and early access](#)
- [Acquiring assets from related parties](#)
- [In-house assets](#)
- [Business real property](#)
- [Collectables and personal use assets](#)
- [Borrowing](#)

Related parties and relatives

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/Related-parties-and-relatives/>
- Last modified: 31 Jul 2020
- QC 42467

Several investment restrictions apply to transactions involving 'related parties' of your fund and 'relatives of members'. No one associated with your fund should get a present-day benefit from its investments.

Your fund needs to be maintained for the sole purpose of providing death or retirement benefits to your members or their dependants.

Watch:

Media: SMSF - Related party transactions
<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiub8cjgsd> (Duration: 03:01)

A 'related party' of your fund includes:

- all members of your fund
- associates of fund members, which include
 - the relatives of each member
 - the business partners of each member
 - any spouse or child of those business partners
 - any company the member or their associates control or influence
 - any trust the member or their associates control.
- standard employer–sponsors, which are employers who contribute to your super fund for the benefit of a member, under an arrangement between the employer and a trustee of your fund
- associates of standard employer–sponsors, which include
 - business partners and companies or trusts the employer controls (either alone or with their other associates)
 - companies and trusts that control the employer.

A relative of a member means any of the following:

- a parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendant or adopted child of the member or their spouse
- a spouse of any individual specified above.

Dealing with the impact of COVID-19

Some landlords are giving their tenants rent relief as a rent reduction, waiver or deferral because of the financial effects of COVID-19 and we understand that your fund may wish to do so as well.

Charging a related party a price that is less than market value usually breaches a number of SMSF rules.

Our compliance approach for the 2019–20 and 2020–21 financial years is that we will not take action if an SMSF gives a tenant – even one who is also a related party – a temporary rent reduction, waiver or deferral because of the financial effects of COVID-19 during this period.

If your fund holds an interest in an interposed entity such as a non-g geared company or unit trust and that interposed entity leases property to a tenant, we will not treat the investment in the interposed entity as an in-house asset for the current and future financial years as a result of a deferral of rent being provided to the tenant due to the financial effects of COVID-19.

Note: If there are temporary changes to the terms of the lease agreement in response to COVID-19, it is important that the parties to the agreement document the changes and the reasons for the change. You can do this with a minute or a renewed lease agreement or other contemporaneous document.

See also:

- [COVID-19 frequently asked questions – self-managed super funds](#)

Loans and early access

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/Loans-and-early-access/>
- Last modified: 09 Feb 2016
- QC 42466

You can't lend money or provide direct or indirect financial assistance from your fund to a member, or a member's relative. For example, you can't use fund assets to guarantee a personal loan for a member.

Loans made by your SMSF must be in the best interests of members and comply with your investment strategy. If a loan arrangement is not in your members' best interests, your SMSF could be made non-complying and ineligible for concessional tax rates.

Get advice before entering into loan arrangements. If you still decide to lend money from your SMSF, make sure the loan is conducted on a commercial, arm's length basis.

Remember, you are ultimately responsible for running your SMSF.

See also:

- [Taxpayer Alert 2010/5: The use of an unrelated trust to circumvent superannuation lending restrictions](#)

Acquiring assets from related parties

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/Acquiring-assets-from-related-parties/>
- Last modified: 11 Feb 2016
- QC 42465

Your fund can't acquire an asset from a related party unless it is acquired at market value and is:

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

If the asset is acquired at less than market value (including no cost, such as an *in specie* contribution), the difference between the market value and the amount actually paid should be recorded as a contribution.

The [Valuation guidelines for self-managed super funds](#) will help you comply with these requirements.

See also:

- [Employee share scheme \(ESS\)](#)

In-house assets

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/In-house-assets/>
- Last modified: 22 Nov 2022
- QC 42464

Check to see why in-house assets can't be more than 5% of your self-managed super fund's (SMSF's) total assets.

On this page

- [What is an in-house asset?](#)
- [What to do if in-house assets exceed 5%](#)
- [Dealing with the impact of COVID-19](#)
- [Unpaid trust distributions](#)

What is an in-house asset?

An in-house asset is any of the following:

- a loan to, or an investment in, a [related party of your fund](#)
- an investment in a related trust of your fund
- an asset of your fund that is leased to a related party.

There are some exceptions, including:

- [business real property](#) that is leased between your fund and a related party of your fund
- some investments in related non-g geared trusts or companies.

In-house assets can't be more than 5% of your fund's total assets.

What to do if in-house assets exceed 5%

At the end of a financial year, if the level of in-house assets of a SMSF exceeds 5% of its total assets, trustees must prepare a written plan to reduce the market ratio to 5% or below.

This plan must be prepared before the end of the next year of income. For example, if an SMSF exceeds the 5% in-house asset threshold as at 30 June 2018, a plan must be prepared and implemented on or before 30 June 2019.

Note: There were [transitional rules](#) that applied to certain assets owned before 11 August 1999 which meant they were not considered to be an in-house asset. This 10-year transitional period ended on 30 June 2009.

Dealing with the impact of COVID-19

Many SMSFs will experience a drop in [asset values](#) due to the economic impact of COVID-19. This could result in:

- the in-house assets being more than 5% of the total assets
- breaching the in-house assets rules as at 30 June 2020.

These funds are required to prepare and implement a rectification plan by 30 June 2021.

We will not undertake compliance activity if you were unable to execute the rectification plan for your fund before 30 June 2021. This is because the market has not recovered, or it was unnecessary to implement the plan as the market had recovered.

Our compliance approach also applies where the SMSF exceeded the 5% in-house asset threshold as at 30 June 2019 but has been unable to rectify the breach by 30 June 2020.

For more detail, see [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*.

Unpaid trust distributions

If your SMSF is entitled to a distribution from a related trust but you allow it to remain unpaid, you may contravene the:

- in-house-asset rules
- arm's length rule
- sole purpose test.

For more detail, see [SMSFR 2009/3](#): *Self Managed Superannuation Funds: application of the Superannuation Industry (Supervision) Act 1993 to unpaid trust distributions payable to a Self Managed Superannuation Fund*.

Business real property

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/Business-real-property/>

- Last modified: 15 Mar 2022
- QC 42463

Business real property is an exception to the in-house asset and related party acquisition rules.

Business real property generally means land and buildings used wholly and exclusively in a business.

If business real property is used in a primary production business such as a farm, it can still meet the test of being used wholly and exclusively in a business even if it contains a dwelling used for private or domestic purposes. The dwelling must be in an area of land no more than two hectares and the main use of the whole property can't be for domestic or private purposes.

You need to ensure the level of investment in business real property still meets the investment strategy of your fund, including diversification of assets, liquidity and maximisation of member returns in your fund.

As with other super fund assets, there can't be a loan or covenant (charge) over an asset (unless the asset was acquired under a limited recourse borrowing arrangement).

See self-managed superannuation funds ruling [SMSFR 2009/1](#): business real property for more information.

Collectables and personal use assets

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/Collectables-and-personal-use-assets/>
- Last modified: 07 Jun 2021
- QC 42462

Collectables and personal use assets are things like:

- artworks
- jewellery
- vehicles
- boats
- wine.

Investments in such items must be made for genuine retirement purposes, not to provide any present-day benefit.

Collectables and personal use assets can't be:

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

In addition:

- your investment must comply with all other relevant investment restrictions, including the sole purpose test
- the decision on where the item is stored must be documented (for example, in the minutes of a meeting of trustees) and the written record kept
- the item must be insured in the fund's name within seven days of the fund acquiring it
- if the item is transferred to a related party, this must be at market price as determined by a qualified, independent valuer
- as with all fund assets, check prior to purchase that they are not encumbered in any way (you can use the Australian Financial Security Authority's Personal Properties Security Register to ensure that collectables and personal use assets have no security interests over them prior to your purchase).

For collectables and personal use assets you held before 1 July 2011 you had until 30 June 2016 to comply with these rules.

On this page:

- [Definition of collectables and personal use assets](#)
- [Definition of private residence](#)
- [Usage](#)
- [Display or storage](#)
- [Insurance](#)
- [Leasing](#)
- [Selling](#)

Definition of collectables and personal use assets

Collectables and personal use assets are:

- artwork – including
 - paintings
 - sculptures
 - drawings
 - engravings
 - photographs
- jewellery
- antiques
- artefacts
- coins, medallions or bank notes
 - coins and banknotes are collectables if their value exceeds their face value
 - bullion coins are collectables if their value exceeds their face value and

they are traded at a price above the spot price of their metal content

- postage stamps or first-day covers
- rare folios, manuscripts or books
- memorabilia
- wine or spirits
- motor vehicles and motorcycles
- recreational boats
- memberships of sporting or social clubs.

Definition of private residence

A private residence includes all parts of a private dwelling (above or below ground), the land on which the private residence is situated and all other buildings on that land, such as garages or sheds.

Usage

Collectables and personal use assets can't provide a present-day benefit, so they can't be used by members or related parties.

For example, if your SMSF owns a vintage car, related parties can't drive it for any reason – not even for maintenance purposes or to have restoration work done – because this constitutes use of the asset.

Display or storage

Collectables and personal use assets must not be stored in the private residence of any related party. If they were acquired before 1 July 2011 you had until 1 July 2016 to meet this requirement.

You can store (but not display) collectables and personal use assets in premises owned by a related party, provided it is not their private residence. They can't be displayed because this means they are being used by the related party.

For example, if your SMSF invests in artwork, it can't be hung in the business premises of a related party where it is visible to clients and employees.

Remember to keep a record of the reasons for deciding where to store the assets.

Insurance

Collectables and personal use assets owned by the fund must be insured in the name of the fund within seven days of acquiring them.

The assets may be insured under separate policies or collectively under the one policy, but the fund must be the owner and beneficiary of the policy. It is not sufficient for:

- the trustee or member to include the assets in their own policy (for example, as part of a home and contents insurance policy)

- a third party to own the policy (for example, a business owner or custodian who is storing, displaying or leasing the asset)
- the fund to be noted on a policy owned by a third party as a named insured or beneficiary.

It is important that the fund owns the insurance policy so that:

- the fund's assets are adequately protected against financial loss or liability
- you have control over negotiating the terms of the policy and other important aspects such as arbitration in the event of a dispute
- you can make a claim under the policy, and any insurance proceeds are payable directly to the fund.

Having the fund as the owner of the policy also helps to provide evidence of ownership of fund assets.

If you acquired a collectable or personal use asset prior to 1 July 2011, you must have insured it in the name of the fund prior to 1 July 2016 to comply with the rules.

You should consider the availability and cost of insurance as part of your decision to invest in collectables and personal use assets. If your fund has made the investment and you can't obtain insurance we encourage you to use our SMSF early engagement and voluntary disclosure service to notify us.

Leasing

You can only lease collectables and personal use assets to an unrelated party and the lease must be on arm's length terms.

For example, your SMSF can lease artwork to an art gallery provided the gallery is not owned by a related party and the lease is on arm's length terms.

Selling

Collectables and personal use assets can be sold to a related party provided the sale is at market price as determined by a qualified, independent valuer.

- A valuer is qualified either through holding formal valuation qualifications or by being considered to have specific knowledge, experience and judgment by their particular professional community.
- A valuer is independent if they are independent of the interests of the fund. This means the valuer should not be a member of the fund or a related party of the fund (for example, an investment partner).

If your fund acquired the collectable or personal use asset before 1 July 2011 and sold it before 1 July 2016, the transaction does not need to be supported by a valuation determined by a qualified independent valuer. However, the transaction must still have taken place on arm's length terms.

See also:

- [Valuation guidelines for self-managed super funds](#)

- [Personal Property Securities Register²⁷](#) – search to find out if the collectable is subject to a security interest that may see it repossessed
- [Related parties and relatives](#)
- [SMSF early engagement and voluntary disclosure service](#)

Borrowing

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Restrictions-on-investments/Borrowing/>
- Last modified: 16 Jun 2015
- QC 42461

Your fund can borrow money only in very limited circumstances. These circumstances include:

- borrowing money for a maximum of 90 days to meet benefit payments due to members or to meet an outstanding surcharge liability (the borrowings can't exceed 10% of your fund's total assets)
- borrowing money for a maximum of seven days to cover the settlement of security transactions if the borrowing does not exceed 10% of your fund's total assets (you can only borrow to settle security transactions if, at the time the transaction was entered into, it was likely that the borrowing would not be needed)
- borrowing using instalment warrants or limited recourse borrowing arrangements that meet certain conditions.

A trustee can use a limited recourse borrowing arrangement to fund the purchase of a single asset (or collection of identical assets that have the same market value) to be held in a separate trust.

Any investment returns earned from the asset go to the SMSF trustee. If the loan defaults, the lender's rights are limited to the asset held in the separate trust. This means there is no recourse to the other assets held in the SMSF.

See also:

- [Limited recourse borrowing arrangements by SMSFs – questions and answers](#)

Carrying on a business in an SMSF

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Investing/Carrying-on-a-business-in-an-SMSF/>
- Last modified: 23 Sep 2016
- QC 42474

Self-managed super funds (SMSFs) are not prohibited from carrying on a business, but the business must be:

- allowed under the trust deed
- operated for the sole purpose of providing retirement benefits for fund members.

The rules governing SMSFs prohibit or limit some activities available to other businesses, such as entering into credit arrangements or having overdrafts. You should get professional advice before carrying on a business through your SMSF.

Sole purpose test

If the trustee of an SMSF carries on a business, we examine the activities closely to ensure the [sole purpose test](#) is not breached. Cases that attract our attention include those where:

- the trustee employs a family member (we look at things such as, the stated rationale for employing the family member and the salary or wages paid)
- the 'business' is an activity commonly carried out as a hobby or pastime
- the business carried on by the fund has links to associated trading entities
- there are indications the fund's business assets are available for the private use and benefit of the trustee or related parties.

Other regulatory provisions

As a trustee, ensure a business conducted through your SMSF complies with investment rules and restrictions applying to SMSFs.

Your [investment strategy](#) – the nature of the business activities and the way they are conducted must be in accordance with the SMSF's investment strategy.

[Restrictions on investments](#) – all investments by your SMSF must be made on a commercial 'arm's length' basis. If you don't comply with the investment restrictions, penalties could apply.

[Loans and financial assistance](#) – the business activities must not involve:

- selling an SMSF asset for less than its market value to a member or relative of a member
- purchasing an asset for greater than its market value from a member or relative of a member
- acquiring services in excess of what the SMSF requires from a member or relative of a member
- paying an inflated price for services acquired from a member or relative of a member.

[Acquiring assets from related parties](#) – purchasing assets (such as plant and equipment) for use in business activities from a member or other related party could contravene the related party acquisition rules.

[Borrowing](#) – drawing on a bank overdraft or margin lending account to fund the business activities could contravene the borrowing restrictions. Borrowing money and placing a mortgage on an asset would contravene the borrowing and charge-over assets restrictions.

[Arm's length dealings](#) – employing a member, or relative of a member, in the business at a salary higher than an arm's length rate could contravene the arm's length provisions.

[Collectables and personal use assets](#) – these type of assets owned by the SMSF can't be displayed at the business premises.

Tax on income

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Tax-on-income/>
- Last modified: 16 Jun 2015
- QC 23341

The income of your SMSF is generally taxed at a concessional rate of 15%. To be entitled to this rate, your fund has to be a 'complying fund' that follows the laws and rules for SMSFs. For a non-complying fund the rate is the highest marginal tax rate.

See also:

- [Individual income tax rates](#)

The most common types of assessable income for complying SMSFs are assessable contributions, net capital gains, interest, dividends and rent.

Find out more:

- [Assessable contributions](#)
- [Capital gains](#)
- [Deductions](#)
- [Non-arm's length income](#)
- [Tax exemptions in the retirement phase](#)

See also:

- [Exempt current pension income](#)

Assessable contributions

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Tax-on-income/Assessable-contributions/>
- Last modified: 16 Jun 2015
- QC 23342

Certain contributions received by a complying SMSF are included in its assessable income and are usually taxed as part of the SMSF's income at 15% (or 47% for non-complying SMSFs). These 'assessable contributions' include:

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

No-TFN-quoted contributions

If the member has not quoted their TFN, you will have to pay additional tax on their mandated employer contributions and you cannot accept other types of contributions. The additional tax rate is 34% for complying SMSFs and 2% for non-complying SMSFs.

If you pay the additional tax and, at a later stage, your member gives you their TFN, you may be able to claim back the additional tax as a no-TFN tax offset in your SMSF annual return. You can only claim this offset within three years from the end of the financial year that the contributions subject to the additional tax were made.

If you have debited the amount of additional tax from your member's account and you claim the tax offset in a later year, you need to re-credit this money to their account.

Tax exemptions in the retirement phase

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Tax-on-income/Tax-exemptions-in-the-retirement-phase/>
- Last modified: 15 Aug 2018
- QC 23343

A complying self-managed super fund (SMSF) normally pays tax at the concessional rate of 15%.

An SMSF can receive further tax concessions once it begins paying superannuation income streams (commonly known as pensions) that are in the retirement phase.

Investment income a SMSF receives from its assets is tax exempt to the extent that those assets are supporting retirement phase income streams. This income is called exempt current pension income (ECPI).

You can claim ECPI in your SMSF annual return once your SMSF begins paying one or more retirement phase income streams. However, your SMSF is not automatically entitled to ECPI – there are steps that you must take to be able to claim it.

Next step:

- Visit – [Exempt current pension income](#) – for detailed information about how to claim ECPI and what is required.

Capital gains

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Tax-on-income/Capital-gains/>
- Last modified: 25 Jan 2019
- QC 23344

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

A net capital gain is:

- the total capital gain for the year
less
- total capital losses for that year and any unapplied capital losses from earlier years
less
- the CGT discount and any other concessions.

A capital loss (for example, losses on the sale of commercial premises) is not an allowable deduction and is only able to be offset against capital gains. If capital losses are greater than capital gains in a financial year, they must be carried forward to be offset against future capital gains.

Transitional CGT relief

Transitional CGT relief is temporary relief available to trustees of superannuation funds – including SMSFs – that adjust their asset allocations to comply with the transfer balance cap, and transition-to-retirement income stream (TRIS) reforms that commenced on 1 July 2017.

To prepare for the transfer balance cap reforms, individuals may have needed to reduce amounts currently supporting superannuation income streams. They might have done this by transferring value from the retirement phase to the accumulation phase. Additionally, where individuals have a TRIS that is not in retirement phase, earnings on assets supporting these superannuation income streams became taxable from 1 July 2017.

The relief ensures that for certain assets that were supporting superannuation income streams in retirement phase prior to 1 July 2017, a trustee can still receive a tax exemption on capital gains accrued but not realised.

Applying CGT relief will reset the cost base of an asset to its market value. The market value would be determined under the [Valuation guidelines for self-managed super funds](#) on the date the relief applies.

Applying CGT relief will also allow you to defer a capital gain that arises when resetting the cost base for assets where you use the proportionate method.

Find out about:

- [Transitional CGT relief in detail](#)

See also:

- [Capital gains tax](#)

Non-arm's length income

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Tax-on-income/Non-arm-s-length-income/>
- Last modified: 28 Jul 2021
- QC 23345

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

Any non-arm's length income (NALI) is taxed at the highest marginal rate.

Broadly, income is NALI for a complying SMSF if it is:

- derived from a scheme in which the parties weren't dealing with each other at arm's length, and
- more than the SMSF might have been expected to derive if the parties had been dealing with each other at arm's length.

Types of NALI income

Income derived by an SMSF as a beneficiary of a discretionary trust is NALI, as are dividends paid to an SMSF by a private company (unless the dividend is consistent with arm's-length dealing).

Income derived by an SMSF as a beneficiary of a trust through holding a fixed entitlement to the income of the trust will also be NALI where:

- the SMSF acquired the entitlement under a scheme or the income was derived under a scheme in which the parties weren't dealing with each other at arm's length, and
- the income is more than the SMSF would have been expected to derive if the parties had been dealing with each other at arm's length

From 1 July 2018, the definition of NALI was expanded to also include income derived by an SMSF from a scheme in which the parties weren't dealing with each other at arm's length where the fund incurred expenses in deriving the income that are less than, including nil expenses, those which the SMSF would otherwise have been expected to incur if the parties were dealing on an arm's-length basis.

The expenses may be of a revenue or capital nature in the same way that NALI may be statutory or ordinary income.

From 1 July 2018 the law was also amended to ensure that income derived by an SMSF in the capacity of beneficiary of a trust through holding a fixed entitlement to the income of the trust will be NALI where:

- the SMSF acquired the entitlement under a scheme or the income was derived under a scheme in which parties weren't dealing with each other at arm's length, and
- the SMSF incurred expenses in acquiring the entitlement or deriving the income that are less than, including nil expenses, what the SMSF would otherwise have been expected to incur if the parties were dealing on an arm's length basis.

See also:

- [TR2006/7 Special income](#) (special income was the predecessor to non-arm's length income)
- [LCR 2021/2 Non-arm's length income - expenditure incurred under a non-arm's length arrangement](#)
- [PCG 2020/5 Applying the non-arm's length income provisions to 'non arm's length expenditure](#)

Deductions

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Tax-on-income/Deductions/>
- Last modified: 30 Jul 2015
- QC 23346

A complying SMSF is entitled to deduct – from its assessable income – any losses or outgoings that are:

- incurred in gaining or producing assessable income
- necessarily incurred in carrying on a business for the purpose of gaining or producing such income.

Losses and outgoings relating to exempt current pension income are generally not deductible because they are incurred in earning exempt income. If the fund has both accumulation and pension members, the expense may need to be apportioned to determine the amount that the fund can deduct.

See also:

- [How are expenses treated when an SMSF has ECPI?](#)

Paying benefits

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/>
- Last modified: 16 Jun 2015
- QC 23335

Generally your SMSF can only pay a member's super benefits when the member reaches their 'preservation age' and meets one of the conditions of release, such as retirement. The payment may be an income stream (pension) or a lump sum, depending on the circumstances.

Find out about:

- [Preservation of super](#)
- [Conditions of release](#)
- [Innovative retirement income stream products](#)
- [Death of a member](#)
- [Lump sums and super income streams \(pensions\)](#)

Payments of benefits to members that have not met a condition of release are not treated as super benefits – instead, they will be taxed as ordinary income at the member's marginal tax rate. If a benefit is unlawfully released, we may apply

significant penalties to you, your SMSF and the recipient of the early release.

Note that the operating standards, investment restrictions and other rules and regulations that apply to SMSFs in the accumulation or growth phase, continue to apply when members begin receiving a pension from the SMSF.

Preservation of super

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Preservation-of-super/>
- Last modified: 01 Dec 2015
- QC 23336

Most of the super held in your fund will be in the form of preserved benefits. These must be preserved in the fund until the time the law and your fund's trust deed allows them to be paid.

On this page:

- [Preservation age](#)
- [Preserved benefits](#)
- [Restricted non-preserved benefits](#)
- [Unrestricted non-preserved benefits](#)

Preservation age

Access to super benefits is generally restricted to members who have reached preservation age. A person's preservation age ranges from 55 to 60, depending on their date of birth.

Preservation date of birth and age

Date of birth	Preservation age (years)
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59

Preserved benefits

All contributions made by or on behalf of a member, and all earnings since 30 June 1999, are preserved benefits.

Preserved benefits may be cashed voluntarily only if a condition of release is met and subject to any cashing restrictions imposed as part of the condition of release.

Cashing restrictions tell you what form the benefits need to be taken in.

Restricted non-preserved benefits

These benefits generally stem from employment-related contributions (other than employer contributions) made before 1 July 1999.

Restricted non-preserved benefits can't be cashed until the member meets a condition of release specific to these benefits such as a nil cashing restriction or where the employment they relate to has been terminated.

Unrestricted non-preserved benefits

These benefits don't require a condition of release to be met, and may be paid on demand by the member. They include, for example, benefits for which a member has previously satisfied a condition of release and decided to keep the money in the super fund.

Certain employer termination payments (ETPs) received by the fund before 1 July 2004 may also be included in this category of benefits.

See also:

- [Conditions of release](#)

Lump sum and income stream (pension)

- [https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream-\(pension\)/](https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream-(pension)/)
- Last modified: 21 Dec 2020
- QC 23340

A self-managed super fund (SMSF) can pay benefits in the form of a [lump sum](#), an [income stream](#) (pension) or a combination of both, provided the payment is allowed under super law and the fund's trust deed.

When you pay a benefit, you need to decide what type of payment it is (lump sum or pension) and the account it will be paid from (if applicable). You need to document this at the time the payment is requested. You can record it in trustee minutes.

You have to [withhold tax](#) from benefit payments to members who are:

- under 60 years old
- under 60 years old and your member receives a reversionary capped defined benefit income stream, where the deceased was 60 years or over when they died
- 60 years old or over if the benefit is from a capped defined benefit income stream.

Watch:

Duration 2:27. A [transcript of Planning for retirement](#) is also available.

See also:

- [Schedule 13 – Tax table for superannuation income streams](#) for more information on when to withhold.

Lump sum

- [https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream-\(pension\)/Lump-sum/](https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream-(pension)/Lump-sum/)
- Last modified: 16 Jun 2015
- QC 42481

If your fund allows it, you may be able to pay a member all or some of their super benefit as a single payment. This payment is called a 'lump sum'.

The member may be able to access their super benefit in several lump sums. However, if the member asks to set up a regular payment from the SMSF it may be an income stream (pension).

As a trustee, you need to work out the taxable and tax-free components of the member's super benefit and how much (if any) tax to withhold.

See also:

- [How tax applies to your super](#)
- [PAYG withholding obligations](#)

Income stream (pension)

- [https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream-\(pension\)/Income-stream-\(pension\)/](https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream-(pension)/Income-stream-(pension)/)
- Last modified: 13 May 2021
- QC 42480

Your self-managed super fund (SMSF) can pay benefits to a member as an income stream (pension) if the member has met one of the conditions of release.

On this page:

- [Starting an income stream](#)
- [Standards for income streams](#)
- [Records to keep](#)
- [Minimum payments](#)
- [Managing assets that support a pension](#)
- [Ending a pension](#)

See also:

- [Conditions of release](#)

Starting an income stream

An income stream is a series of periodic benefit payments to a member. Income streams from an SMSF are usually account-based, which means the amount supporting the pension is allocated to a member's account.

An income stream is a pension if the payments occur at least annually and, for an account-based pension, a minimum amount is paid to the member each year.

If a member starts an income stream after 1 July 2017 or the income stream was in existence just prior to 1 July 2017 then the SMSF is required to report the value of the income stream via the transfer balance account report (TBAR).

See also:

- [Event-based reporting for SMSFs](#)

Standards for income streams

If these standards are not met in a financial year, the income stream ceases for income tax purposes and we consider the SMSF has not paid an income stream at any time during the year.

Transition to retirement account-based income streams need to meet the same standards as ordinary account-based income streams. Additionally, there is a maximum annual payment limit of 10% of the account balance. These income streams can only be commuted to a lump sum in limited circumstances.

Income streams started before 1 July 2007 such as market linked pensions, which complied with the rules applicable at the time, are deemed to satisfy the new requirements and may continue to be paid under the former rules.

See also:

- [Funds: starting and stopping a pension](#)
- [Transition to retirement income streams](#)
- [Pension standards for SMSFs](#)

Records to keep

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

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

Minimum payments

You must make payments at least annually and meet the [minimum pension payment amounts](#). The minimum pension payment amount for an account-based pension is a set percentage of the member's account balance at commencement or at 1 July for every subsequent year. The percentage varies according to the member's age and the year the pension is paid.

To ensure the pension standards are met, you need to consider the time a member's benefit is cashed. As a general rule, a benefit is cashed when the member receives an amount and the member's benefits in the SMSF are reduced.

See also:

- [Minimum pension payment requirements - frequently asked questions](#)
- [Timing of a pension payment](#)

Managing assets that support a pension

Once the pension has started:

- You may be able to claim a tax exemption in the SMSF annual return for certain income earned from assets held to provide for super income stream benefits. This is called exempt current pension income (ECPI). However, from 1 July 2017, earnings from assets supporting a transition to retirement income stream (TRIS) that is not in retirement phase will not be eligible for ECPI and will be taxed at 15%. This will apply to all TRIS regardless of the date the TRIS started.

- You can't increase the capital supporting the pension using contributions or rollover amounts.
- You can't use the capital value of the pension or the income from it as security for borrowing.
- Before you can commute a pension (for example, into a lump sum), you must pay a minimum amount in certain circumstances.

See also:

- [Self-managed super funds and tax exemptions on pension assets](#)
- [Transition to retirement income streams](#)

Ending a pension

The most common circumstances for a pension ceasing are:

- the pension capital is exhausted
- the member dies (but the pension may continue if a dependent beneficiary is automatically entitled to a reversionary pension)
- failure to meet the super pension standards
- the pension is fully commuted to a lump sum.

If you stop an income stream due to either failing to meet the super pension standard or you commute an amount to a lump sum, you are required to report the amount to the ATO via a transfer balance account report.

See also:

- [Funds: starting and stopping a payment](#)
- [Transfer balance account](#)

PAYG withholding obligations

- [https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream\(pension\)/PAYG-withholding-obligations/](https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Lump-sum-and-income-stream(pension)/PAYG-withholding-obligations/)
- Last modified: 10 Jun 2021
- QC 42475

If you are the trustee of a self-managed super fund (SMSF), you have pay as you go (PAYG) obligations to withhold tax for superannuation benefit payments you pay to members who are:

- under 60 years old and the benefit is an income stream (pension) or a lump sum
- under 60 years old and the death benefit is a pension which is a capped

defined benefit income stream where the deceased was 60 years old or over when they died

- 60 years old or over and the benefit is a pension which is a capped defined benefit income stream.

Capped defined benefit income streams include life expectancy and market linked pensions which were payable before 1 July 2017 and reversionary income streams paid to beneficiaries.

If the member is receiving a capped defined benefit income stream, the member's defined benefit income cap may need to be taken into consideration when working out the member's withholding.

You also have obligations to withhold tax from superannuation benefits you pay to a non-dependant in the event of another person's death.

You must provide a PAYG payment summary when you pay superannuation benefits to the trustee of a deceased estate, even though the amount of tax withheld is nil. This allows the trustee of the deceased estate to withhold the correct amount of tax from payments they make.

Withholding obligations

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

- [register for PAYG withholding](#)
- obtain a [tax file number declaration](#) (TFN) from the member
 - if they do not provide their TFN before the payment is made you must withhold tax at the top marginal rate (47% for residents or 45% for non-residents from 1 July 2017) from the taxable component
- calculate the rate of withholding that applies in accordance with [Schedule 13 – Tax table for superannuation income streams](#)
- pay withheld amounts to the ATO
- issue a PAYG payment summary to the recipient of the benefit
 - [PAYG payment summary – superannuation lump sum](#)
 - [PAYG payment summary – superannuation income stream](#), even if the amount you needed to withhold from the income stream was nil.
- lodge a PAYG withholding payment summary statement with us, usually by 14 August following the end of the financial year in which the payment was made, even if the amount you needed to withhold from the income stream was nil.

Provide information to the recipient of the benefit

You should provide the recipient with the details of each income stream or lump sum payment on a PAYG payment summary where the:

- super lump sum is paid to
 - a member who was under 60 years old

- a non-dependant in the event of another person's death
- the trustee of a deceased estate.
- super income stream
 - you pay the member up until they turn 60 years old
 - capped defined benefit income stream you pay a member after they turn 60 years old
 - capped defined benefit income stream is a death benefit income stream where the you pay a member who is 59 years old or younger and the deceased was aged 60 years old or over at the time of death. The payment summary will need to show that this is a death benefit (reversionary income stream).

Each pension payment summary needs to include details of the payment, including the:

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

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

Find out about:

- [When tax is not withheld](#)

Withholding obligations – income streams

SMSFs have obligations to withhold tax from income streams they pay to members who are:

- under 60 years old
- under 60 years old and the income stream is both
 - a death benefit income stream and the deceased member was 60 years old or over when they died
 - a capped defined benefit income stream
- 60 years old or over and the income stream is also a capped defined benefit income stream.

You must provide your member with a PAYG payment summary by 14 July following the end of the financial year in which the payment was made.

You must lodge a PAYG withholding payment summary statement with us by 14 August following the end of the financial year in which the payment was made.

You must provide this information even where you are paying an income stream and the rate of withholding is nil. This allows us to ensure the individual pays the correct rate of tax once all their pension income from all their funds is taken into

consideration.

Example 1: SMSF with a capped defined benefit income stream withholding obligation

The SMSF pays member Maryanne an income stream of \$15,000 per month.

The income stream is a capped defined benefit income stream.

Maryanne's annual pension payments will be \$180,000, made up of a:

- a tax-free component of \$80,000
- a taxable component - taxed element of \$100,000.

The defined benefit income cap is \$100,000 and as Maryanne is aged over 61 years old and has received the income stream for the full year there are no factors to reduce the defined benefit income cap.

Maryanne has exceeded her defined benefit income cap and the SMSF trustee will need to work out the rate of withholding.

Withholding applies to 50% of the amount over the cap.

- $\$180,000 - \$100,000 = \$80,000$
- $50\% \text{ of } \$80,000 = \$40,000$

Therefore withholding applies to \$40,000 per annum, the SMSF trustee should follow [Schedule 13 – Tax table for superannuation income streams](#) to work out the amount to withhold from each payment.

The SMSF trustee will need to provide Maryanne with a PAYG payment summary - superannuation income stream by the 14 July and lodge a PAYG payment summary statement with the ATO by 14 August.

Example 2: SMSF with a capped defined benefit income stream withholding obligation where the withholding rate is nil

The SMSF pays member Richard an income stream of \$2,000 per month.

The income stream is a market linked pension which was payable to Richard just before 1 July 2017

Richard's annual pension payments will be \$24,000, made up of a:

- a tax-free component of \$10,000
- a taxable component - taxed element of \$14,000.

The defined benefit income cap is \$100,000 and as Richard is aged over 61 and has received the income stream for the full year there are no factors to reduce the defined benefit income cap.

As Richard has not exceeded this cap the rate of withholding which applies is nil.

The SMSF trustee will need to provide Richard with a PAYG payment summary - superannuation income stream by the 14 July and lodge a PAYG payment summary with the ATO by 14 August.

Example 3: SMSF has an obligation to provide multiple pension payment summaries

The SMSF pays Greg an income stream of \$7,000 per month.

An income stream of \$9,000 per month is paid to him following the death of his spouse, Julie who was 62 years old at the time of death.

The death benefit income stream payable to Greg is a capped defined benefit income stream.

Greg is 58 years old.

As different rates of tax apply to the two pensions Greg receives, the SMSF trustee will need to calculate the rate of withholding for each income stream and provide Greg with a separate pension payment summary in relation to each income stream and report the details of each income streams in the Payment summary annual report.

Lump Sum Payments

For lump sums you must provide the recipient with a *PAYG payment summary – superannuation lump sum* within 14 days of making the lump sum payment.

When is tax not withheld

Tax is not withheld if the member:

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

- has a terminal medical condition.

See also:

- [PAYG withholding](#)
- [Taxation of super benefits](#)
- [PAYG withholding payment summary statement](#)
- [Withholding rates for super lump sums](#)
- [Withholding rates for super income streams](#)

Conditions of release

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Conditions-of-release/>
- Last modified: 26 Jul 2022
- QC 23338

To pay benefits, a member must satisfy one of the conditions of release.

Some conditions of release restrict the form of the benefit (for example, lump sum or pension) or the amount of benefit that can be paid. These are known as 'cashing restrictions'.

Watch:

Media: SMSF - Retirement and conditions of release

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfs5jjg> [↗] (Duration: 02:12)

As a trustee, you must ensure the member has met a condition of release before you release any funds, and check that the governing rules of your fund allow it.

It's possible that a benefit may be payable under the super laws, but not under the rules of your self-managed super fund (SMSF).

The most common conditions of release for paying benefits are that the member:

- has reached their preservation age and [retires](#)
- has reached their preservation age and begins a [transition-to-retirement](#) income stream
- [ceases an employment arrangement on or after the age of 60](#)
- is [65 years old](#) (even if they haven't retired)
- [has died](#).

In special circumstances, at least part of a member's super benefits can be released before the member has reached preservation age. These are:

- [terminating gainful employment](#)
- [permanent incapacity](#)
- [temporary incapacity](#)
- [severe financial hardship](#)
- [compassionate grounds](#)
- [terminal medical condition](#)
- [First home super saver scheme](#)
- [COVID-19 early release of super.](#)

Generally, rollovers to other super funds don't require the member to satisfy a condition of release, subject to the governing rules of your SMSF.

Payments of benefits to members who have not met a condition of release are not treated as super benefits – instead, they will be taxed as ordinary income at the member's marginal tax rate. Significant penalties may also apply to you as trustee and to your fund.

Unrestricted non-preserved benefits are benefits that don't require a condition of release to be met and may be paid at any time. They include, for example, benefits for which a member has previously satisfied a condition of release and decided to keep the money in the super fund. Certain employer termination payments (ETPs) received by the fund before 1 July 2004 may also be included in this category of benefits.

Watch:

Media: SMSF - Loans and early access

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi6z95> (Duration: 02:02)

Retirement under super laws

If the member is:

- under 60 years old – they can access their preserved benefits only when they
 - reach preservation age
 - cease gainful employment (see, [Establishing whether gainful employment has ceased](#))
 - have no intention to become gainfully employed in the future
- at least 60 years old – they can access their preserved benefits when they leave a job.

For retirement, there are no restrictions on the form in which the benefits can be taken.

Transition to retirement (TRIS)

An SMSF can pay a [transition to retirement income stream](#) to a member who has reached [preservation age](#) and is still working, provided the trust deed of the fund

allows this type of income stream to be paid.

A transition to retirement income stream must be an account-based pension. The amount paid to the recipient each year must meet a [specified minimum](#) and must not exceed 10% of the account balance on the commencement of a TRIS for the year it starts or on 1 July for each subsequent year. For information on frequently asked questions, see [SMSFs: Minimum pension payment requirements](#).

The transition to retirement measure can be complex. It's best to get advice from a financial adviser, accountant or tax professional.

Ceasing an employment arrangement on or after 60

If a member who is 60 years old or over gives up one employment arrangement but continues in another employment relationship, they may:

- cash all benefits accumulated up to that time
- not cash any preserved or restricted non-preserved benefits accumulated after that condition of release occurs – these benefits can't be cashed until a fresh condition of release occurs.

Turning 65

A member who has reached 65 years old may cash their benefits at any time. There are no cashing restrictions, which mean the benefits can be paid as an income stream or a lump sum.

A fund member is not compelled to draw down their super once they reach a particular age. They can keep their benefits in the fund indefinitely. The only time it is compulsory for an SMSF to pay out a member's benefit is when a member dies.

Terminating gainful employment

Subject to the governing rules of your fund, where a member (who has not met another condition of release) has ceased employment with an employer who had contributed to the member's fund, on termination:

- All preserved benefits may be paid, but they must be taken as a lifetime pension or annuity, which can't be commuted into a lump sum (unless the preserved benefits are less than \$200, in which case the member can cash the benefits without restriction).
- All unrestricted non-preserved benefits can be cashed out on request from the member (no cashing restrictions).

Permanent incapacity

A member's benefits may be cashed if they cease gainful employment and you're satisfied that the member is unlikely, because of ill health, to engage in gainful employment that they are reasonably qualified for by education, training or experience. There are no cashing restrictions on payment of benefits.

Temporary incapacity

A member's benefits may be paid if you're satisfied that the member has temporarily ceased work due to physical or mental ill health that does not constitute permanent incapacity. In general, temporary incapacity benefits may be paid only from the insured benefits or voluntary employer funded benefits.

It's not necessary for the member's employment to fully cease but, generally, a member would not be eligible for temporary incapacity benefits if they were receiving sick leave benefits. The benefit must be paid as an income stream for the period of the incapacity and can't be commuted to a lump sum.

Severe financial hardship

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

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

The payment must be a single gross lump sum of no more than \$10,000 and no less than \$1,000 (or a lesser amount if the member's benefits are less than \$1,000). Only one payment is permitted in any 12-month period.

Alternatively, if the member has reached their preservation age plus 39 weeks, you need to be satisfied that the member:

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

If you release benefits under these circumstances, there are no cashing restrictions.

Compassionate grounds

Benefits may be released on specified compassionate grounds (see, [Early access to your super](#)) if all the following conditions are met:

- a member does not have the financial capacity to meet an expense
- release is allowable under the governing rules of your fund.

The amount of super that you can pay on compassionate grounds is limited to what is reasonably needed. It is paid as a lump sum.

Terminal medical condition

If a member has a terminal medical condition and 2 medical professionals certify that the condition is likely to result in the member's death in the next 24 months, the balance of their super account may be paid as a tax-free lump sum benefit. There

are no cashing restrictions, see [Access to super for members with a terminal medical condition](#).

Improper early access to your super is illegal. There are severe consequences for you and your fund if you access your super before you are legally entitled to do so. These include:

- disqualification of trustees
- the fund being made non-complying
- imposition of administrative penalties
- prosecution.

Any money accessed illegally will also be included in the assessable income of the individual and taxed at the applicable marginal tax rate.

First home super saver scheme

The [First home super saver \(FHSS\) scheme](#) allows your fund members to save for their first home inside their super. Your members can do this by making voluntary concessional and non-concessional contributions to their super. When your members are ready to receive their FHSS amounts, they can request a release from us to withdraw personal contributions they have made into super since 1 July 2017, along with associated earnings.

If your member's request to release a FHSS amount is successful, we will issue you with a release authority letter showing the amount you are required to send to us. We will also send you a release authority statement form, which you will need to complete (which must be completed in all cases, including partial releases or where you are unable to release any amounts). You are required to comply with this release authority within 10 business days of the date on the letter.

Even if your member has not made voluntary contributions to your fund, the FHSS amount can still be released from their account subject to the applicable cashing order of benefit rules. Once you have sent any FHSS release amounts to us, we will withhold the appropriate amount of tax, and in some cases offset the remaining amount against any outstanding Commonwealth debts. We will then pay the balance of the FHSS release amount to your member.

COVID-19 early release of super

The [COVID-19 early release of super](#) program closed on 31 December 2020; applications can no longer be accepted.

Eligible individuals were able to access up to \$10,000 of their super between 19 April 2020 and 30 June 2020 and then a further \$10,000 between 1 July and 31 December 2020 to help deal with the adverse economic effects of COVID-19.

If you withdrew money from your super fund through the COVID-19 early release of super program, you can [re-contribute COVID-19 early release superannuation amounts](#).

Death of a member

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Paying-benefits/Death-of-a-member/>
- Last modified: 08 Dec 2016
- QC 42473

When a self-managed super fund (SMSF) member dies, the SMSF generally pays a death benefit to a dependant or other beneficiary of the deceased. This should be done as soon as possible after the member's death.

If the recipient is a dependant of the deceased, the death benefit can be paid as a lump sum or income stream. The income stream can be new or a continuation of an existing income stream.

If the recipient is not a dependant of the deceased, the death benefit must be paid as a lump sum.

Duration 3:01. A [transcript of What happens when a member dies](#) is also available.

On this page:

- [Dependants](#)
- [Who to pay the death benefit to](#)
- [Calculating tax on super death benefits](#)
- [Tax saving amount](#)

See also:

- [Notify us of changes](#)

Dependants

A person is a dependant of a deceased member if, at the time of death, that person was:

- the deceased's spouse
- a child of the deceased – this includes a child less than 18 years old or a child that was financially dependent on the deceased and less than 25 years old or the child has a disability
- in an interdependency relationship with the deceased – this is a close personal relationship between two people who live together, where one or both provides for the financial, domestic and personal support of the other.

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

- the deceased's spouse or former spouse
- the deceased person's child, aged less than 18

- any other person whom the deceased had interdependency relationship

Also included in the definition of a death benefit dependant is someone receiving a super lump sum because the deceased died in the line of duty as a:

- member of the defence force
- the Australian Federal Police
- the police force of a state or territory
- a protective service officer
- or they are the deceased member's former spouse or de facto spouse.

Who to pay the death benefit to

The member may have made a death benefit nomination asking the SMSF trustees to pay their death benefit to their nominated beneficiaries.

The nomination may be binding or non-binding. While having regard to the member's nomination, the SMSF trustees must ensure the nominated beneficiaries are entitled to receive death benefits under the trust deed and super law.

If the deceased member did not nominate a beneficiary, the trustee may pay it to the deceased's estate for the executor to distribute it according to the instructions in their will.

See also:

- [SMSFD 2008/3: Binding death nominations](#)
- [Super death benefits](#)

Calculating tax on super death benefits

If the death benefit is paid as a lump sum to a dependant of the deceased, it's tax free. It's not assessable income or exempt income. The SMSF doesn't withhold tax from the payment and the recipient doesn't include it in their income tax return.

If the death benefit is paid as an income stream, or is paid to a non-dependent or the trustee of a deceased estate, there may be tax to pay. Your SMSF will need to determine the taxed and untaxed elements of the benefit, calculate the applicable tax and, if appropriate, withhold tax from payments.

See also:

- [How tax applies](#)

Tax saving amount

A tax saving amount is an additional lump sum payment that increases the deceased member's lump sum death benefit to negate the effect of tax while the member's benefit was accumulating in the fund. It can be made to a:

- trustee of the deceased estate
- spouse or former spouse of the deceased

- child (including an adult child) of the deceased.

The SMSF can claim an income tax deduction for the payment.

Note: From 1 July 2017, funds may only include a tax saving amount as part of a death benefit if the member has died on or before 30 June 2017. The fund must make this payment by 30 June 2019. From 1 July 2019, no tax saving amount will be available for funds members, regardless of when the member has died.

Video transcript – What happens when a member dies

We'd all rather not think about it, but you should know what will happen to your self-managed super fund if a member dies.

Bob and Greg are individual trustees of a typical SMSF. But what happens if Bob dies?

A legal personal representative is appointed as trustee for Bob and looks after his interest in the fund until his benefits are paid to his beneficiaries.

Then Greg must make sure the fund still meets the definition of an SMSF.

If the fund had a corporate trustee, it would remain an SMSF because Greg could be the sole director.

But because Greg is an individual trustee, the fund won't meet the definition of an SMSF.

To fix this, Greg could ask someone else to become a trustee, set up a corporate trustee and become its director, or transfer his super to another fund and wind up the SMSF.

Bob's death benefits must be dealt with as soon as possible.

If the fund has limited cash available, assets may need to be sold to pay the benefits.

SMSF members can nominate who will get their benefits when they die.

A *binding death benefit nomination* directs the trustee to pay the benefit to a legal personal representative or a dependant.

Without a binding nomination, the remaining trustees will decide how the benefits are distributed by considering the trust deed and super laws.

The trust deed must be followed, even if it is different to the member's will.

To understand how death benefits can be paid you need to know who is a dependant.

A dependant is generally a spouse, or someone in a close personal interdependent relationship. Or a child who is under 18, has a disability or is aged between 18 and

25 and is financially dependent on the deceased.

A dependant can be paid a lump sum or an income stream. A non-dependent can only be paid a lump sum.

Benefits paid as a lump sum to a dependant are tax-free but a lump sum paid to a non-dependant will be taxed.

Lump sums can be paid in cash or non-cash form, for example, shares or property.

The trustee may need to withhold tax from a death benefit. Working this out can be complex and will depend on a number of factors.

If a trustee has to withhold tax, they must register for PAYG withholding and complete some other ATO forms.

It's wise to plan ahead. If there is a dispute over the payment of death benefits which can't be resolved, it may lead to costly court action.

Clear guidelines in the trust deed will help prevent problems. An SMSF professional can help you get it right.

For more SMSF information, take a look at our other videos or at our other videos – or visit the ATO website at ato.gov.au

See also:

- [ATO interpretive decision 2010/05 – Complying superannuation fund: deduction for increased amount of superannuation lump sum death benefit](#)

Winding up

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Winding-up/>
- Last modified: 20 Jul 2022
- QC 23348

How to wind up your SMSF, including dealing with members' benefits and finalising your reporting responsibilities.


On this page

- [Reasons to wind up a fund](#)
- [Exit plan](#)
- [Winding up your fund](#)
- [After winding up](#)

Reasons to wind up a fund

At some point, you may need to wind up your self-managed super fund (SMSF), so it's useful to plan early.

It's important to wind up your fund correctly, if you don't meet all your obligations you may incur penalties. There are some key tasks you need to perform, such as dealing with members' benefits and finalising your reporting responsibilities.

The content on this page is also available in our 'Winding up an SMSF' publication. Download [Winding up a self-managed super fund \(PDF, NAT 75417, 860KB\)](#)  . It helps you understand the steps you need to take to correctly wind up your SMSF.

Watch

Duration 2:41. A [transcript of When should I wind up my SMSF](#) is also available.

There are varied reasons why trustees may decide to wind up their SMSF which often come about due to a change in circumstances, such as:

- death of a trustee
- disability or illness, resulting in the trustees being incapable of running an SMSF
- a lack of time to manage the SMSF
- your fund is unable to meet ongoing costs
- all members want to leave the fund.

The breakdown of a relationship between one or more members of your SMSF may affect the ability of a member to effectively undertake their trustee/member obligations.

If a member chooses to leave your SMSF due to a relationship breakdown, their benefits must be rolled over to another complying super fund. Your SMSF does not have to be wound up, but it may need to be restructured to continue to meet the definition of an SMSF.

Before exit planning or winding up, you should [consider appointing professionals to assist you](#). Even if you use a professional to help you, it is still your responsibility to ensure the SMSF successfully winds up.

Exit plan

It's important for all funds to have an exit plan in place even if you're not ready to wind up now, as this will make it easier when the time does come.

Your plan should consider all the circumstances of your members and be signed off by all trustees. You should also keep this plan with the fund's records.

When developing your exit plan you should consider:

- how to deal with members benefits upon their death
- appointing an enduring power of attorney
- estimated costs of winding up
- liquidity of funds' assets
- being [SuperStream](#) ready to enable roll out of benefits
- who will keep copies of the fund's records and transactions.

Make sure you review your exit plan regularly, assess your fund and each member's circumstances to decide if an SMSF is still right for you. You may want to speak with an SMSF professional to help you decide.

Winding up your fund

There are some key tasks you need to complete in order to wind up your fund properly:

- Review the checklist found in the 'Winding up an SMSF' publication.
- Check your trust deed to understand requirements that it specifies about winding up the fund.
- Get written agreement by organising a meeting with all trustees to ensure everyone agrees with the decision. Keep minutes and get every trustee to sign the agreement to wind up.
- Sell or dispose of all the fund's assets. Ensure you deal with all assets in accordance with the super laws and trust deed.
- Finalise outstanding tax and compliance obligations, including
 - transfer balance account report (TBAR): if you were paying any members an income stream you must cease it before winding up and lodge your final TBAR with us as soon as possible
 - pay as you go (PAYG) payment summary: if you paid benefits to members, or a lump sum to a deceased estate even if you didn't withhold tax, you may need to issue a PAYG payment summary (if the benefits paid are not assessable income and not exempt income, then no withholding tax or a payment summary is required).
- Pay outstanding expenses and tax liabilities.
 - These may include
 - final invoices
 - expenses due to asset sales
 - outstanding tax liabilities (such as PAYG instalments and PAYG withholding).
 - Log in to Online services for business or contact us or your tax professional to find out the balance of accounts we hold for your fund. Request refunds if they are due. You can't close your fund if there are credit or debit balances remaining on the accounts.
 - If you receive a refund that you are not eligible to access, ensure you roll it over using SuperStream immediately after receiving it and before we cancel the fund's Australian business number (ABN). Trustees can rely on the valid response received from the SMSFmemberTICK service when

they rolled over the member's benefits.

- [Calculate and distribute member benefits](#). How you distribute benefits will depend on if they are a member and if they meet a [condition of release](#).
 - If they are a member and meet a condition of release, you can [pay them their benefits](#).
 - If they are a member and do not meet a condition of release, you must roll over their benefits to another complying super fund. To make a [rollover](#) you need to use [SuperStream](#).
 - You can pay benefits to someone other than a member, in the event of that member's death. There are additional checks you need to make when paying benefits due to the [death of a member](#).
- Make sure you leave enough money in the SMSF to pay amounts outstanding after you lodged your annual return, such as audit fees and tax expenses.
- [Appoint an SMSF auditor to complete the final audit](#). You must do this before lodging your final return.
- Complete and lodge all outstanding [SMSF annual returns](#) and the fund's final return. Answer all sections relevant to the fund's wind up to let us know it's your final return and we will adjust your SMSF supervisory levy.
- Notify third parties that your fund is winding up.
 - These may include
 - employers making contributions to your fund
 - SMSF professionals.
 - If your fund has a corporate trustee structure and the corporate trustee was only set up for the purposes of the SMSF, you need to notify ASIC that the company needs to be deregistered.
- Close your fund's bank account. First ensure:
 - expected liabilities have been settled
 - refunds have been received
 - you have completed rollovers using SuperStream
 - you have received confirmation from us that your fund has been wound up.

Note: If you need help winding up your fund or preparing a plan to wind up your fund, you can contact a professional to help.

After winding up

Once a fund is wound up, it can't be reactivated.

By completing and lodging your final SMSF annual return, you have informed us that the fund is winding up. You don't have to write to us in order to wind up your SMSF.

Don't cancel the fund's ABN. Once we have processed your annual return we will

confirm your fund has been wound up by sending you a letter stating we have:

- cancelled the fund's ABN
- closed your SMSF records on our system.

Deal with members' benefits

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Winding-up/Deal-with-members--benefits/>
- Last modified: 04 Sep 2018
- QC 23350

When winding up a self-managed super fund (SMSF), you need to make sure that:

- you deal with members' benefits according to the super law and the trust deed
- your fund has no assets left once it has been wound up.

When you wind up your SMSF and pay benefits to a member, they must meet a condition of release allowing them to access their benefits. If they don't meet this condition or don't want to access their benefits when the fund winds up, you'll need to roll over the benefits to another complying super fund.

There are serious penalties for accessing your super before you are legally allowed.

There may be capital gains tax (CGT) implications for your SMSF on the disposal of assets to enable the payment of benefits or the rollover of benefits to another fund.

If one or more of your members are in retirement phase you will need to consider if you have any transfer balance account reporting obligations when winding up your fund.

All SMSFs must report events that affect their member's transfer balance account. Your member's account is debited when they fully or partially commute a retirement phase income stream. This can be paid out of the super system in a lump sum, or it can be transferred to another fund. The value of this commutation needs to be reported to us on a [super transfer balance account report](#) (TBAR) at the time it occurs.

Next step:

- [Arrange a final audit and complete your reporting](#)

See also:

- [Conditions of release](#)
- [Capital gains tax](#)

- [Event-based reporting for SMSFs](#)

Arrange a final audit and complete your reporting

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Winding-up/Arrange-a-final-audit-and-complete-your-reporting/>
- Last modified: 15 Feb 2022
- QC 23352

There are few things you need to complete before winding up a self-managed super fund (SMSF) and finalising your reporting obligations.

On this page

- [Complete your final SMSF return](#)
- [Complete your transfer balance account reporting](#)
- [Confirmation your fund has been wound up](#)

Complete your final SMSF return

You need to have an audit completed by an approved SMSF auditor before you can [lodge your final SMSF annual return](#).

You need to lodge your SMSF annual return and complete Question 9 Was the fund wound up during the income year? in Section A.

You should also complete question M Supervisory levy adjustment for wound up funds in Section D. This reduces the SMSF supervisory levy that you must pay so that you do not pay the levy for the following year. You must also pay any outstanding tax liabilities and lodge any outstanding returns.

By lodging your final annual return, you have informed us that you are winding up your SMSF. You do not need to write to us to advise us of this.

If you don't wind up your fund correctly you may be selected for compliance activities and subject to penalties.

Complete your transfer balance account reporting

If one or more of your members are in retirement phase you will need to consider if you have any [transfer balance account reporting](#) obligations when winding up your fund.

All SMSFs must report events that affect their member's transfer balance account.

Your member's account is debited when they fully or partially commute a retirement phase income stream. This lump sum can be paid out of the super system, or it can be transferred to another fund.

Where your member is rolling over their income stream to another fund, we strongly encourage you to report this commutation to us as early as possible.

For example, if an SMSF member rolls their super benefit into an APRA-regulated fund and starts an income stream there – and it is not reported to us by the SMSF at the time it happens – a double-counting of the member's income streams will occur. This is because there will be a mismatch in timing of the reporting done by the APRA-regulated fund and the SMSF. In this instance, an SMSF is encouraged to report the commutation as it occurs, or no later than at the time of the rollover.

To find out more, visit [Event-based reporting for SMSFs](#).

Confirmation your fund has been wound up

To confirm that you have met all of your reporting and tax responsibilities, we'll send you a letter stating that we have:

- cancelled your SMSF's ABN
- closed your SMSF's record on our systems.

Do not close your bank accounts until all expected final liabilities have been settled and requested refunds are received. Tax liabilities can be paid when you lodge the final SMSF annual return.

Administering and reporting

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/>
- Last modified: 16 Jan 2018
- QC 23329

As a trustee you have a number of administrative obligations. You need to:

- [appoint an SMSF auditor](#)
- [value the fund's assets](#)
- [lodge SMSF annual returns](#)
- [report transfer balance cap events](#)
- [lodge Superannuation transfer balance account reports](#)
- [keep records](#)
- [notify us of changes](#).

You should also regularly check your [SMSF registration status](#).

See also:

- [How we help and regulate SMSFs](#)

Watch:

Duration 01:37

Appoint an SMSF auditor

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Appoint-an-SMSF-auditor/>
- Last modified: 16 Feb 2021
- QC 23330

You must appoint an approved SMSF auditor to audit your fund each year, not later than 45 days before you need to lodge your SMSF annual return (SAR). The auditor examines your fund's financial statements and assesses your fund's compliance with super law.

Watch:

Your SMSF auditor must be:

- registered with [ASIC - Search SMSF Auditor register](#)[↗] – if they are, they will have an SMSF auditor number, which you need to provide on your annual return
- independent – they should not audit a fund in which they hold any financial interest, or where they have a close personal or business relationship with members or trustees.

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

Before an SMSF auditor can start an audit, you or your professional adviser need to give them information about your accounts and transactions for the previous financial year. Any additional information requested by your SMSF auditor, in writing must be provided within 14 days.

Your SMSF's audit must be finalised before you lodge your SAR, as you'll need some information from the audit report to complete the SAR. You must also ensure that the correct auditor details are provided in the SAR, otherwise you may be penalised.

Your auditor should advise you of any breaches of the rules. You, as trustee,

should rectify any contravention as soon as possible.

Your auditor is also required to report certain contraventions to us. Even if you terminated an auditor engagement or the auditor does not finish the audit, if they have identified a reportable contravention, their obligation to report to us remains.

Value the fund's assets

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Value-the-fund-s-assets/>
- Last modified: 11 Mar 2021
- QC 42472

You need to value the assets of the fund at their market value for the purpose of preparing your fund's accounts, statements and the SMSF annual return each income year.

Market value is the amount that a willing buyer of the asset could reasonably be expected to pay to acquire the asset from a willing seller if all the following assumptions were made:

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

Apart from preparing your annual accounts and statements and lodging the SMSF annual return you will also need to value fund assets:

- when reporting certain events for the purposes of the transfer balance cap, as required, in a transfer balance account report
- if your fund has investment dealings with, or sells assets to or purchases assets from, a related party
- if you need to determine the percentage of in-house assets in your fund
- on the commencement day of a pension
- if your fund transfers a collectable or personal use asset to a related party – in this case the valuation must be done by a qualified independent valuer.

See also:

- [Event-based reporting for SMSFs](#)
- [Valuation guidelines for self-managed super funds](#)
- [Market valuation for tax purposes](#)

Nil member account balances

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Nil-member-account-balances/>
- Last modified: 18 Jul 2022
- QC 70087

An SMSF member with a nil account balance on 30 June may indicate issues with the fund's administration.

On this page

- [Overview](#)
- [What you need to do](#)

Overview

There may be good reasons why a member of your self-managed super fund has a nil account balance recorded on 30 June of an income year.

For example:

- your fund may be [newly established](#), or
- the member was added to the fund just before the end of the income year.

However, in some cases a nil account balance may indicate your SMSF has not been administered correctly especially if:

- your fund has only one member, or
- there are no contributions, rollovers or transfers recorded for a member over several years.

What you need to do

If a member of your SMSF is showing a nil account balance, you should make sure:

- the fund has been set up correctly
- the member intends to contribute to the fund in the future
- you are complying with the super and tax laws.

Even where there are genuine reasons for a nil account balance, a member who is also a trustee (or director of a corporate trustee) of the SMSF is still responsible for running the fund and making sure the super and tax laws are complied with.

The following situations may lead to a nil account balance:

- [Illegally accessed early release of super](#)
- [Newly established funds](#)
- [Fund not structured correctly](#)
- [Limited recourse borrowing arrangements](#)

Nil account balances need to be reported a certain way when lodging your SMSF annual return:

- [Lodging SMSF annual returns with a nil balance](#)

Illegally accessed early release of super

If a member recently rolled over their super benefits into a SMSF, a nil account balance may indicate the benefits have been withdrawn from the fund without the member having met a condition of release. This is commonly referred to as [illegal early release of super](#).

Newly established funds

An SMSF is a type of trust. To legally establish your fund, the fund needs to have [assets](#) set aside for the benefit of members. Even if a nominal amount is used to establish the fund until a rollover, transfer or contribution is made, the amount is regarded as a contribution and needs to be allocated to a member.

Therefore, there should always be at least one member showing an account balance of greater than zero in the fund's first year of operation (and later income years).

Fund not structured correctly

If a member has a nil account balance, and there are no contributions or rollovers recorded for the member, particularly over several years, this may indicate the fund has not been set up and structured correctly. The fund may not meet the [requirements](#) to be an SMSF under the super laws. For example, a trustee (or director of a corporate trustee) may be incorrectly included, or recorded, as a member of the fund (in cases where your fund has more than one member).

Limited recourse borrowing arrangements

A nil balance may also arise in situations where an SMSF trustee has entered a [limited recourse borrowing arrangement](#) (LRBA):

- that complies with the super laws
- where the loan balance exceeds the value of the asset acquired under the LRBA because of a decrease in the asset's value.

Lodging SMSF annual returns with a nil balance

You cannot [lodge an SMSF annual return](#) for a [fund with no assets](#) or no closing member balances, unless it is for the income year in which the fund is wound up.

If a member has a nil opening or closing account balance for an income year, this is reported as 'zero' on the SMSF annual return.

Lodge SMSF annual returns

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Lodge-SMSF-annual-returns/>
- Last modified: 16 Nov 2022
- QC 23331

You need to lodge an SMSF annual return (SAR) once your SMSF's audit has been finalised.

On this page

- [Benefits of including your ABN](#)
- [How to lodge](#)
- [When to lodge and pay](#)
- [After lodging](#)
- [Assessment](#)
- [Funds without assets](#)
- [Amend your SMSF annual return](#)
- [Failure to lodge](#)
- [Supervisory levy](#)

Benefits of including your ABN

When lodging your SAR we encourage you to report your Australian business number (ABN) so our systems match your members correctly. Members can view the SMSF account details on ATO online services.

Members can choose their SMSF account if they are completing forms online for:

- compassionate release of super
- early release of super
- excess concessional contribution election
- excess non-concessional contribution election
- Division 293 election.

Member's SMSF account details are available on Online services for agents if they use a registered tax agent.

If your fund did not have assets in the first year it was registered, you may not need to lodge a return for that year.

How to lodge

The SAR is more than a tax return. It is required to report super regulatory information, member contributions and pay the SMSF supervisory levy.

You can lodge your return electronically through [Standard Business Reporting \(SBR\)](#)²⁷. You'll need:

- a [machine credential](#)[↗]
- [SBR-enabled business software](#)[↗].

You can lodge a paper annual return by downloading the [SMSF annual return](#) and [SMSF annual return instructions](#) for the relevant year.

Complete the return and post it to:

Australian Taxation Office
GPO Box 9845
[insert the name and postcode of your capital city]

For example

Australian Taxation Office
GPO Box 9845
SYDNEY NSW 2001

As SMSFs assess their own tax debt or refund, a notice of assessment is not issued.

When to lodge and pay

Not all SMSFs have the same lodgment due date. Check the due date that applies to your SMSF.

If a due date falls on a weekend or public holiday you can lodge or pay on the next business day. For more payment options, see [How to pay](#).

Lodging your own return

If you are a self-preparer lodging a return, find the lodgment type, due date and payment date that applies to you.

Lodgment type	Lodgment date	Payment due date (if required)
<ul style="list-style-type: none"> • Newly registered SMSFs • Overdue SMSF annual returns for prior financial years (excluding deferrals) 	31 October	1 December
All other self-preparing SMSFs (unless we asked you to lodge on a different date)	28 February	28 February

When a tax agent lodges your return

If your return is lodged through a tax agent, they'll provide the due date for lodgment

or payment. The due dates are set out in the [tax agent lodgment program](#). For your first year the due date will be 28 February.

If your SMSF is reviewed by us at registration, your first year return due date will be 31 October even if it is prepared and lodged by a tax agent. We will notify you if this is the case.

Before you [lodge](#) your SAR, you must ensure that:

- your [SMSF's audit](#) has been finalised
- the SAR contains the correct auditor details.

Otherwise, you may be penalised.

[Failure to lodge](#) your SAR by the due date can result in penalties and the loss of your SMSF's tax concessions.

After lodging

Once you or your tax professional have lodged the SAR, if the fund's bank account or electronic service address (ESA) is updated, all members of the SMSF will receive an alert indicating a [change to the SMSF](#).

If you are not aware of the SAR being lodged, or any changes being made to your SMSF, you should get in contact with us as soon as possible.

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 us. An assessment of an SMSF is made on the day 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.

Funds without assets

An SMSF is not legally established until the fund has assets set aside for the benefit of members. Our systems will not accept an annual return for an SMSF that has no assets or no closing member account balances, unless the return is for the year in which the fund is wound up.

If an SMSF does not have assets set aside for the benefit of members in the first year it was registered, you can ask us to either:

- cancel the fund's registration
- flag the SMSF's record as return not necessary (RNN) if the SMSF confirms in writing
 - that although registered, it had no assets and did not receive contributions or rollovers in the first financial year
 - that it has documentary evidence of the date the SMSF first held assets

- and commenced operating (for example the SMSF's first bank statement)
- that it will be lodging future returns.

If you're a trustee your written request must include:

- the SMSF's name, TFN or ABN
- confirmation that it meets all eligibility conditions
- documentary evidence of the date assets were first placed into the fund.

This request can be sent to us at:

Australian Taxation Office
GPO Box 9990
[insert the name and postcode of your capital city]

For example

Australian Taxation Office
GPO Box 9990
SYDNEY NSW 2001

If you're a tax agent you'll need to use the Online services for agents mail option, select Superannuation as the topic, and choose from the following mail subjects:

- SMSF cancellation of registration – where a fund has not legally established
- SMSF new registrant – Return Not Necessary (RNN) request.

For RNN requests your submission must include:

- the SMSF's name, TFN or ABN
- confirmation that it meets all eligibility conditions
- documentary evidence of the date assets were first placed into the fund.

An RNN is generally only allowed for a newly registered SMSF in its first year of registration.

RNNs for subsequent years will only be granted in limited circumstances and where the fund provides documentary evidence of the date assets were first held by the fund, for example the SMSF's first bank statement.

When an SMSF that has previously advised a return was not necessary is legally established and needs to lodge a return for the first time, the due date of the first return lodged by a tax agent will be 28 February.

Amend your SMSF annual return

To amend your SAR, you need to resubmit the whole return. Make sure you answer 'yes' in section A at question 5, Is this an amendment to the SMSF's annual return?

Because information on the SAR is inter-related, changing one label on the form is likely to require changes to other labels too. You need to complete the form in full, not just the parts you want to amend, and provide contributions information for all

members, not just the member whose contributions you may need to change.

Failure to lodge

If you fail to lodge your SAR on time and you're more than 2 weeks overdue, you risk the compliance status of your SMSF on [Super Fund Lookup](#)^{ca} being changed to 'regulation details removed'.

If your status is 'regulation details removed' and you then lodge, your status will be updated to 'complying' on the first business day of the following month and made available on the following day.

In addition to changing the regulation details on Super Fund Lookup, you risk receiving failure to lodge penalties.

Supervisory levy

You need to pay the [supervisory levy](#) with your SAR. The amount payable is stated on the return.

From 1 July 2013 – the levy is payable for the financial year in which the annual return is due. For example, when you lodge your 2014–15 annual return you pay the levy for the 2015–16 financial year.

Up to 1 July 2013 – the SMSF supervisory levy was payable for the financial year to which the SAR related.

From 2013–14 – the annual SMSF levy is \$259.

To bring collections forward, transitional provisions apply to the levy for the 2013–14 financial year so that it is payable in 2 instalments which are collected upon lodgment of the 2013 and 2014 annual returns.

Label M on the annual return will enable funds that have wound up during a financial year to adjust the levy so they don't pay the levy for the following year.

New funds will also have an adjustment Label N on the annual return to add the levy relating to the year of establishment to the amount payable.

Event-based reporting for SMSFs

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Event-based-reporting-for-SMSFs/>
- Last modified: 07 May 2021
- QC 54088

The event-based reporting (EBR) framework for self-managed super funds (SMSFs) commenced on 1 July 2018. It enables us to administer the [Transfer balance cap](#). You generally need to start reporting to us, under the EBR framework, when your first member commences a retirement phase income stream.

You must use the [transfer balance account report \(TBAR\)](#) to report transfer balance cap events to us. The TBAR enables us to record and track an individual's balance for both their transfer balance cap and total superannuation balance.

We do not use the information you report to us in the SMSF annual return (or that you share with another fund in a rollover benefit statement) to update your member's transfer balance account.

As soon as we have received and processed your TBAR reporting for a member, the member and their agent will be able to see this information in ATO online or online services for agents.

There is no 'special circumstances' discretion for contraventions of the transfer balance cap and it is particularly important for all SMSF trustees and members to self-monitor and ensure that members do not exceed their transfer balance cap.

Find out about:

- [What and when to report](#)
- [How to report](#)
- [Commutation authorities for SMSFs](#)
- [Event-based reporting case studies](#)

What and when to report

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Event-based-reporting-for-SMSFs/What-and-when-to-report/>
- Last modified: 22 Nov 2022
- QC 57300

Self-managed super funds (SMSFs) must report certain events to the ATO in the event-based reporting framework for SMSFs.

On this page

- [Events you need to report](#)
- [How often and when you need to report](#)
- [When you need to report sooner](#)
- [Working out your reporting due date](#)
- [Record keeping](#)
- [Amended reporting](#)

Events you need to report

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

Common events are:

- details of when a member commences a retirement phase income stream, including death benefit income streams – details you need to provide include
 - type of income stream
 - the value
 - start date.

Where the death benefit income stream is paid to a reversionary beneficiary, the start date will be the date the member died, and the value will be the value of the income stream on the date of death of the member:

- details (including value) of commutations of retirement phase income streams, including commutation of a pension that occurs before it is rolled over to another fund.

Other events include:

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

If no event occurs, you have nothing to report.

Some exclusions from reporting

Events an SMSF does not need to report on a TBAR include:

- pension payments
- investment earnings and losses
- when an income stream ceases because the interest has been exhausted
- the death of a member
- information that individuals report to us directly using a [Transfer balance event notification form](#) (NAT 74919) – this includes a
 - family law payment split
 - debit event from fraud, dishonesty, or bankruptcy
 - structured settlement contributions made before 1 July 2007
- information other funds will report to us such as a member's interest in an APRA fund.

How often and when you need to report

If an SMSF member had a pre-existing income stream, it needed to have been reported to us on the super transfer balance account report (TBAR) on or before 1 July 2018, see [how to report](#).

From 1 July 2018, all SMSFs must report events that affect their members' transfer balances. If no event occurs, there is nothing to report.

Until 30 June 2023 the timeframes for transfer balance event reporting are determined by the [total superannuation balances](#) of an SMSF's members, unless:

- the member has exceeded their personal transfer balance cap (see [excess transfer balance](#))
- the member has been sent an excess transfer balance determination, or
- their fund has been sent a commutation authority.

SMSFs that have any members with a total superannuation balance of \$1 million or more on 30 June the year before the first member starts their first retirement phase income stream, must report events affecting members' transfer balances within 28 days after the end of the quarter in which the event occurs.

When all members of an SMSF have a total superannuation balance of less than \$1 million, the SMSF can report this information at the same time as when its SMSF annual return (SAR) is due.

From 1 July 2023, all SMSFs will be required to report transfer balance events within 28 days after the end of the quarter in which the event occurred.

An SMSF is required to report earlier if a member has exceeded their personal transfer balance cap.

Any SMSF can report events as they occur and are encouraged to because it:

- helps members manage their transfer balance account and avoid exceeding their personal transfer balance cap
- helps ensure our calculation of a member's personal transfer balance cap is based on full and accurate information, in particular for events that occur in the income year prior to indexation
- avoids incorrect excess transfer balance determinations being issued.

In line with our [valuation guidelines](#) for self-managed super funds, the SMSF trustee may choose to use a reasonable estimate of the value of an income stream to meet their TBAR obligations. This usually occurs when the member commences a pension part way through the year.

We expect that, as part of choosing to commence a pension, an individual will have a reasonable estimate of the value of that pension. In some instances, it may be wise to bring valuation practices forward.

If the trustee has used a reasonable estimate and the value of that income stream significantly changes, the trustee may correct the value initially reported to us.

For more information, see [Updated guidance - market linked pensions](#).

When you need to report sooner

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

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

If an individual has exceeded their personal transfer balance cap and we issue an excess transfer balance determination or commutation authority based on incomplete or incorrect information, you must correct the reporting as soon as possible. This enables us to revoke the determination or commutation authority.

Earlier reporting is encouraged in some situations

We encourage you to report earlier, in particular:

- events that occur in the income year prior to indexation of the transfer balance cap should be reported as soon as possible, to ensure our calculation of an individual's personal transfer balance cap is based on complete information and is less likely to need to be reviewed
- the commutation of a pension that occurs when the member commutes their pension and rolls it over to another fund, should be reported at the time of the roll-over.

If an SMSF member rolls their super benefit into an APRA-regulated fund and starts an income stream there – and the SMSF does not report this to us in a TBAR when it happens – a double-counting of the member’s income streams will occur.

This is because there will be a mismatch in timing of the reporting done by the APRA-regulated fund and the SMSF.

If the member's pension account is being rolled over because the SMSF is wound up, the TBAR should be lodged before the fund is wound up and the account reported as closed.

For help with reporting, see our [Event-based reporting case studies](#).

More guidance can be found in the Law Companion Ruling, [LCR 2016/9 Superannuation reform transfer balance cap](#).

Working out your reporting due date

The following table will help you work out your reporting due date.

Table 1: Due dates for reporting TBA events

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Transfer balance account (TBA) event	Amount of SMSF members' total superannuation balance (TSB)	TBAR due date
A voluntary member commutes an income stream in response to an excess transfer balance (ETB) determination	Not applicable, as member has exceeded their personal transfer balance cap	Within 10 business days after the end of the month in which the commutation occurs
A response to a commutation authority	Not applicable, as the reporting obligation is set by legislation	Within 60 days of the date the commutation was issued
Any other TBA event – see What events you need to report	When the first member started a retirement phase income stream during a year, and all members of the SMSF had a TSB of less than \$1 million as at 30 June immediately before they started their income stream.	No later than the due date for lodging the SMSF's annual return for the financial year in which the event occurs. From 1 July 2023, annual reporting will no longer be available. All SMSFs will be obligated to report no later than 28 days after the end of the quarter in which the event occurred.
Any other TBA event – see What events you need to report	When the first member started a retirement phase income stream during a year and the SMSF had any member with a TSB of \$1 million or more as at 30 June immediately before they started their income stream.	28 days after the end of the quarter in which the event occurred. The obligation to report TBA events 28 days after the end of the quarter in which the event occurred will extend to all SMSFs from 1 July 2023.

Consequences of late reporting

In most cases we are taking an educative and supportive approach where TBARs are lodged late. We encourage SMSFs to lodge their transfer balance reporting as soon as possible to avoid adverse consequences.

If an SMSF does not lodge a TBAR by the required date, the member's transfer

balance account will be adversely affected. The member may need to commute more money to rectify any excess and pay more excess transfer balance tax. There may also be reverse workflow for the trustee.

If the SMSF is late reporting a commutation made after we issued an excess transfer balance determination to the member, we may send a commutation authority to their fund, putting the member at risk of having the excess amount removed from retirement phase twice.

In some cases an SMSF may be subject to compliance action and [penalties](#) if it doesn't report a transfer balance account event on time. We may deny exempt current pension income (ECPI) claims if an SMSF fails to respond to a commutation authority.

Record keeping

Trustees have an obligation to ensure:

- their TBAR reporting is true and correct
- the commencement and commutation of retirement phase income streams is supported by contemporaneous fund records
- payments to members have been correctly characterised at the time the payment was requested, to allow trustees and auditors to ensure the minimum pension payment standards have been met (this is especially important where pension payments have been made from an income stream that has also been commuted in full or in part during the year)
- their TBAR reporting in relation to the commencement and commutation of retirement phase income streams also aligns with their ECPI claim for a year.

Trustees will need to ensure the relevant documentation is clearly passed on to their auditor.

Amended reporting

TBAR re-reporting by SMSF trustees will be monitored and we may request evidence of relevant documents and calculations to substantiate the TBAR amendment.

How to report

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Event-based-reporting-for-SMSFs/How-to-report/>
- Last modified: 14 May 2021
- QC 57301

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

- a transfer balance account event occurs
- you need to correct information about a transfer balance account event you have previously reported to us
- you are responding to a commutation authority notice we have issued to the SMSF.

We use this information to adjust your member's transfer balance account so we can correctly apply the transfer balance cap provisions.

We do not use information reported to us in your self-managed superannuation annual return (SAR) or that you share with another fund in a roll over benefit statement for transfer balance cap purposes.

Do not use the TBAR to report:

- a member's total superannuation balance information from 1 July 2018
- to cancel a report that has already been cancelled.

Note: As an SMSF trustee you can only report information about your member's interest in the SMSF, not any interests they have in other super funds.

Find out about:

- [Reporting methods and lodgment](#)
- [Correcting a report](#)
- [Reporting a reversionary income stream](#)
- [Reporting an account closed](#)

See also:

- [Event-based reporting for SMSFs](#)
- [What and when to report](#)
- [Event-based reporting case studies](#)
- [Commutation authorities for SMSFs](#)
- [Super transfer balance account report instructions](#)

Reporting methods and lodgment

You can lodge a transfer balance account report (TBAR) to report information to us by:

- [lodging an online form](#)
- [bulk data exchange \(BDE\)](#)
- [lodging a paper report](#)

See also:

- [Reporting methods and lodgment](#)

Correcting a report

If you have made an error in your reporting you will need to cancel the original event. If necessary, you will then need to lodge a second report with the correct

information

To cancel the original event:

- lodge a new form exactly how you originally reported it (including the incorrectly reported information).
- use the additional field to indicate the form is being lodged as a cancellation of a previous form.

This enables us to match your cancellation request to the original lodgment.

If you previously cancelled a report and want to undo the cancellation, do not try to cancel a cancellation request. Send us a new report containing the original information.

Note: If you need to re-report ensure you lodge the cancellation first before sending the correction to avoid duplication.

Reporting a reversionary income stream

If a member dies and the death benefit income stream payable on their death is a reversionary income stream:

- you don't need to report the death of a member for TBAR purposes
- you do need to report the credit that arises in the transfer balance account of the reversionary beneficiary because they have started to receive this income stream.

When reporting the credit for the reversionary beneficiary:

- complete the member details for the reversionary beneficiary who is receiving the income stream, not the deceased member
- clearly indicate you are reporting a reversionary income stream
- report the date of death of the member as the effective date
- report the value of the income stream as the value on the day the member died (you may be able to use a reasonable estimate to do this).

We will apply the credit to your member's transfer balance account 12 months after the death of the original member.

In the time between reporting the event to us and the credit being applied to your member's account, your member will be able to see the value of the credit and when it will be applied to their transfer balance account in ATO online. This will help them understand what action they may need to take to ensure they don't exceed their transfer balance cap when the credit is applied.

Example:

Alex and Robyn are members of an SMSF, and both have pensions in the SMSF.

Alex dies on 4 February 2020 and their pension reverts to their spouse Robyn. The value of the pension at the time of Alex's death is \$1.267 million.

Robyn already has a credit in their transfer balance account of \$800,000 from their life pension in the SMSF.

On 28 April 2020, the SMSF lodges a TBAR reporting:

- Robyn's details, as they are the reversionary beneficiary
- the \$1.267 million value of the credit that will arise in Robyn's transfer balance account on 4 February 2021
- an effective date of 4 February 2020
- the income stream is reversionary.

We will display this as a 'pending' credit on Robyn's transfer balance account until 4 February 2021. This will help Robyn understand what they need to do to avoid exceeding their personal transfer balance cap of \$1.6 million.

On 1 February 2021, Robyn commutes \$467,000 from their life pension.

If the SMSF does not report this to us before 4 February 2021, we'll send Robyn an excess transfer balance determination.

See also:

- [Death benefit income streams](#)
- [LCR 2017/3 Superannuation reform: superannuation death benefits and the transfer balance cap](#)
- [Valuation guidelines](#)

Reporting an account as closed

When lodging a TBAR to report that a member has commuted their pension in full, it is especially important to report the account as closed when the member is:

- rolling it over in full to another fund
- commuting it in full to avoid exceeding their personal transfer balance cap before the credit arising from a capped defined benefit income stream is applied to their account.

If you do not report the pension account as closed, we may send the SMSF commutation authorities in relation to the pension account.

This can mean it will take longer before the excess is rectified and the member will pay more excess transfer balance tax.

Commutation authorities for SMSFs

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Event-based-reporting-for-SMSFs/Commutation-authorities-for-SMSFs/>
- Last modified: 29 Jun 2022
- QC 57302

Information for SMSFs on commutation authorities, including how to respond and what happens after you respond.

On this page

- [What is a commutation authority](#)
- [What you need to do if you receive a commutation authority](#)
- [Responding to the commutation authority](#)
- [TBAR instructions for each commutation authority scenario](#)
- [What to do if you disagree with the commutation authority](#)
- [What happens after you have complied with the commutation authority](#)

What is a commutation authority

A commutation authority is a notice issued by the Commissioner of Taxation to a self-managed super fund (SMSF), when an SMSF member has exceeded their transfer balance cap and we have sent them an excess transfer balance determination. They have either:

- not commuted the excess amount in the determination in full by the due date, or
- made an election for us to send a commutation authority to their fund to have the excess amount commuted.

A commutation authority is also sometimes referred to as a Commissioner's Commutation Authority (CCA).

What you need to do if you receive a commutation authority

If you are issued with a commutation authority you must, by the due date on the commutation authority, that is, within 60 days:

- pay a superannuation lump sum by way of commutation (the commutation authority will detail the amount that must be [commuted](#) from a specified income stream for that SMSF member), or
- choose not to comply with the commutation authority because the member is deceased or because we've issued it in relation to an income stream that is a capped defined benefit income stream.

You must also:

- send us a [Transfer balance account report \(TBAR\)](#) reporting the details of the commutation or why you have chosen not to comply with the commutation authority

- notify your member in writing that you have complied or not complied with a commutation authority.

Note: The Commissioner doesn't have discretion to grant you an extension of time to respond to the commutation authority.

For assistance with TBAR, see [TBAR instructions for each scenario](#).

What you need to report on the transfer balance report (TBAR)

The TBAR must report that the SMSF has:

- complied with the commutation authority by commuting the full amount from the income stream stated in the notice
- complied with the commutation authority by commuting the income stream as much as possible – even if this is less than the amount in the commutation authority (this is known as the maximum available release amount)
- chosen not to comply with the commutation authority because either
 - the member is deceased
 - we issued the commutation authority in relation to a capped defined benefit income stream.

It is important to ensure that the [pension payment standards](#) are met when partially or fully commuting an income stream.

What you need to tell your member

You must notify your member in writing (within 60 days of the issue date of the commutation authority) when you comply with a commutation authority and include the following information:

- the member's name and address
- income stream account number in the commutation authority
- the issue date and due date of the commutation authority
- the amount you were required to commute.

If you have commuted an amount in response to the commutation authority you must also include

- the amount you commuted
- the date of the commutation.

If you have chosen not to comply with the commutation authority because it was in relation to a capped defined benefit income stream, you must also include a statement to this effect.

You must also sign the notice you provide your member and declare that the information it contains is 'true and correct'.

Consequences of not responding to the commutation authority by the due date

If you don't commute the required amount by the due date (that is, within 60 days of the issue date of the commutation authority) or tell us why you have not done so (using a TBAR), the income stream will stop being in the retirement phase. This will affect the fund's entitlement to exempt current pension income. You may also be liable for penalties or subject to compliance action.

There is also an administrative penalty if you do not notify your member of your response to the commutation authority within 60 days of the issue of the commutation authority.

Responding to the commutation authority

When you can commute an amount, you should make reasonable efforts to contact the member and discuss their options. For example, whether to retain the commuted amount in an accumulation account or take it as a lump sum. If you cannot contact the member, you should commute the amount in a way that you judge to be in the member's best interests.

Unless the commutation authority relates to a death benefit income stream, the member can choose to keep the commuted amount in an accumulation phase account or cash the amount out of the superannuation system.

If the commutation authority relates to a death benefit income stream, the commuted amount must be cashed out of the superannuation system.

You don't have authority from us to commute the member's income stream after the due date on the commutation authority.

Commuting the full amount

You must commute the full amount set out in the commutation authority, including cents, when it is possible to do so.

For assistance with TBAR, see [TBAR instructions for each scenario](#).

Commuting a partial amount

If you can't commute the full amount stated on the commutation authority because the amount is higher than the value of the interest supporting the income stream, you must commute the value of the interest and close the account. As part of calculating the value of the interest that can be commuted, you should take into account any pro-rata minimum pension payments that need to be met.

You must also lodge a TBAR to tell us you have complied in part.

If the income stream stated in the commutation authority has already ceased (for example, if the member has already exhausted the full value of the interest through pension payments) then you need to lodge a TBAR by the due date to tell us you have complied in part, the commutation amount is nil, and the account is closed.

Example: commuting a partial amount

A member is receiving an income stream valued at \$70,000 on 1 July 2018.

On 1 October 2018 we issue you with a commutation authority for \$100,000. You are required to commute the amount by 30 November 2018 (within 60 days of issue date).

The member is receiving monthly payments of \$525 so they have already received \$1,575 to date. You decide to commute on 15 October 2018 therefore you will need to pay the minimum pension amount before you make the commutation. The minimum annual amount is \$6,300 (the member is 86 years old, so their minimum pension payment is 9% of the balance on 1 July 2018).

The pro-rata amount is calculated by multiplying the annual amount by the number of days in the period, then dividing by the number of days in the financial year.

In this example:

- $\$6,300 \times 107 \div 365 = \$1,850$.

You make another minimum pension payment amount of \$275 to ensure that the minimum pension payment standards will be met up to the date of the commutation.

The remaining \$68,150 is commuted and retained in an accumulation account in the SMSF.

You lodge a TBAR reporting that you have complied with the commutation authority in part and report a commutation value of \$68,150 and that the account is closed. You will need to report this on the TBAR by 30 November 2019.

What to do if the income stream identified in the commutation authority is a legacy or market-linked pension that isn't a capped defined benefit income stream

Certain legacy pensions, including market-linked are not a capped defined benefit income stream (CDBIS) if they started on or after 1 July 2017.

The pension rules that apply in these circumstances have been changed and commenced on 5 April 2022 to allow the commutation of specific legacy and market-linked pensions in order to comply with a commutation authority. This is where a:

- lifetime pension that commenced before and after 1 July 2017, or
- market linked or life expectancy pension or annuity that commenced prior to

- 1 July, and
- this CDBIS is commuted, and a new market linked, or life expectancy pension or annuity is commenced (no longer a CDBIS).

When the transfer balance account events are reported, and if the member has an excess transfer balance account, then the excess can be commuted from these income streams (market linked, or life expectancy pension or annuity). A commutation can only occur after a Commissioner's commutation authority is issued to the fund. This occurs 60 days after the member has been issued with an excess transfer balance determination if the member is still in excess.

If we issue you with a Commissioner's commutation authority in relation to one of these income streams, you must comply with the authority by commuting the income stream, up to the maximum available and advise the ATO via the TBAR.

Example: market-linked pension

On 1 July 2018, your member purchased a market linked pension (new credit) directly from the underlying account balance of the lump sum from the commutation of their CDBIS market linked pension (the debit). As their new market-linked pension commenced after 1 July 2017, it is no longer a CDBIS for transfer balance cap purposes.

The original credit for the CDBIS market linked pension was valued on 1 July 2017 at 2.4 million. There was no excess as it was a CDBIS.

Under the regulations, the debit and credit for this commutation and new commencement will arise in the member's transfer balance account on 5 April 2022, when the regulation commenced. The reported effective date of these transfer balance account events is 5 April 2022.

A special value 2.1 million is attributed to commutation of the old CDBIS (debit value). Being the original credit value less the total pension payments made before the commutation of the old product since 1 July 2017. The underlying account balance of the lump sum when the old CDBIS was commuted was 1.8 million (the new credit).

The member will have an excess transfer balance amount of \$500,000 that they would have been unable to resolve before the commencement of the regulation.

The member will receive a determination of their excess transfer balance amount which will include the excess and the deemed earnings that accrue from 5 April 2022. There will be no transfer balance credits for deemed earnings between 1 July 2018 to 5 April 2022.

A commutation authority will enable the member to commute the excess from the market-linked pension.

What to do if the commutation authority relates to a CDBIS

You can choose not to comply with a commutation authority if it relates to a CDBIS.

If you choose not to comply with a commutation authority because it relates to a CDBIS you must still lodge a TBAR by the due date to tell us you're choosing not to comply for this reason.

However, as we won't issue a commutation authority to an SMSF in relation to an income stream you have told us is a CDBIS, you'll also need to amend your initial reporting to us to advise that the income stream is a CDBIS. Amending your reporting may mean we need to recalculate your member's transfer balance.

Example: commutation authority relates to a CDBIS

You reported a member has an account-based pension with a value of \$2 million.

You receive a commutation authority requiring you to commute an amount from this pension.

You review your records and identify that this is a CDBIS.

You lodge three TBARS to:

- cancel the original incorrect information
- correctly report the original pension as a CDBIS
- report that you're choosing not to comply with the commutation authority because it relates to a CDBIS.

What to do if the member is deceased

You don't need to comply with a commutation authority in relation to a member who is deceased. However, you must still lodge a TBAR by the due date to tell us you're choosing not to comply for this reason.

Note: You don't need to report the death of a member on the TBAR for any other reason.

What to do if the account number for the pension has changed

In some instances, the reference you use to identify an income stream may have changed since the income stream was reported to us. For example, the SMSF has changed software providers and the income stream reported to us as account 123 is now referred to as account 123A.

In these instances, we may send a commutation authority identifying the income stream that needs to be commuted, which uses the account number you initially

reported to us.

You're still required to commute the identified income stream, even though the reference you use has changed.

TBAR instructions for each commutation authority scenario

This table provides detailed instructions on how to complete the paper form of the [Transfer balance account report \(TBAR\)](#), depending on how you are responding to the commutation authority.

If you are not lodging a paper TBAR form, refer to [other reporting avenues](#) information below Table 2.

Regardless of which scenario applies to you, the TBAR must be completed on or before the due date of the commutation authority. You must also complete all other relevant information in the TBAR, such as the member's details, fund's details, event details, member account details and declarations.

Table 2: Instructions for each scenario on a paper TBAR form

Scenario	Reporting using a paper TBAR
Commuting the amount in full	<p>At Question 12, tick the box Commutation authority – commuted in full.</p> <p>At Question 17, report the date you complied with the commutation authority.</p> <p>At Question 18, report the value of the commutation.</p> <p>You should also complete Question 19 to tell us if you transferred the lump sum to an accumulation account or cashed it out of the superannuation system.</p>
Commuting as much as possible, including when the amount is nil	<p>At Question 12, tick the box Commutation authority – commuted in part.</p> <p>At Question 17, report the date you complied with the commutation authority.</p> <p>At Question 18, report the value of the commutation, including if that amount is nil.</p> <p>Unless the amount is nil, you should also complete Question 19 to tell us if you transferred the lump sum to an accumulation account or cashed it out of the superannuation system.</p> <p>You must also select Closed at Question 21.</p>
Not complying because the commutation authority relates to a capped	<p>At Question 12, tick the box Commutation authority – capped defined benefit income stream.</p>

defined benefit income stream	
Not complying because the member is deceased	At Question 12, tick the box Commutation authority – deceased.

Other reporting avenues

If you're using the online form in [Online services for business](#):

- Select Lodgments
- Select Reports and forms
- Select Transfer balance account report (TBAR) from the list. The events in this list are the same as the events in Question 12 on the paper form.

If you're using a software solution developed by your administrator, you'll need to follow their instructions to select the relevant event that corresponds to the events in Question 12 on the paper form.

For more information on reporting, see:

- [Super transfer balance account report instructions](#)
- [Reporting methods \(forms\) and lodgment.](#)

What to do if you disagree with the commutation authority

You can't object to a commutation authority and your member can't direct you not to comply with it.

If you think the amount on the commutation authority doesn't take into account a commutation by the member then this may be because your member commuted their income stream after the due date on the excess transfer balance (ETB) determination or there was a delay in reporting the commutation to us.

You should provide any missing information or correct any reporting as soon as possible in time for us to revoke the commutation authority before its due date.

If your member disagrees with the way we calculated their excess, then they can seek an extension of time to lodge an objection to the ETB determination. However, this doesn't remove your obligation to comply with the commutation authority by the due date, once it's issued.

If an objection is lodged to the ETB determination and we allow the objection in full, then we will revoke or amend the commutation authority, if we are able to do this, by the due date. Otherwise, you'll still need to action the commutation authority by the due date.

Instances when we may be able to vary or revoke a commutation authority

In limited circumstances we may be able to vary or revoke a commutation authority once we receive and process any outstanding information. For example, if you think

the amount on the commutation authority doesn't take into account a commutation by the member then this may be because your member commuted their income stream after the due date on the ETB determination or there was a delay in reporting the commutation to us.

However, varying your commutation authority won't give you more time to comply. For example, if we issued a commutation authority with a due date of 30 November and receive information that allows us to vary it on 1 November, you'll still only have until 30 November to action the varied commutation authority.

What happens after you have complied with the commutation authority

The table below provides information on what we will do next after you have responded to the commutation authority, based on your situation.

Table 3: ATO action on commutation response

Your situation	Our action
You comply with the commutation authority in full	After you lodge a TBAR, we will send your member an ETB tax notice of assessment.
You tell us the member is deceased	After you lodge a TBAR, we will send your member's estate an ETB tax notice of assessment.
You comply with the commutation authority in part and the account is closed, or if you didn't comply because the income stream is a capped defined benefit income stream	After you lodge a TBAR we will consider whether your member has other retirement phase income streams that are not capped defined benefit income streams. If they do, then we will send commutation authorities to the providers of those income streams until the excess is resolved. If they don't resolve the excess, we will send your member a <i>Notice of non-commutable excess transfer balance</i> . If we send your member this notice, they will receive a debit in their transfer balance account to resolve their excess transfer balance. Once your member is no longer in excess, we will send them an ETB tax notice of assessment.

Event-based reporting case studies

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Event-based-reporting-for-SMSFs/Event-based-reporting-case-studies/>
- Last modified: 12 Jul 2022
- QC 57304

The case studies for self-managed super funds (SMSFs) on this page will help you understand:

- when you need to report an event to us if a member has not exceeded their personal transfer balance cap
- when you need to report an event to us if a member has exceeded their personal transfer balance cap and been sent an excess transfer balance determination and the possible impacts of failing to do so
- how the timing of when you report may impact members after the general transfer balance cap is indexed.

In these case studies, all income streams are in retirement phase.

Table 1: When you need to report an event if a member has not exceeded their personal transfer balance cap

Fund scenario	Member scenario	Reporting requirement
<p>Obligation to report an event no later than 28 days after the end of the quarter for a single member fund.</p> <p>Note: from 1 July 2023 all SMSFs will be required to report within 28 days after the end of the quarter in which the event occurred.</p>	<p>On 30 June 2018, Mary has a super balance of \$1.2 million.</p> <p>On 20 September 2018, she starts an income stream valued at \$1.2 million and has no other super interests. Over time the value of the income stream decreases to \$800,000.</p> <p>On 3 March 2019, Mary commutes \$100,000 from the income stream.</p>	<p>As Mary had a total super balance of \$1 million or more as at 30 June 2018, the SMSF is required to report these events no later than 28 days after the end of the quarter in which they occur.</p> <p>The start of the income stream would need to be reported to us no later than 28 October 2018. The commutation would need to be reported to us no later than 28 April 2019.</p>
Obligation to report an event no	Fiona and Jimmy	As Jimmy had a total

<p>later than 28 days after the end of the quarter for all fund members.</p> <p>Note: from 1 July 2023 all SMSFs will be required to report within 28 days after the end of the quarter in which the event occurred.</p>	<p>are members of an SMSF.</p> <p>Fiona has a total super balance at 30 June 2019 of \$500,000 and starts an income stream valued at \$500,000 on 1 July 2019.</p> <p>Jimmy has a total super balance at 30 June 2019 of \$2 million, made up of \$500,000 in the SMSF and \$1.5 million in an APRA super fund.</p> <p>All of Jimmy's interests are in accumulation phase.</p> <p>Jimmy starts an income stream in the SMSF valued at \$100,000 on 17 January 2020.</p>	<p>super balance of \$1 million or more as at 30 June 2019, the SMSF is required to report these events no later than 28 days after the end of the quarter in which they occur.</p> <p>The start of Fiona's income stream must be reported to us no later than 28 October 2019.</p> <p>The start of Jimmy's income stream must be reported to us no later than 28 April 2020.</p>
<p>Obligation to report events to us no later than the self-managed superannuation annual return (SAR) for the year in which the event occurred.</p> <p>Note: From 1 July 2023 the administrative concession based on member's total super balance will be removed. All SMSFs will be required to report no later than 28 days after the end of the quarter in which the transfer balance event occurred.</p>	<p>Gary has a total super balance of \$900,000 as at 30 June 2018.</p> <p>Gary starts 2 income streams valued at \$500,000 and \$400,000 respectively in his SMSF on 1 July 2018.</p> <p>Gary continues to make contributions and, as at 30 June 2020, his total super balance is \$1.1 million.</p> <p>On 1 July 2020,</p>	<p>As Gary has a total super balance of less than \$1 million at 30 June 2018, the SMSF must report events that occur in a year in line with their SAR for that year.</p> <p>They can choose to report earlier.</p> <p>This requirement does not change even though his total super balance increases over time.</p> <p>Gary's SMSF would need to report the 2 credits arising on 1 July 2018 no later than due date of the fund's annual return for the</p>

	he commutes the 2 income streams and starts a new income stream valued at \$1.1 million.	<p>2018–19 year, generally 15 May 2020.</p> <p>The following events would need to be individually reported to us no later than the due date of the fund's SAR for 2020–21, generally 15 May 2022:</p> <ul style="list-style-type: none"> • each debit resulting from the commutation of the 2 pre-existing income streams • credit arising from the new income stream.
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Table 2: When you need to report an event to us if the member has exceeded their personal transfer balance cap and been sent an excess transfer balance determination

Fund scenario	Member scenario	Reporting requirement
Incomplete reporting from the SMSF has resulted in an excess transfer balance determination issuing to the member.	<p>In 2018, Tan started a pension valued at \$800,000 in her SMSF.</p> <p>On 20 October 2020, Tan commuted her pension in the SMSF and started a pension in an APRA fund on 22 October 2020.</p> <p>When Tan commuted her pension before rolling it over, the value of the pension had increased to \$850,000.</p>	<p>Tan's SMSF had previously reported to us the \$800,000 credit in her transfer balance account.</p> <p>Tan's APRA fund reports to us the \$850,000 credit in her transfer balance account before the SMSF reports the debit.</p> <p>On 25 October 2020, we determine Tan has exceeded her personal transfer balance cap.</p> <p>We send Tan an excess transfer balance determination.</p> <p>Tan's SMSF must report to us as soon as possible the \$850,000 debit that occurred when they commuted the pension.</p> <p>The SMSF must also ensure they report that the pension account is closed.</p>

		<p>Tan's SMSF reports the debit to us on 25 November 2020. We revoke the excess transfer balance determination we have sent Tan.</p> <p>If Tan's SMSF does not report the debit to us before the due date in the determination, we may send Tan's APRA fund a commutation authority. This means, Tan is at risk of having her pension commuted in full.</p>
Reporting a member commutation after the member has received an excess transfer balance determination.	<p>Simon started a pension in his SMSF valued at \$1.3 million on 1 July 2017. On 30 June 2019, Simon commuted the pension in full. When Simon commuted the pension, it was valued at \$1.1 million. On 1 July 2019 Simon started a new pension valued at \$1.45 million.</p>	<p>Simon's SMSF had previously reported the \$1.3 million credit and \$1.1 million debit in his transfer balance account. Simon's SMSF lodged a TBAR on 28 October 2019 reporting the 1 July credit of \$1.45 million.</p> <p>On 29 October 2019 we determine Simon exceeded his transfer balance cap on 1 July 2019. We send him an excess transfer balance determination requiring him to commute the excess and the excess transfer balance earnings by 28 December 2019. Simon does so on 12 December 2019.</p> <p>If Simon's SMSF does not report this commutation to us by 13 January 2020, we may send the SMSF a commutation authority.</p>

Table 3: How the timing of when you report may impact your members after the general transfer balance cap is indexed

Fund scenario	Member scenario	Member impact
Reporting an event	Len is a member of	When we initially calculate

<p>that occurred in 2020–21 when the SAR for the year is lodged.</p> <p>Note: From 1 July 2023 all SMSFs will be required to report transfer balance account events no later than 28 days after the end of the quarter in which the event occurred.</p>	<p>an SMSF that reports routine transfer balance account events in line with the SAR. Len started a pension on 1 July 2018 valued at \$640,000. The SMSF reported that event to us when they lodged their SAR for the 2018–19 year. Len started another pension on 1 July 2020 valued at \$300,000 after making a downsizer contribution. The SMSF will report this to us when they lodge their SAR for the 2020–21 year on 15 May 2022.</p>	<p>Len's personal transfer balance cap, the only event reported to and processed by us, will be the pension Len started on 1 July 2018. Accordingly, the personal transfer balance cap, we will initially calculate as applying from 1 July 2021 will be \$1.66 million. This is what will be displayed in ATO online. In May 2022, when the pre-indexation credit is reported to us, the highest ever balance in Len's transfer balance account between 1 July 2017 and 30 June 2021 will increase to \$940,000. We will recalculate Len's personal transfer balance cap, which applied from 1 July 2021 based on this information. Len's personal transfer balance cap from 1 July 2021 will be reduced to \$1.64 million.</p>
<p>Not reporting a roll over commutation promptly.</p>	<p>Dev started a pension in his SMSF on 1 July 2018 with a value of \$800,000. On 30 March 2021, Dev commutes the pension in full. This results in a debit of \$760,000. Dev starts a pension in an APRA fund of the same value on 3 April 2021. The APRA fund reports this credit to us on 13 April 2021. The SMSF has not reported the commutation debit to us before 1 July 2021.</p>	<p>Based on the information reported to us, on 1 July 2021, the highest ever balance of Dev's transfer balance account will be \$1.56 million. We will initially calculate Dev's personal transfer balance cap from 1 July 2021 as \$1.6 million. When the SMSF reports the commutation debit of \$760,000 to us, the highest ever balance of Dev's transfer balance account prior to 1 July 2021 will reduce to \$800,000. We will recalculate Dev's personal transfer balance cap from 1 July 2021 as \$1.65 million. We apply this to Dev's affairs from that date.</p>

<p>Impact of falling behind in your TBAR reporting.</p>	<p>Joan is a member of an SMSF, that reported the \$1.4 million credit arising in her transfer balance account when she started a pension on 1 July 2019. Joan's SMSF should be reporting most events to us no later than 28 days after the end of the quarter in which they occur. However, she has fallen behind in her obligations and no other events have been reported to us by July 2021. Joan has been 'rolling back' her pension, 'topping it up' and starting a new one each year. Joan commuted the pension in full on 30 June 2020, creating a debit of \$1.35 million. She then started a new pension valued at \$1.55 million on 1 July 2020. On 30 June 2021, Joan commutes the pension creating a debit of \$1.52 million and started a new pension valued at \$1.35 million on 1 July 2021. This makes the balance of her transfer balance account on 1 July 2021</p>	<p>Based on the reporting received, we'll initially calculate Joan's personal transfer balance cap as \$1.61 million and display this in her ATO online account.</p> <p>Joan's SMSF reports all outstanding events to us when the SMSF lodges the 2 SARs in May 2023. When this occurs, we'll recalculate Joan's personal transfer balance cap from 1 July 2021 as \$1.6 million and determine Joan exceeded her personal transfer balance cap on that day.</p> <p>Joan will need to commute the \$10,000 plus the excess transfer balance earnings that have accrued between 1 July 2021 and May 2023 when the Commissioner of Taxation makes the excess transfer balance determination. Joan will also need to pay excess transfer balance tax on the earnings that accrue between 1 July 2021 and when the excess is rectified.</p>
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	\$1.61 million.	
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Table 4: When you need to report an event to us if the member has commuted a market-linked or life expectancy income streams (CDBIS) and commenced another market-linked or life expectancy income stream after 1 July 2017 (non-CDBIS)

Fund scenario	Member scenario	Member impact
Reporting an event that occurred prior to 5 April 2022.	<p>Tracy commenced a market linked income stream in 2015. This is the only income stream Tracy has. On 1 July 2017, the income stream was valued at \$840,000. The SMSF reported that event to us via the TBAR when they lodged their SAR for the 2017–18 year. On 30 June 2020, Tracy commuted this CDBIS, the commutation value at that time was \$700,000. She used the underlying account balance to start another pension on 1 July 2020 valued at \$640,000. The SMSF has only reported the commencement of the CDBIS as they required more guidance from the ATO.</p>	<p>When we initially calculate Tracy's personal transfer balance cap, the only event reported to and processed by us will be the income stream Tracy had before 1 July 2017. To ensure that Tracy's transfer balance is calculated correctly at the time Tracy commutes this income stream, the SMSF should report the commutation of the CDBIS with an effective date of 5 April 2022, with the commutation value of \$700,000. The SMSF should then report an account-based pension commencing on 5 April 2022 for \$640,000. Tracy's transfer balance account shows the following amounts: the original credit of \$840,000, the debit \$700,000 plus new credit \$640,000. Tracey balance is \$780,000. She is not in excess and is not required to commute any excess amounts from these income streams.</p>
Re-reporting events that occurred prior to 5 April 2022 (commutation previously)	<p>Chris was in receipt of a life expectancy CDBIS in his SMSF prior to 1 July 2017 with a value of \$2,000,000. On 30 March 2021,</p>	<p>As the first income stream was a CDBIS, the credit did not result in an excess transfer balance. When the fund reported the commutation, the 'nil' entitlement effectively meant that there was no debit to Chris's transfer balance</p>

reported).	<p>Chris commutes this pension and used the capital to start a new life expectancy pension. The value of the new pension at that time was \$1,500,000.</p> <p>The SMSF reported the commutation with an effective date of 30 March 2021.</p> <p>Although the value of the commutation at that time was \$1,600,000, the calculation under the previous law provided for an entitlement of 'nil'.</p> <p>The fund did not report the commencement of the new pension as they required more guidance from the ATO. This is because Chris appears to be in excess of his transfer balance cap and the fund would have been unable to commute the excess from the new pension.</p>	<p>account.</p> <p>The value of the commutation of the CDBIS is correctly calculated as \$2,000,000.</p> <p>The fund needs to cancel the previously reported 'nil' commutation and re-report the commutation of the CDBIS with the value of \$1,600,000 and an effective date of 5 April 2022. This creates a debit in Chris's transfer balance account of \$1,600,000. As the original credit created a balance of \$2,000,000, Chris has a remaining balance of \$400,000.</p> <p>The fund also needs to report the commencement of the new pension of \$1,500,000 with an effective date of 5 April 2022. Less Chris's transfer balance cap of \$1,600,000. This will create an excess transfer balance of \$300,000. Chris will receive an excess transfer balance determination, however as this is the only pension account he has, the fund can only action a commutation to remove the excess upon receipt of a Commissioner's commutation authority (CCA).</p> <p>When the fund receives the CCA, it can partially commute the pension to reduce the excess.</p> <p>Chris will need to pay excess transfer balance tax on the earnings that accrue between 5 April 2022 and when the excess is rectified.</p>
Re-reporting events that occurred prior to 5 April 2022 (commutation and new pension previously reported).	<p>Jo was in receipt of a market linked CDBIS in her SMSF prior to 1 July 2017 with a value of \$2,400,000.</p> <p>On 30 May 2019, Jo commutes this pension and used the capital to start a new market-linked pension. The value of the new pension at that time was</p>	<p>As the first income stream was a CDBIS, the credit did not result in an excess transfer balance.</p> <p>Under the new law the value of the commutation of the CDBIS is correctly calculated as \$2,100,000.</p> <p>The fund needs to cancel the previously reported 'nil' commutation and re-report the commutation of the CDBIS with the value of \$2,100,000 with an effective date of 5 April 2022. This creates a debit in Jo's transfer balance account of \$2,100,000. As the</p>

	<p>\$1,800,000.</p> <p>The SMSF reported the commutation with an effective date of 30 May 2019.</p> <p>Although the value of the commutation at that time was \$2,100,000, due to the calculation formula under the previous law, the debit was valued at 'nil'.</p> <p>The fund also reported the commencement of the new pension, also with the value of \$1,800,000.</p>	<p>original credit created a balance of \$2,400,000, Jo has a remaining balance of \$300,000.</p> <p>The fund also needs to re-report the new pension of \$1,800,000 with an effective date of 5 April 2022. Less Jo's transfer balance cap of \$1,600,000.</p> <p>This will create an excess transfer balance of \$500,000. Jo will receive an excess transfer balance determination however as this is the only pension account she has, the fund can only action a commutation to remove the excess upon receipt of a CCA.</p> <p>When the fund receives the CCA, it can partially commute the pension to reduce the excess.</p> <p>Jo will need to pay excess transfer balance tax on the earnings that accrue between 5 April 2022.</p>
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For more information see:

- [Super transfer balance account report](#)
- [Self-managed super funds: News and alerts](#)
- [Indexation of the general transfer balance cap](#)
- [Rollover benefit statement and instructions](#)

Record-keeping requirements

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Record-keeping-requirements/>
- Last modified: 13 Dec 2021
- QC 23333

One of your responsibilities as a trustee is to ensure proper and accurate tax and super records are kept.

On this page

- [Take minutes of all investment decisions](#)
- [Signature requirements for financial statements](#)
- [Minimum record keeping requirements](#)
- [Early access to superannuation](#)

Watch:

Media: Record keeping in your SMSF

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfshbrt>^[3] (Duration: 2:22)

Take minutes of all investment decisions

You should take minutes of all investment decisions, including:

- why a particular investment was chosen
- whether all trustees agreed with the decision.

If, as one of the fund's trustees, you invest the self-managed super fund's (SMSF) money in an investment that fails, the other trustees could take action against you for failing to be diligent in your duties. However, if your investment decision was recorded in meeting minutes that were signed by the other trustees, you will have a record to show that the other trustees agreed with your actions.

You need to make certain records available to your fund's SMSF auditor when they audit your fund each year. You may also need to provide accurate records to us if we ask to see them.

Signature requirements for financial statements

Under the super laws, SMSF trustees are required to sign their SMSF's financial statements before finalising their fund's audit each income year.

Accounts and statements (an operating statement and a statement of financial position) must be signed by the required number of trustees or directors of the corporate trustee, as set out in the tables below.

For the 2020–21 and earlier financial years

Structure of the fund	Signature requirements
Corporate trustee – single director	That director
Corporate trustee – multiple directors	At least two of the directors
Individual trustees	At least two of the trustees

For the 2021–22 and later financial years

Structure of fund – number of directors or trustees	Signature requirements
Corporate trustee – one or two directors	All directors

Corporate trustee – three or more directors	At least half of the directors
Individual trustees – two trustees	All trustees
Individual trustees – three or more trustees	At least half of the trustees

Relief under COVID-19

COVID-19 impacts such as social distancing or isolation requirements or your tax agent or accountant working from a home office may prevent you from signing your SMSF's financial statements in person. If you are unable to sign the fund's financial statements in person, alternative options available for signing the financial statements are:

- returning a signed scanned copy to your tax agent or accountant by email or using an electronic signature such as a digital signature. Digital signatures should be provided
 - using a secure system, typically through an established third-party provider
 - in a way that clearly identifies the trustee signing and indicates the approval you are providing
- having your agent or accountant post the financial statements to you which you will need to sign and return to your agent by post.

Note: You will not meet the signature requirement if you only acknowledge the financial statements by email or over the phone.

Minimum record keeping requirements

You need to keep the following records for a minimum of five years:

- accurate and accessible accounting records that explain the transactions and financial position of your SMSF
- documentation showing decisions made about what benefit payment type was paid (pension, lump sum or a combination of both) and the account the payment was paid from
- an annual operating statement and an annual statement of your SMSF's financial position
- copies of all SMSF annual returns lodged. For more information see [self-managed superannuation fund annual return instructions](#)
- copies of transfer balance account reports lodged
- copies of any other statements you are required to lodge with us or provide to other super funds.

You need to keep the following records for a minimum of 10 years:

- minutes of trustee meetings and decisions (if matters affecting your fund were discussed, for example you reviewed the fund's investment strategy, or the

- commencement or commutation - in part or in full - of an income stream)
- records of all changes of trustees
- trustee declarations recognising the obligations and responsibilities for any trustee, or director of a corporate trustee, appointed after 30 June 2007
- members' written consent to be appointed as trustees
- copies of all reports given to members
- documented decisions about storage of collectables and personal use assets.

Don't forget that income tax record-keeping requirements also need your attention – especially documents on deductions, capital gains and losses.

Keep records in writing and in English. If you keep electronic records, they must be capable of verification by us and be in a form we can access and understand.

For more information see [event-based reporting for SMSFs](#).

Early access to superannuation

SMSF members are eligible for [early access to superannuation](#) in very limited circumstances. If you are a trustee of an SMSF, you must:

- ensure the member applying for early access of their super meets all the requirements for the particular condition of release applied for
- keep records and proof that the member met all requirements of the condition of release. This will be needed for your auditor to ensure the member did not illegally access their superannuation
- seek permission from the other trustees and note this in the trustee meeting minutes.

If a fund member does not meet all the requirements of a condition of release, they can be subject to heavy penalties for [illegally accessing their superannuation](#).

Changes to your SMSF

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/Notify-us-of-changes/>
- Last modified: 28 Nov 2022
- QC 23334

How to make changes to your SMSF including trustees, directors of the corporate trustee and contact details.

On this page

- [Notify us of changes](#)
- [Alerts for changes](#)


- [Adding a new member or trustee](#)
- [Changing structure](#)
- [Keeping within the definition of an SMSF](#)
- [Changes to the status of the corporate trustee](#)
- [Removing yourself as a trustee or director](#)
- [Becoming a trustee or director again](#)

Notify us of changes

As a trustee of an SMSF, you need to notify us within 28 days if there is a change in:

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

You can update the above details of your SMSF:

- online through the [Australian Business Register](#)[↗]
- through a registered agent
- by phone 13 10 20 – you must be the authorised contact for your SMSF
- by lodging the paper form [Change of details for superannuation entities \(NAT 3036, PDF 1.01MB\)](#)  .

You can update your fund's financial institution account details, tax refund account or electronic service address (ESA) using one of the following methods:

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

You can also update the ESA by lodging the paper form [Change of details for superannuation entities \(NAT 3036, PDF 1.01MB\)](#)  .

You can't use the SMSF annual return (SAR) to tell us about a change in the structure of your SMSF.

Alerts for changes

To safeguard your retirement savings and reduce the risk of fraud and misconduct, we send you an email or text alert (or both) when you change your SMSF's:

- financial institution account details
- ESA
- authorised contact
- members.

The alert will also issue if you change your SMSF's financial institution account details or ESA via your SAR.

If you did not authorise or know about the changes outlined in an alert we sent you, find out what [immediate actions you need to take](#).

Adding a new member or trustee

As part of our new registrant program we may review new trustees and members if we find reason to. If you add a new member or trustee and we initiate a review, the SMSF is taken offline. We aim to complete these reviews within 56 days. This is one of the many steps we are taking to safeguard the retirement of Australians.

Changing structure

We review all SMSFs that change from an individual trustee structure to a corporate trustee structure as part of our 'secure front door' process. If you are changing structure, your SMSF may be taken offline while we conduct the review. This process can take up to 56 days to complete.

Keeping within the definition of an SMSF

As a trustee you need to ensure your fund always stays within the legal definition of an SMSF.

If your SMSF no longer meets the definition of an SMSF you have 6 months to either:

- restructure your fund to meet the definition of an SMSF
- voluntarily wind up your SMSF and roll the benefits into an APRA (Australian Prudential Regulation Authority) regulated fund.

If you do not do anything, some of our actions could include:

- making your fund [non-complying](#)
- disqualifying you as a trustee.

Changes to the status of the corporate trustee

If any of the following occur to your corporate trustee, you need to restructure the fund:

- The company is aware or has reasonable grounds to suspect that a person who is, or is acting as, a responsible officer of the company is a disqualified person.
- The company has been deregistered by the [Australian Securities & Investments Commission](#)[☞] (ASIC).
- A receiver, or a receiver and manager, has been appointed in respect of property beneficially owned by the company.
- A provisional liquidator or restructuring practitioner in respect of the company has been appointed.
- An administrator has been appointed in respect of the company.
- Action has started to wind up the company.

Restructuring the fund could involve:

- re-registration of the company
- appointing a new company to operate as trustee
- changing the fund structure to individual trustees.

This process can be complex. Talk to ASIC to ensure assets vested with the corporate trustee can be transferred to the new entity or individuals in trust for the fund.

Find out more on the [effects of deregistration](#) ¹³.

Removing yourself as a trustee or director

If you become a disqualified person you must immediately:

- notify us of your disqualification (unless you have been disqualified by us)
- cease being a trustee.

If you are a director of a corporate trustee, you may also have obligations to inform ASIC.

Penalties apply if you act as a trustee or director while disqualified. Other trustees have a responsibility to prevent you acting as a trustee if they know you're disqualified.

If you resign as a trustee your SMSF has 6 months to restructure itself. Generally this will mean rolling your super interest out of the fund.

The other trustees or directors can:

- roll over your benefits to another complying super fund
- appoint an approved trustee who has a licence from APRA (that is, become a small APRA fund)
- wind up the fund by rolling all members' benefits out of the fund.

If you are the only member of the fund and the sole director of the fund's corporate trustee, contact us on 13 10 20 for advice about what you need to do.

Becoming a trustee or director again

If you're disqualified because you've been convicted of a dishonesty offence you can apply to have the disqualification waived. You must apply in writing within 14 days of the conviction to:

Australian Taxation Office
PO Box 3100
PENRITH NSW 2740

If you have been disqualified by us you can ask for a review of our decision. You must make your request in writing within 21 days of receiving the notice of disqualification.

Send your request to:

Australian Taxation Office
PO Box 3100
PENRITH NSW 2740

If you're disqualified due to being insolvent under administration, you can't have your disqualification waived. However, once you are no longer insolvent under administration, you will no longer be disqualified and can become a trustee or director again.

How we help and regulate SMSFs

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/How-we-help-and-regulate-SMSFs/>
- Last modified: 26 Sep 2018
- QC 42477

We'll help you understand your duties and responsibilities as a trustee and make it as easy as possible for you to comply. We also regulate SMSFs and verify their compliance. We can advise you about complying with the super and tax laws but we don't provide financial or investment advice.

- [Getting help from us](#)
- [Approved education courses](#)
- [How your SMSF is regulated](#)
- [How we deal with non-compliance](#)
- [Early engagement and voluntary disclosure](#)

Getting help from us

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/How-we-help-and-regulate-SMSFs/Getting-help-from-us/>
- Last modified: 16 Jun 2015
- QC 42476

You can contact us for general help with your SMSF obligations. We can't provide financial or investment advice.

- Trustees with general SMSF queries: phone 13 10 20
- Tax agents with general SMSF queries: phone 13 72 86

- Written enquiries can be sent to:
Australian Taxation Office
PO Box 3100
PENRITH NSW 2740

SMSF specific advice

You can write to us for SMSF specific advice about how the super law applies, or will apply, to your particular circumstances. To get SMSF specific advice, you need to describe the facts of the investment or arrangement and ask for specific advice about how the super law applies.

You can ask about actions or investments your SMSF plans to take, or actions and investments your SMSF has already taken.

SMSF specific advice is not legally binding but it will provide a level of certainty to you as the trustee of your SMSF. If we later take the view that the law applies less favourably to your SMSF, the fact that you acted in accordance with your SMSF specific advice would be a relevant and important factor in your favour.

We can't provide SMSF specific advice about some topics.

See also:

- [How to apply for SMSF-specific advice](#)
- [ATO advice and guidance](#)
- [Superannuation enquiries](#)

SMSF education courses

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/How-we-help-and-regulate-SMSFs/SMSF-education-courses/>
- Last modified: 22 Jul 2021
- QC 41142

All self-managed super fund (SMSF) trustees and directors of corporate trustees are encouraged to undertake an SMSF education course to improve their understanding of the obligations of an SMSF trustee.

You can contact your SMSF professional or association to help you find an appropriate SMSF education course.

For more information, see our [lifecycle documents](#) about starting an SMSF and winding up an SMSF.

How your SMSF is regulated

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/How-we-help-and-regulate-SMSFs/How-your-SMSF-is-regulated/>
- Last modified: 06 Dec 2018
- QC 23307

As an SMSF trustee you may need to deal with two key government agencies. These are:

- Australian Taxation Office (ATO) – administering the relevant super laws for SMSFs
- Australian Securities & Investments Commission (ASIC) – regulating financial services to protect consumers and manages SMSF auditor registrations.

How we work with ASIC

The ATO and ASIC are joint regulators of SMSFs.

We assist ASIC by:

- providing SMSF data to assist superannuation sector analysis
- collaborating to develop publications and guidance material
- making referrals to ASIC if we discover potentially unlicensed advice providers, or SMSF auditors who fail to meet their obligations.

ATO as a regulator in the SMSF Sector

As a key regulator for SMSFs, we can help you understand your duties and legal responsibilities as a trustee. We will make it as easy as possible for you to comply with your obligations and protect the future benefits of fund members.

We check compliance with the law to safeguard retirement income. Our activities include:

- checking you manage your fund in accordance with super laws
- implementing and maintaining systems to check the legal compliance
- taking enforcement action to correct matters when there is a breach of the law
- checking SMSF auditors perform their duties to the required standard.
- verifying a fund's primary purpose is to pay retirement benefits to members
- providing information and forms to help set up and manage your fund
- assessing applications for early release of super on compassionate grounds.

We don't:

- develop the law or related policy
- provide financial or investment advice
- evaluate your investment choices
- advise on the structure of your fund, or whether an SMSF is a sensible choice for you

- advise on resolving disputes between trustees
- recommend specific professionals, or intervene if you have a dispute with a professional.

SMSF early engagement and voluntary disclosure service

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/How-we-help-and-regulate-SMSFs/SMSF-early-engagement-and-voluntary-disclosure-service/>
- Last modified: 06 Jul 2022
- QC 49175

How and when to report using the SMSF early engagement and voluntary disclosure service.

On this page

- [What is the SMSF early engagement and voluntary disclosure service](#)
- [Who can use the SMSF early engagement and voluntary disclosure service](#)
- [When to use the SMSF early engagement and voluntary disclosure service](#)
- [How to make a voluntary disclosure of an unrectified contravention](#)
- [Accepting voluntary disclosures](#)
- [Service expectations](#)

What is the SMSF early engagement and voluntary disclosure service

Each year an approved self-managed super fund (SMSF) auditor must audit your fund. The auditor is required to report certain regulatory contraventions to us via the *Auditor/actuary contravention report*.

When contraventions have occurred you should work with your appointed SMSF professionals including your [SMSF auditor](#) to rectify them as soon as possible.

However, we encourage you to voluntarily disclose regulatory contraventions that remain unrectified without waiting for your SMSF auditor to advise us.

You can do this at any time via our SMSF early engagement and voluntary disclosure service (the service). The service provides a single-entry point for SMSF trustees and professionals to engage early with us in relation to unrectified contraventions.

We expect that before you use the service, trustees will have already developed a plan to rectify the contravention as soon as possible. You should submit the plan

with your [SMSF regulatory contravention disclosure form](#).

If you voluntarily disclose unrectified contraventions before we start an audit, we take your disclosure into account in determining what other actions we need to take.

If you make a disclosure about contraventions that occurred in previous years, you must lodge any outstanding SMSF annual returns.

Who can use the SMSF early engagement and voluntary disclosure service

SMSF trustees and SMSF professionals (such as tax agents, accountants, financial planners, lawyers and fund administrators acting on behalf of SMSF trustees) can use our SMSF early engagement and voluntary disclosure service.

If an SMSF professional lodges the voluntary disclosure, the SMSF regulatory contravention disclosure form must be signed by at least one of the trustees for the fund.

In addition, if the SMSF professional is not registered with the ATO as an authorised contact for the fund, a written authorisation signed by the trustees to allow the ATO to liaise with the representative must also be provided.

When to use the SMSF early engagement and voluntary disclosure service

The SMSF early engagement and voluntary disclosure service should be used when it's clear there has been a contravention of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) or regulations and it remains unrectified.

Before using this service, you should speak to an SMSF professional to receive guidance about rectifying the contravention so you have a rectification proposal to include with your voluntary disclosure.

Your SMSF auditor is still required to report regulatory contraventions via an *Auditor/actuary contravention report* (ACR). However, we will not commence an audit based on an ACR if the issue is attempting to be resolved through a voluntary disclosure, unless we receive additional information that requires further investigation.

You should not use this service if you have already received notification of an ATO audit or review in relation to the contravention. You should also not use this service if you are reporting a contravention that involved another trustee (a whistleblower disclosure) and you want your identity kept confidential. Instead you should use our [making a tip-off- service](#) to report the misconduct.

If you're unsure whether there has been a contravention of the SIS Act or Regulations, or you and your SMSF professional don't agree there has been a contravention, you should apply for [SMSF specific advice](#) first.

SMSF specific advice is a written explanation of our view of how the super laws

may apply to your SMSF in relation to a specific transaction or arrangement. For example, you can apply for advice in relation to the investment restrictions, or rules governing in specie contributions/payments and benefit payments.

We can confirm if there has been a contravention as part of this advice.

SMSF specific advice will provide you with more certainty about the contravention and enable you to formulate an appropriate rectification plan for inclusion in your voluntary disclosure.

How to make a voluntary disclosure of an unrectified contravention

You must complete the SMSF regulatory contravention disclosure form and provide us with all relevant facts, supporting documentation, a rectification proposal or proposed [Enforceable undertaking](#) and actively engage with us throughout the resolution process. If you do not complete the form, we will be unable to accept your disclosure.

The completed form and any relevant supporting documentation should be submitted to us using one of the following methods:

- If you're a tax agent submitting the voluntary disclosure on behalf of your client, you can use secure mail in Online Services for Tax Agents. Tax agents should ensure they attach the SMSF regulatory contravention disclosure form signed by the trustees of the fund to the email.
- If you're an SMSF trustee you can use secure mail in [Online services for business](#), making sure your:
 - *topic* is 'Superannuation'
 - *subject* is 'SMSF Early engagement & voluntary disclosure'.
- Fax: 1300 139 024.
- Post:

Australian Taxation Office
PO Box 3578
ALBURY NSW 2640
- Alternatively, both SMSF trustees and other SMSF Professionals can send an email to SMSFRegulatoryContraventionVoluntaryDisclosure@ato.gov.au.
(Please note email is an unsecured channel.)

Accepting voluntary disclosures

When you lodge your SMSF voluntary disclosure you will receive confirmation of receipt.

We may later contact you to request additional information if insufficient information has been provided.

We will assess your voluntary disclosure and depending on the facts and

circumstances it may result in an ATO review to consider the undertaking or rectification proposal.

For more information, see our [Early engagement and voluntary disclosure case studies](#).

Service expectations

What you can expect from us

SMSF trustees and professionals who engage with us and make a voluntary disclosure in accordance with this service can expect us to:

- engage with you and work with you and your SMSF professionals with the intent to agree on a proposed plan for rectifying the disclosed contravention
- take your voluntary disclosure and your willingness to engage with us at an early stage and throughout the review process into account when
 - determining the level of enforcement action that is required
 - making a decision about the remission of any administrative penalties that may be applicable.

What we expect from you

We expect you to:

- engage with your SMSF professional to devise a proposed plan of action to rectify the contravention
- provide the proposed plan for rectifying the contravention and relevant supporting documentation with your voluntary disclosure
- provide information that demonstrates that measures have been put in place to mitigate the risk of similar contraventions occurring in the future
- actively engage with us throughout the review process
- bring any outstanding SMSF annual return lodgments immediately up to date
- make any necessary amendments to SMSF annual returns and/or individual members' income tax and pay any outstanding income tax liabilities that may arise.

How we deal with non-compliance

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/How-we-help-and-regulate-SMSFs/How-we-deal-with-non-compliance/>
- Last modified: 07 May 2021
- QC 42478

Our main focus is encouraging SMSF trustees to comply with the super laws, but there are occasions when stronger responses are required.

Media: video title

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfi6zob> (Duration: 2:27)

To ensure a fair and reasonable outcome in each case, decisions are made according to the statements and principles set out in the:

- *Taxpayers' Charter*, which requires that taxpayers be treated fairly and reasonably
- Compliance model, which helps in understanding the factors and attitudes that motivate a taxpayer to comply or not comply with the law
- Good decision-making model, which requires that the decision is legal, ethical, equitable, overt, sensible, timely, and in accordance with the principles of natural justice.

The following courses of action are available to us to deal with SMSF trustees who have not complied with super laws:

- [Education direction](#)
- [Enforceable undertaking](#)
- [Rectification direction](#)
- [Administrative penalties](#)
- [Disqualification of a trustee](#)
- [Civil and criminal penalties](#)
- [Allowing the SMSF to wind up](#)
- [Notice of non-compliance](#)
- [Freezing an SMSF's assets](#)

Education direction

We may give an SMSF trustee a written direction to undertake a course of education when they have been found to have contravened super laws.

The education course is designed to:

- improve the competency of SMSF trustees
- improve their ability of trustees to meet their regulatory obligations
- reduce the risk of trustees contravening the law in the future.

To comply with the direction, trustees will need to complete the [approved education course](#) within a nominated timeframe.

Trustees are required to:

- provide evidence they completed the course
- sign and retain a Trustee declaration confirming they understand their obligations as a trustee of an SMSF.

This should be done no later than 21 days after completing the course of education.

A person who fails to comply with an education direction is liable to pay an administrative penalty of 5 penalty units.

Enforceable undertaking

An SMSF trustee may initiate an undertaking to rectify a contravention.

The undertaking must be sent to us in writing.

We will decide whether or not to accept the undertaking.

The undertaking should include:

- a commitment to stop the behaviour that led to the contravention
- what action will be taken to rectify the contravention
- the timeframe to rectify the contravention
- how and when the trustee will report the contravention has been rectified
- the strategies to prevent the contravention from recurring.

We will consider the following when deciding if we will accept the undertaking:

- the compliance history of the trustee
- the nature of the contravention
- whether the contravention can be rectified, and when and how this will be done
- whether the contravention had criminal consequences.

We will write to the trustee and advise if the undertaking has been accepted or not.

We may take further action if the SMSF trustee substantially fails to comply with the terms of the undertaking.

See also:

- [PS LA 2006/18](#) *Self-managed superannuation funds – enforceable undertakings*

Rectification direction

We may give a trustee or a director of a corporate trustee a written direction to rectify a contravention of the super laws.

A rectification direction requires a person to:

- undertake specified action to rectify the contravention within a specified time
- show proof of compliance with the direction.

Rectification generally involves putting in place managerial or administrative arrangements that could reasonably be expected to ensure there are no further similar contraventions.

A person who fails to comply with the direction commits an offence of strict liability. This can also lead to:

- the trustee or director being disqualified
- the fund's complying status being removed, which may result in a significant tax penalty on the fund.

A trustee may request us to vary the direction. The request must be made in writing on or before the period specified in the direction, be signed and dated and set out the reasons for the request.

A trustee may also object to our decision to:

- give a rectification direction
- refuse to vary a rectification direction.

Administrative penalties

Individual trustees and directors of corporate trustees are personally liable to pay an administrative penalty from 1 July 2014 if they contravene the following provisions of the *Superannuation Industry (Supervision) Act 1993* (SISA).

Table: SISA provision and associated penalty

Provision in SISA	Description	Administrative penalty
Subsection 34(1)	Operating standards	20 penalty units
Subsection 35B(1)	Accounts and statements	10 penalty units
Subsection 65(1)	Lending to members and relatives	60 penalty units
Subsection 67(1)	Borrowings	60 penalty units
Subsection 84(1)	In-house assets	60 penalty units
Subsection 103(1)	Duty to keep minutes	10 penalty units
Subsection 103(2)	Duty to keep minutes of meetings	10 penalty units
Subsection 103(2A)	Retention of copy of section 71E election	10 penalty units
Subsection 104(1)	Duty to keep records of changes of trustees	10 penalty units
Subsection 104A(2)	Declaration of recognition of obligations and responsibilities	10 penalty units
Subsection 105(1)	Duty to keep and retain member or beneficiary reports	10 penalty units
Subsection 106(1)	Duty to notify of significant adverse events	60 penalty units

Subsection 106A(1)	Duty to notify of change in status of entity	20 penalty units
Subsection 124(1)	Written appointment of investment managers	5 penalty units
Subsection 160(4)	Education direction	5 penalty units
Subsection 254(1)	Information to be given to the regulator	5 penalty units
Subsection 347A(5)	Participation in the regulator's statistical program	5 penalty units

The penalty cannot be paid or reimbursed from the assets of the fund.

Directors of corporate trustees are jointly and severally liable to the penalty.
Individual trustees are each liable to the penalty.

Penalties may be wholly or partially remitted depending on the circumstances of each case.

Administrative penalties may also be imposed on SMSF trustees if they make false and misleading statements to us.

See also:

- [Penalties](#)
- [PS LA 2020/3](#) *Self-managed superannuation funds – administrative penalties imposed under subsection 166(1) of SISA*

Disqualification of a trustee

We may disqualify an individual from acting as a trustee or director of a corporate trustee if they've contravened super laws. We can also disqualify an individual if we're concerned about their actions or suitability to be a trustee.

When deciding whether to disqualify a trustee, we take into account how serious the contraventions are, how many contraventions have occurred and how likely it is they will continue to be non-compliant.

An individual may be disqualified as an SMSF trustee for not being a 'fit and proper person'. Personal character is considered along with the circumstances surrounding any contraventions.

We will write to disqualified trustees detailing our decision. This information is published in the [Government Notices Gazette](#)[↗]. Individuals who have been disqualified from being an SMSF trustee can apply to have the decision reviewed.

You can check our [disqualified trustees register](#)[↗], to see if an individual has previously been disqualified by us.

The register:

- provides information already publicly available information on the Government Notices Gazette. It has functionality to help you search easily and determine if a potential trustee has been disqualified.
- is updated quarterly
- includes all individuals who have been disqualified by us since 2012 (when the information was first published electronically).

When an individual is notified they have been disqualified as a trustee or director of the corporate trustee, they must remove themselves from this role.

It is an offence to continue to act as a trustee or director of the corporate trustee if you have been disqualified. Further penalties may apply.

See also:

- [PS LA 2006/17](#) *Self-managed superannuation funds – disqualification of individuals to prohibit them from acting as a trustee of a self-managed superannuation fund*
- [Ensure members are eligible to be trustees](#)

Civil and criminal penalties

We may apply through the courts for civil or criminal penalties to be imposed.

Civil and criminal penalties apply where SMSF trustees have contravened provisions concerning:

- the sole-purpose test
- lending to members
- the borrowing rules
- the in-house asset rules
- prohibition of avoidance schemes
- duty to notify the regulator of significant adverse events
- arm's-length rules for an investment
- promotion of illegal early release schemes.

We will consider the severity of the contravention, the circumstances that led to it and the actions of the individuals involved before instigating civil or criminal prosecution.

Allowing the SMSF to wind up

Following a contravention, the trustee may decide to wind up the SMSF and roll over any remaining benefits to an Australian Prudential Regulation Authority (APRA) regulated fund.

Depending on the actions of the trustees and the type of contravention, we may continue to issue the SMSF with a notice of non-compliance or apply other compliance treatments.

Notice of non-compliance

Serious contraventions of the super laws may result in an SMSF being issued with a notice of non-compliance. In this case, the fund remains non-compliant until they receive a notice of compliance.

We'll consider the following when deciding whether to issue a notice of non-compliance:

- The tax consequences and financial impact of making an SMSF non-complying.
- The seriousness of the contravention, including
 - trustee's behaviour
 - the effect the contravention has on the SMSF's assets
 - the number and duration of contraventions.
- All other relevant circumstances, including
 - if the trustee has rectified the contravention
 - the trustee's level of skill and knowledge
 - the compliance history of the fund
 - the events which led to the contravention.

Making a fund non-complying can have a significant financial impact on the SMSF because:

- for every year the fund remains non-complying, its assessable income is taxed at the highest marginal tax rate
- in the year it becomes non-complying, it includes in its assessable income an amount equal to the market value of the fund's total assets less any contributions the fund has received that are not part of the taxable income of the fund.

See also:

- [PS LA 2006/19](#) *Self-managed superannuation funds – notice of non-compliance*

Freezing an SMSF's assets

We may give a trustee or investment manager a notice to freeze an SMSF's assets where it appears that conduct by the trustees or investment manager is likely to adversely affect the interests of the beneficiaries to a significant extent. This is particularly important when the preservation of benefits is at risk.

The notice may direct the trustee or investment manager not to:

- acquire assets
- dispose of assets
- deal with assets in a particular way.

We may also give a similar written notice to a person, other than a trustee or investment manager, who has possession, custody or control of an asset of the fund.

SMSF Super Fund Lookup status

- <https://www.ato.gov.au/Super/Self-managed-super-funds/Administering-and-reporting/SMSF-Super-Fund-Lookup-status/>
- Last modified: 07 Nov 2022
- QC 64569

Work out what the SMSF compliance status types mean in Super Fund Lookup (SFLU).

On this page

- [About Super Fund Lookup](#)
- [Newly registered SMSFs](#)
- [SFLU status types](#)
- [SMSF with no ABN](#)

About Super Fund Lookup

[Super Fund Lookup](#)^{external link} (SFLU) contains publicly available information about all self-managed super funds (SMSFs) with an ABN. It includes SMSFs as well as funds regulated by the Australian Prudential Regulation Authority (APRA).

SFLU is our external register of SMSFs current compliance statuses.

APRA regulated funds can use this service to find out if rollovers can be made into an SMSF.

Employers can use this service to find out if employer contributions qualify as super guarantee (SG) payments.

In addition to identifying the current compliance status of an SMSF, you can also use SFLU to:

- identify whether a fund has ceased to operate
- access contact details for the fund.

Newly registered SMSFs

Whilst we undertake checks on all SMSFs which elect to be regulated by us, we also complete checks on new members or trustees if you:

- recently added a new member or trustee
- changed the structure of your trustee (for example, changed from individual to corporate trustees).

These [types of checks](#) can take between 2 to 56 days, which could delay the registration of your fund or prevent you from being added as a new trustee to a fund.

While we complete these checks, your first status for a newly registered SMSF, is 'Election to be Regulated is being processed'. This means:

- We are undertaking checks before we can record the SMSF as ATO-regulated.
- Other super funds cannot make transfers or rollovers.
- Employers cannot make super guarantee contributions.

SFLU status types

An SMSF will be described as one of 5 different status types on the SFLU:

- registered
- complying
- non-complying
- regulation details withheld
- regulation details removed.

Registered

A registered SMSF:

- is eligible to receive rollovers, transfers and contributions
- is regulated by us
- has not been issued with a notice of compliance or a notice of non-compliance.

Once the notice of compliance has been issued, we will change the fund's status to 'complying'.

Complying

A complying SMSF:

- is regulated by us
- has been issued with a notice of compliance
- qualifies for a concessional tax rate of 15%
- is eligible to receive rollovers.

Employer contributions made to complying funds can qualify as SG payments.

Non-complying

A non-complying SMSF:

- is not a resident of Australia, or
- has been issued with a notice of non-compliance.

Non-complying SMSFs do not qualify for concessional tax rates. They pay the highest marginal tax rate, which is currently 45%.

Non-complying funds are not eligible to receive a rollover. Employer contributions do not qualify as SG payments.

Regulation details withheld

There are many reasons why an SMSF may have their regulation details withheld. When we have concerns about how an SMSF is operating we usually withhold the regulation details and conduct further enquiries into its operation.

APRA regulated funds will not make rollovers to funds that have regulation details withheld.

We recommend employers don't make contributions to funds that have regulation details withheld because it is not clear if the fund is complying and operating as required.

Regulation details removed

If your annual returns are 2 weeks overdue, your regulation details will be removed on the first business day of the month.

Once you lodge your overdue annual returns, your regulation details will be updated on either the:

- first day of the month
- 15th calendar day of the month, or
- first business day after these dates.

Your fund's updated status will be displayed on SFLU the following day.

APRA regulated funds will not be able to make rollovers to funds that have regulation details removed. We recommend employers don't make contributions to funds that have regulation details removed because it is not clear if the fund is complying and operating as required.

SMSF with no ABN

If an SMSF does not have an ABN, they will not be displayed on SFLU.

This does not necessarily mean that the SMSF is not complying. We will still provide complying SMSFs with a notice of compliance.

SMSF auditors

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/>
- Last modified: 15 Mar 2021
- QC 45561

Approved self-managed super fund (SMSF) auditors have a critical role in helping to maintain the health and integrity of the SMSF sector through the annual audit of

each SMSF.

Find out about:

- [Professional requirements](#)
- [Auditor independence](#)
- [Auditor compliance](#)
- [Auditing an SMSF](#)
- [Reporting](#)
- [SAN misuse](#)
- [Help and resources](#)

Professional requirements

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Professional-requirements/>
- Last modified: 13 Jul 2020
- QC 45562

To conduct self-managed super fund (SMSF) audits, you must:

- be registered with the [Australian Securities and Investments Commission](#)[☞] (ASIC) as an approved SMSF auditor
- have a valid SMSF auditor number (SAN)
- meet ongoing obligations as prescribed by the
 - *Superannuation Industry (Supervision) Act 1993* (SISA)
 - *Superannuation Industry (Supervision) Regulations 1994* (SISR), and
- comply with ongoing ASIC registration requirements including
 - keeping your auditor details up to date
 - lodging your annual statement.

Under the SISA, you are required to comply with:

- auditor independence requirements, which the SISR prescribes as being set out in the [APES 110 – Code of Ethics for Professional Accountants \(including Independence standards\) \(2018\) – effective 1 January 2020](#)[☞] – produced by the Accounting Professional & Ethical Standards Board Limited (APESB)
- the applicable auditing and [assurance standards](#)[☞] issued by the Auditing and Assurance Standards Board (AUASB)
- SMSF auditor competency standards issued by ASIC in Class Order [\[CO 12/1687\] Competency standards for approved SMSF auditors](#)[☞]
- the reporting requirements, including for the
 - [Self-managed superannuation fund independent auditor's report](#)


(NAT 11466)

- [Auditor/actuary contravention report](#) (NAT 11239)

- the prescribed continuing professional development (CPD) requirements
- the requirement to hold prescribed professional indemnity insurance
- any conditions imposed on your registration by ASIC.

We work closely with ASIC to monitor the effectiveness of SMSF auditors. If we identify performance and compliance issues, including a failure to comply with your obligations under the SISA, we may refer the matters to ASIC for their consideration.

See also:

- [PS LA 2018/1](#) *Self-managed superannuation funds – referral of approved SMSF auditors to ASIC*
- [ASIC Regulatory Guide 243 Registration of self-managed superannuation fund auditors \(RG 243\)](#)^{EQ}
- [SISA – Section 128F Professional obligations of approved SMSF auditors](#)
- [SISR – Regulation 9A.06 Auditor independence requirements](#)
- [APESB Independence Guide – Fifth edition, May 2020 \(PDF, 1.36MB\)](#)  – download from the [APESB website](#)^{EQ}

Auditor compliance

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditor-compliance/>
- Last modified: 15 Mar 2021
- QC 45573

We work closely with ASIC to support and regulate approved self-managed super fund (SMSF) auditors.

Our compliance approach is designed to support SMSF auditors and identify and deal with high-risk SMSF auditors. It incorporates four key elements:

1. Web guidance and news articles to help SMSF auditors understand and comply with their professional and reporting obligations and the super laws, including the independence requirements in the [APES 110 Code of Ethics for Professional Accountants \(including Independence standards\) \(2018\) – effective 1 January 2020](#)^{EQ}.
2. Specialist support products such as Online services for business and the SMSF Auditors' Professional to Professional service.
3. Targeted information and advice for SMSF auditors through mailouts, where our data indicates areas of concern.
4. Audits and reviews of SMSF auditors where our data or intelligence indicates

there may be some concerns with their compliance and behaviour.

See also:

- [What you can expect in an audit or review](#)
- [Issues of concern](#)
- [Auditor independence](#)
- [Penalties](#)

Issues of concern

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditor-compliance/Issues-of-concern/>
- Last modified: 15 Mar 2021
- QC 45575

Issues we find when reviewing the performance of approved self-managed super fund (SMSF) auditors include the following:

- Auditor independence – you must comply with the independence requirements set out in the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (2018) – effective 1 January 2020 (the Code). From 1 July 2021, we expect any auditors conducting in-house audits to ensure they comply with the restructured independence standards in the Code. For example, under the Code you cannot audit an SMSF under any circumstances if:
 - your firm has assumed a management responsibility for the fund, or
 - you, your staff, or your firm provides accounting or bookkeeping services to the fund (including preparing the financial statements), unless the service is routine or mechanical and appropriate safeguards are applied.
- Restructuring arrangements set up to avoid in-house audits – these will be subject to extra scrutiny by us to ensure compliance with the Code and include:
 - audit pooling arrangements
 - reciprocal auditing arrangements
 - outsourcing to specialist firms.
- Knowledge of super laws – you must be able to understand and apply the rules governing SMSFs set out in the:
 - *Superannuation Industry (Supervision) Act 1993* (SISA)
 - *Superannuation Industry (Supervision) Regulations 1994* (SISR).
- Insufficient documentation – you must maintain a record of your audit processes and keep sufficient audit evidence to support your findings and

opinions.

- Auditors who fail to obtain sufficient evidence to support their opinion in common areas such as:
 - market valuations for unlisted assets
 - documents supporting a limited recourse borrowing arrangement (LRBA), including obtaining the loan agreement or bare trust deed
 - valuation evidence for collectibles including insurance.
- Insufficient evaluation of the evidence obtained, to show that the auditor appropriately formed an opinion on the fund's compliance with the relevant super laws.
- Unsigned documentation, including the:
 - trustee representation letter
 - engagement letter
 - management letter
 - financial statements (in particular).
- Failure to bring immaterial breaches to the trustee's attention in a management letter – such as breaches relating to separation of assets.
- Failure to report contraventions to us – you must report all contraventions that meet the reporting criteria, even if they have been rectified during the year.

Where we find matters of concern, we will determine the appropriate action, including referral to the Australian Securities & Investments Commission (ASIC).

We will refer an approved SMSF auditor to ASIC if we form an opinion that the auditor:

- has failed to perform their duties under the SISA, or other law
- has breached a provision of the SISA or SISR, or
- is not 'fit and proper' to be an approved SMSF auditor.

You will generally be considered by us to be 'fit and proper' if you have:

- adequately and properly performed your duties and functions as an approved SMSF auditor
- a good character and appropriate professional abilities (which include competency, diligence, knowledge and soundness of judgment)
- not been subject to sanctions under any relevant laws (including laws dealing with responsibilities relating to the person's profession, honesty and business transactions).

ASIC may take action against a person who is an approved SMSF auditor, including:

- imposing a condition on an auditor's registration
- varying a condition on an auditor's registration
- accepting an enforceable undertaking
- cancelling an auditor's registration
- suspending an auditor's registration
- disqualifying a person from being an approved SMSF auditor.

See also:

- [Auditor independence](#)
- [Approved SMSF auditor checklist – what we look for when auditing the auditor](#)
- [APES 110 Code of Ethics for Professional Accountants \(including Independence standards\) \(2018\) – effective 1 January 2020[↗]](#) – download from the APESB website
- [APESB Independence Guide – Fifth edition, May 2020 \(PDF 1.36MB\) !\[\]\(467d80e979964f7f8c752fb22248b5b7_img.jpg\)](#) – this link will download a file from the APESB website
- [AUASB Guidance Statement GS009 Auditing Self-managed superannuation funds[↗]](#) – download from the AUASB website
- [[↗]](http://asic.gov.au/smsf-auditor)

Verifying the market value of fund assets

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditor-compliance/Verifying-the-market-value-of-fund-assets/>
- Last modified: 11 Mar 2021
- QC 60021

For the 2012–13 and later income years, trustees of self-managed super funds (SMSFs) must value all fund assets at market value when preparing the financial statements and accounts for their fund each year. This is to comply with regulation 8.02B of the *Superannuation Industry (Supervision) Regulations 1994* (SISR).

Prior to this time, trustees were only required to value assets at market value if the fund was paying a pension or held in-house assets. Industry practice was to value other fund assets every three years.

Approved SMSF auditors are responsible for verifying the market value of fund assets as determined by the trustees. They also need to obtain evidence to support that determined market value. Where there is insufficient evidence, they must consider modifying the SMSF independent auditor's report (IAR), and lodge an auditor/actuary contravention report (ACR) where the reporting criteria is met.

Find out about:

- [Audit evidence to verify market value](#)
- [Auditor's reporting obligations if insufficient evidence](#)

Audit evidence to verify market value

Trustees of SMSFs are not required to prepare general purpose financial reports. They also do not need to comply with the accounting standards issued by the Australian Accounting Standards Board (AASB).

Instead, SMSF trustees can prepare special purpose financial reports (SPFR) in accordance with accounting policies that have been agreed upon between the entity and the users of those financial statements. However, they are still required to value the fund's assets at 'market' value, as defined in section 10(1) of the *Superannuation Industry (Supervision) Act 1993* (SISA), when preparing those statements to comply with regulation 8.02B of the *Superannuation Industry (Supervision) Regulations 1994* (SISR).

In accordance with Auditing Standard ASA 500 *Audit Evidence*, the auditor must obtain sufficient appropriate evidence, either from the trustee or external sources, to form an opinion about whether the SMSF has complied with regulation 8.02B. The auditor must also document that evidence and any judgments made in their audit file.

The auditor's responsibility is to obtain evidence to support the trustees' rationale for determining the market value of each asset (or class of asset). It is not the role of the auditor to value fund assets, or to determine their market value. Their role is to check that assets have been reported at market value by the trustees, and assess and document whether the basis for that valuation is appropriate given the nature of the asset.

Trustees must provide objective and supportable evidence, in accordance with our *Valuation guidelines for self-managed super funds*, to their approved SMSF auditor to support the asset's market value. It is the trustee's responsibility to provide all relevant documents to their auditor to substantiate the valuation.

Unlisted shares in companies or units in unit trusts

For unlisted shares in companies and units in unit trusts, sufficient appropriate audit evidence to support the trustee(s) determination of market value may include:

- an independent expert valuation of assets held in the company or unit trust. If this is not available, evidence of how the market valuation was substantiated by the directors or trustees including objective and supportable data on which they relied, the valuation method they used and any assumptions made
- a property valuation where property is the only asset of the company or unit trust
- the date and price of the most recent sale and purchase of a share or unit between unrelated parties.

Signed audited financial statements of the company or unit trust are unlikely to be sufficient evidence on their own for the purposes of establishing whether the fund's investment is reported at market value if the assets have been valued at cost in those financial statements.

Real property

For real property, an external valuation is one type of sufficient and appropriate audit evidence that may be used to support the trustee(s) determination of market value.

When valuing real property, trustees may consider using a qualified independent valuer (external valuer), especially where the property represents a significant proportion of the fund's value. If they choose to do this, regulation 8.02B of the SISR does not require trustees to obtain an external valuation of real property each year. However, trustees must still consider whether the external valuation can be used to support the valuation of the fund's real property when preparing the fund's statements and accounts each year.

If an external valuation has become materially inaccurate, or the value of the property has changed significantly since it was last valued (for example, because of a change in market conditions or events such as a natural disaster or global pandemic such as COVID-19), trustees should no longer rely on it and obtain a new valuation or other sources of evidence supporting the valuation.

Other forms of acceptable evidence sufficient for substantiating the market value of real property other than an external valuation, include:

- independent appraisals from a real estate agent (kerbside)
- a contract of sale if the purchase is recent and no events have occurred to the property that could materially impact its value since the purchase
- recent comparable sales results
- a rates notice (if consistent with other evidence on valuation)
- the net income yield of commercial properties (not sufficient evidence on their own and only appropriate where tenants are unrelated).

Generally, a single item of evidence listed above will not be sufficient on its own unless the property has been recently purchased by the fund. We suggest a variety of sources of evidence to support compliance with regulation 8.02B.

Real estate agent appraisals stating what the property is likely to sell for based on sales in the area, without listing details of those sales, would generally not on its own be sufficient and appropriate evidence.

The evidence should also support a market value for the property as close as possible to 30 June, especially where the market is potentially volatile.

Auditor's reporting obligations if insufficient evidence

Where the auditor is unable to obtain sufficient and appropriate evidence verifying the market value of a fund asset, they need to consider whether to modify the IAR and lodge an ACR.

Modifying the SMSF IAR

Where an approved SMSF auditor is unable to obtain sufficient appropriate audit evidence that the assets are valued at market value, they must consider modifying the SMSF IAR by:

- issuing a qualified opinion if they believe this could have a material but not pervasive impact on the fund
- issuing a disclaimer of opinion if they believe this could have a material and

pervasive impact on the fund.

However, if the auditor is able to obtain sufficient appropriate audit evidence that the assets are not valued at market value, the auditor should consider modifying the SMSF IAR by:

- issuing a qualified opinion if they conclude this has a material but not pervasive impact on the fund
- issuing an adverse opinion if they conclude this has a material and pervasive impact on the fund.

Lodging the ACR

Without sufficient appropriate evidence to verify the value of the asset, the auditor must use their professional judgement to determine whether an ACR should also be lodged.

The auditor must lodge an ACR if they believe:

- the values may be misstated, and
- it is likely that a contravention that meets the reporting criteria has occurred, may be occurring or may occur.

Otherwise, if they are unsure that this would constitute a reportable contravention, they can still tell us about the lack of evidence at the 'Other Regulatory information' section (Section G) of the ACR.

Determining the contravention value for the ACR

If the SMSF auditor cannot determine the value of the contravention with any reasonable degree of accuracy, they can report the asset value recorded in the fund's financial statements as the maximum value of the contravention in the event field of the ACR.

They should also add a description stating that, because they had insufficient evidence to ascertain the value of contravention, they have reported the total asset value recorded in the fund's financial statements as the maximum value of the contravention.

The auditor may decide to report a different figure for the contravention. For example, they may decide to report the difference in the value reported in the financial statements and their own estimation of the market value of the asset. In this case, they should clearly state this in the event field, including a description of the method used, any assumptions made and the data they relied on.

What SMSF trustees can expect if an ACR is lodged

We take a risk assessment approach in dealing with ACRs. We look at the type and number of contraventions reported and the amounts involved. We also look at any further information provided by the SMSF auditor in the events field. Where an ACR is lodged, the SMSF trustee will receive a letter from us and, for higher risk contraventions, an audit or review case may commence.

Where a SMSF trustee is asked to rectify a section 8.02B contravention, we would expect the trustee to attempt to get the asset valued at market value. If they are finding this too difficult, they should explain the issue to us. They can also seek SMSF specific advice. In some cases, the trustee may decide to sell the asset. The trustee should provide information about any rectification action to their SMSF auditor to assist in completing the following year's SMSF audit.

See also:

- [Request for self-managed superannuation fund specific advice](#)
- [Valuation guidelines for self-managed super funds](#)
- [Market valuation for tax purposes](#)
- [AUASB Guidance Statement GS 009 Auditing self-managed superannuation funds \(PDF 1.39MB\) on the Auditing and Assurance Standards Board website](#)²⁷
- [Lodging an ACR](#)

Audit evidence for downsizer contributions

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditor-compliance/Audit-evidence-for-downsizer-contributions/>
- Last modified: 15 Dec 2022
- QC 67410

Members of self-managed superannuation funds (SMSFs) can make [downsizer contributions into their super](#) fund of up to \$300,000 from the proceeds of selling their main residence. This is providing certain eligibility requirements are met.

Checking compliance with the downsizer contribution requirements

When conducting the fund's annual audit, approved [SMSF auditors](#) need to obtain sufficient and appropriate audit evidence to verify the fund has complied with the downsizer contribution requirements.

At a minimum, auditors should check for and obtain evidence of the following:

- the member had reached the eligible age at the time the contribution was made; the eligible age is as follows
 - From 1 January 2023, 55 years old or older
 - From 1 July 2022, 60 years old or older
 - From 1 July 2018, 65 years old or older

Note: There is no maximum age limit.

- a tax file number (TFN) for the member has been provided

- the SMSF trust deed allows the fund to accept a downsizer contributions
- an approved [Downsizer contribution into superannuation form](#) from the member that has been signed and dated. The member can use a form provided by the fund. However, to be in the approved form, it must contain a number of key elements.
- the contribution was made either at the same time or after the form was received by the fund and the contribution does not exceed the \$300,000 cap per member
- the member has not previously made downsizer contributions to the fund from a previous sale of property
- the contribution has been correctly allocated to the member's account.

We don't require auditors to check if a member has met any other downsizer eligibility requirements. They can rely on the member making a correct declaration on the *Downsizer contribution into superannuation form*.

For a copy of our form, go to:

- [Downsizer contribution into superannuation form \(PDF, 197KB\)](#) 

Contributions that don't meet the eligibility criteria

Contributions that don't meet the eligibility criteria to be downsizer contributions may still be accepted by the fund as personal contributions for the member. This is provided the contributions satisfy the acceptance of contribution rules in regulation 7.04 of the [Superannuation Industry \(Supervision\) Regulations 1994](#)²⁷.

If the contribution doesn't satisfy the acceptance of contribution rules:

- trustees are required to ensure the contribution is returned by the fund
- the contribution must be returned within 30 days of the fund becoming aware that the amount received didn't meet the eligibility criteria (where the SMSF trust deed allows this).

A contravention of regulation 7.04 occurs where the contribution is not returned within 30 days. The auditor will be required to:

- report the contravention to us via an [Auditor/actuary contravention report](#) (where the reporting criteria is met)
- notify the trustees via a management letter, and
- modify Part B of the *Self-managed super fund independent auditor's report*.

For more information on auditor reporting requirements, go to:

- [Auditor reporting requirements to trustees](#)
- [Auditor reporting requirements to ATO](#)

Penalties

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditor-compliance/Penalties/>
- Last modified: 18 Aug 2017
- QC 45576

Penalties may be imposed on SMSF auditors if they contravene the SISA.

Description	Provision in SISA	Penalty
A person holds themselves out as an approved SMSF auditor and is not an approved SMSF auditor	Section 131B(2) [↗]	50 penalty units
A person who is or acts as an approved SMSF auditor and has been disqualified or suspended by ASIC.	Section 131C [↗]	60 penalty units, or imprisonment for up to two years
An auditor (first auditor) is aware of a matter that must be told to the ATO and a trustee, and <ul style="list-style-type: none"> • the auditor tells another auditor (second auditor) that they have told the ATO and a trustee about the matter, and • the first auditor has not told the ATO and the trustee about the matter. 	Sections 129(3B) & (3C)	Imprisonment for 12 months
An auditor fails to inform trustees and the ATO of: <ul style="list-style-type: none"> • contraventions identified during an SMSF audit, and/or • the fund's unsatisfactory financial position identified during an SMSF audit. 	Sections 129(4) & (5)	50 penalty units (each offence)
An auditor fails to inform trustees and the ATO of: <ul style="list-style-type: none"> • contraventions identified during an SMSF audit, and/or • the fund's unsatisfactory financial position identified during an SMSF audit. 	Section 129(6)	25 penalty units (each strict liability offence)
An auditor fails to provide the audit report to the trustees within the prescribed period.	Section 35C(6) [↗]	50 penalty units

See also:

- [Penalties](#)

What you can expect in an audit or review

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditor-compliance/What-you-can-expect-in-an-audit-or-review/>
- Last modified: 15 Mar 2021
- QC 45574

We undertake audits and reviews of approved self-managed super fund (SMSF) auditors where we have information indicating there are matters of concern, or where we want to provide assurance that an auditor is complying with their obligations.

Our audits and reviews will:

- review your audit processes and performance to identify issues
- check you are complying with your professional and reporting obligations under the super laws, including the independence requirements in the APES 110 *Code of Ethics for Professional Accountants (including Independence standards)* (2018) – effective 1 January 2020
- test whether you are correctly applying the super laws
- identify areas where you need support or education.

If you are selected for review, we will ask for copies of your audit working papers and any other documents or evidence relevant to your assessment of the fund's compliance with super laws.

The names of the selected SMSFs will generally only be provided during our field visit. However, if the audit or review is not conducted in the field, we will advise you of the names of the selected SMSFs during the phone interview.

Where a practice is responsible for large numbers of SMSF audits, we will review and test internal controls to give us assurance that the large numbers of SMSF audits are being undertaken satisfactorily.

In most cases, our initial approach will be informal. We will advise you of:

- the purpose and scope of the review or audit
- what action you need to take, and
- your rights.

If the review is to be conducted in your office, we will contact you to arrange an

agreed time for an initial meeting.

If you do not respond to our request for information and documentation, we will refer the matter to the Australian Securities and Investments Commission (ASIC).

We may refer an approved SMSF auditor to ASIC for consideration and possible enforcement action in accordance with practice statement [PS LA 2018/01 Self-managed superannuation funds - referral of approved SMSF auditors to ASIC](#).

See also:

- [Auditor independence](#)
- [Approved SMSF auditor checklist – what we look for when auditing the auditor](#)

Auditing an SMSF

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditing-an-SMSF/>
- Last modified: 05 Sep 2022
- QC 45565

What your role and responsibilities are as an SMSF auditor and guidance on conducting audits.

[Auditor responsibilities](#)

Work out what your responsibilities are as an SMSF auditor.

[Financial audit](#)

How to conduct an SMSF financial audit.

[Compliance audit](#)

Help on how to complete an SMSF compliance audit.

[Audit documentation](#)

What documentation auditors need to support findings and opinions.

[Auditing an SMSF that is winding up](#)

What responsibilities auditors have for the final audit when an SMSF is winding up.

[SuperStream SMSF rollovers and auditor reporting obligations](#)

When to report contraventions of the SuperStream rollover rules.

Auditor responsibilities

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditing-an-SMSF/Auditor-responsibilities/>
- Last modified: 05 Sep 2022
- QC 70327

The trustees must appoint you as their SMSF auditor no later than 45 days before the annual return is due to be lodged.

They must provide you with all relevant documentation to conduct and finalise the audit. If you need more information, request it in writing. They must provide it within 14 days of your request.

As an SMSF auditor, it's your role to:

- carry out the annual financial and compliance audit of an SMSF's operations
- provide the [Self-managed superannuation fund independent auditor's report](#) (NAT 11466) to trustees within 28 days of receiving all documentation.

A financial and compliance audit must be completed before a fund's SMSF annual return can be lodged.

Financial audit

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditing-an-SMSF/Financial-audit/>
- Last modified: 12 Aug 2020
- QC 45564

You must conduct your financial audit in accordance with the [Australian Auditing Standards \(ASAs\)](#)²⁷ issued by the Auditing and Assurance Standards Board (AUASB).

When undertaking the financial audit (Part A of the audit report) you should:

- prepare and document the audit plan in writing, which details the approach to be undertaken
- identify the nature, timing and extent of audit procedures used to address the risk that financial statements are materially misstated
- gather appropriate evidence to support assertions for material account balances and transactions in signed financial statements (this includes evidence that assets are valued at market value and any non-arm's length income has been identified)
- conduct testing of the assertions made in the signed financial reports about the

- existence of assets, entitlements and liabilities
 - occurrence of transactions
 - completeness of transactions, events and assets being recorded
 - ownership, rights and obligations the SMSF has for assets, entitlements and liabilities
 - accuracy and valuation of data amounts recorded
 - classification of relevant events to correct accounts
- review the fund's tax calculation and allocation of any tax expense or benefit to the member's accounts including checking whether the fund has
 - correctly classified income (for example, correctly report income as ordinary, statutory, exempt current pension income or arm's length/non-arm's length income)
 - incurred any deductions claimed
 - any imputation credits, carried forward losses and other offsets attributable to the fund
 - correctly classified the tax status of contributions
 - complied with regulatory laws that may otherwise impact their ability to claim concessional taxation treatment
- document your conclusions, opinions and judgments based on the evidence obtained – there should be sufficient audit working papers to allow another auditor who has had no previous involvement with the audit to understand the work performed and the opinion reached
- form an opinion about the fair presentation of the financial report based on evidence gathered and checks performed – your opinion should be reported in the approved [Self-managed superannuation fund independent auditor's report](#) (NAT 11466-07.2019) (IAR) form for the relevant reporting period.

Part A qualification for 2019–20 income year and onwards

Part B of the IAR gives the auditor's opinion on the fund's compliance with super laws while Part A of the IAR gives the auditor's opinion on whether the fund's financial statements are fairly presented (that is, there are no material misstatements). All Part B qualifications continue to be reported in the self-managed superannuation fund (SMSF) annual return (SAR).

For the 2018-19 income year, the SAR included the requirement to report a Part A qualification in the IAR and whether the reported issue had been rectified.

From 2019 -20 income year and onwards:

- Part A qualifications continue to be reportable in the SAR.
- The requirement to report whether a Part A qualification has been rectified or not has been removed from the SAR.
- Where a Part A qualification results from insufficient audit evidence in relation to opening balances, there will be no requirement to report, as detailed in the SAR instructions.

Funds are selected for audit or review based on numerous risk factors including

whether an Auditor contravention report (ACR) has been lodged for the fund. We would not generally select a fund for an audit or review based solely on a Part A qualification. If a fund with a Part A qualification was selected for an audit or review based on other risk factors, we would investigate the Part A qualification further.

Where SMSF trustees receive a qualified IAR, they should work to rectify any issues as soon as possible. The trustees can also make a voluntary disclosure to us. If an audit or review is commenced, the disclosure will be taken into account in determining any enforcement action and the appropriate level of remission of administrative penalties.

See also:

- [Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds⁵⁷](#) (PDF 1.38MB) – download from the AUASB website
- [SMSF Independent auditor's report Part A Financial Audit](#)
- [SMSF early engagement and voluntary disclosure service](#)

Compliance audit

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditing-an-SMSF/Compliance-audit/>
- Last modified: 15 Dec 2022
- QC 45566

Information to help you complete audit checks and what evidence you need to collect.

On this page

- [Professional standards and conduct of audit](#)
- [Our compliance audit guidance](#)

Professional standards and conduct of audit

As an approved self-managed super fund (SMSF) auditor, you must possess the required capabilities and competencies to conduct a compliance audit of an SMSF. This includes having full knowledge of the relevant legislation and its application to SMSFs.

You must conduct your compliance audit in accordance with the [Standards on Assurance Engagements \(ASAE\)⁵⁸](#) produced by the Auditing and Assurance Standards Board (AUASB).

The relevant ASAEs are outlined under [Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds⁵⁹](#) (PDF, 1.38 MB) – download from the AUASB

website

Based on your audit, you must be satisfied that the trustees of the fund have met the requirements set out in the super laws. When doing the compliance audit, you should:

- consider materiality and risk
- obtain sufficient and appropriate evidence on which to base your conclusions
- test identified contraventions against the Auditor/actuary contravention report (ACR) reporting criteria
- document your conclusions, opinions and judgments in writing to keep as part of your audit working papers. There should be sufficient audit working papers to enable another auditor who has had no previous involvement with the audit to understand the work performed and the opinion reached.
- report your professional opinion about the subject matter in the approved [Self-managed superannuation fund independent auditor's report](#) (IAR) form (NAT 11466-07.2019)
- if you form the opinion that a contravention of a matter specified in the ACR may have occurred, may be occurring or may occur in the future; notify the trustee in writing and report this to us in the ACR.

Our compliance audit guidance

The tables below provide guidance on the minimum expectation of audit checks and evidence in relation to sections of the *Superannuation Industry (Supervision) Act 1993* (SISA) and regulations in the *Superannuation Industry (Supervision) Regulations 1994* (SISR) that are listed in the *Self-managed superannuation fund independent auditor's report* and in tables 1A and 1B of the [Auditor/actuary contravention report instructions](#).

This guidance material does not replace or limit any professional obligations or standards that you are required to meet. It merely sets out what we expect to see evidenced in an SMSF audit if it were to carry out a compliance review or other activity in relation to an SMSF auditor.

Minimum expectation of audit checks

Table 1A: Audit checks under the SISA

Section	Minimum expectation of audit check
S17A	<p>To check if the fund meets the definition of an SMSF, the auditor should collect evidence by checking the:</p> <ul style="list-style-type: none">• trust deed• current number and names of members• type of trustee• relationship between members (for example, no member of the fund is an employee of another member, unless they are relatives)• names of individual trustees or directors of corporate trustees

	<ul style="list-style-type: none"> • details of legal personal representatives where relevant. <p>For more information, see SMSFR 2010/2 Self Managed Superannuation Funds: the scope and operation of subparagraph 17A(3)(b)(ii) of the Superannuation Industry (Supervision) Act 1993.</p>
S35AE	<p>The auditor should check that accounting records are:</p> <ul style="list-style-type: none"> • kept in Australia • written in the English language or in a form that allows easy translation into English • kept on file for at least five years (by sighting historical records or seeking written confirmation from the trustees).
S35B	<p>The auditor should check that the accounts and statements (an operating statement and a statement of financial position) have been:</p> <ul style="list-style-type: none"> • signed by the required number of trustees or directors of the corporate trustee as indicated for each financial year below <ul style="list-style-type: none"> ◦ for the 2020–21 and earlier financial years <ul style="list-style-type: none"> ■ Corporate trustee with a single director – one director ■ Corporate trustee with multiple directors – at least two of the directors ■ Individual trustees – at least two of the trustees. ◦ for the 2021–22 and later financial years <ul style="list-style-type: none"> ■ Corporate trustee with one or two directors – all of the directors ■ Corporate trustee with three or more directors – at least half of the directors ■ Individual trustees with two trustees – all the trustees ■ Individual trustees with three or more trustees – at least half of the trustees. • kept for at least five years (by sighting historical records or seeking written confirmation from the trustees) • completed and signed (an operating statement and a statement of financial position).
S35C(2)	<p>The auditor should keep a record of any written requests to the trustees for documents relevant to the audit.</p> <p>Trustees should be reminded to provide requested documents in a required timeframe of 14 days. Failure to do so is a reportable contravention.</p>
S62	<p>The auditor should:</p> <ul style="list-style-type: none"> • check that the trust deed established the fund solely for the

	<p>provision of benefits for fund members (upon their retirement or turning 65 years old) and their dependants (in the case of the member's death before retirement)</p> <ul style="list-style-type: none"> • consider transactions to ensure they have been entered into with the sole purpose of providing benefits to members in retirement and not to provide a current day benefit before a condition of release has been met. <p>Indicators that a fund may not be meeting the sole purpose test include:</p> <ul style="list-style-type: none"> • investments acquired, transactions or contracts entered into that <ul style="list-style-type: none"> ◦ appear to provide minimal or no returns for the fund ◦ provide a current or additional personal benefit to members (for example the fund invests in a sports club that provides members with free use of facilities). • the fund is running an active business which may cause the fund to contravene other provisions of the SISA and the SISR. <p>For more information, see SMSFR 2008/2 <i>Self Managed Superannuation Funds: the application of the sole purpose test in section 62 of the Superannuation Industry (Supervision) Act 1993 to the provision of benefits other than retirement, employment termination or death benefits.</i></p>
S65	<p>The auditor should obtain evidence that the fund has not lent money or provided financial assistance to members and relatives by:</p> <ul style="list-style-type: none"> • examining bank statements and seeking explanation from trustees for any unusual transactions including transfers of money to members or relatives • checking details of all loans by the fund (including parties to the loan, loan term, interest, repayments) • checking any transactions with related parties for financial assistance to members or relatives • reviewing asset ownership to ensure the investment is owned by the fund and that a charge or other form of security has not been taken over any of the SMSF's assets to secure a member's or relative's personal borrowing. If the auditor has reason to suspect this may be happening, they should consider further checks, such as <ul style="list-style-type: none"> ◦ property title search to check for encumbrances on real property ◦ the Personal Property Securities Register for other parties registering interests against other SMSF assets. <p>For more information, see SMSFR 2008/1 <i>Self Managed Superannuation Funds: giving financial assistance using the resources of an SMSF to a member or relative of a member that is prohibited for the purposes of paragraph 65(1)(b) of the Superannuation Industry (Supervision) Act 1993.</i></p>

S66	<p>The auditor should check whether the fund has acquired assets from related parties by:</p> <ul style="list-style-type: none"> • identifying the parties involved in fund acquisitions • obtain evidence of the parties to acquisitions including sighting minutes of meetings regarding the purchase, invoices or contracts of sale. <p>If there is a related party acquisition, the auditor should check whether it is:</p> <ul style="list-style-type: none"> • an excepted acquisition • acquired at market value. <p>For more information, see SMSFR 2010/1 <i>Self Managed Superannuation Funds: the application of subsection 66(1) of the Superannuation Industry (Supervision) Act 1993 to the acquisition of an asset by an SMSF from a related party.</i></p>
S67, s67A, s67B	<p>The auditor should check whether the fund has any borrowings by examining financial statements, documents and bank statements to check for overdrafts, loans or unusual contractual terms or transactions.</p> <p>If there is a borrowing, the auditor should obtain evidence, including loan documents from the trustees, to determine:</p> <ul style="list-style-type: none"> • the reason for the borrowing • whether it is allowed under the borrowing exceptions • whether the trust deed permits the fund to borrow. <p>If the fund has a limited recourse borrowing arrangement (LRBA) under section 67A the auditor should check that the:</p> <ul style="list-style-type: none"> • asset is a type that can be acquired by the fund • trust deed allows for LRBAs and the investment is in line with the fund's investment strategy • loan documents to ensure there is limited recourse available to the lender should the fund default on the borrowing • deed of the holding trust (also known as the custody deed or the bare trust deed) • express terms of any guarantee arrangements limit the rights of the guarantor to rights relating to the asset which is the subject of the arrangement. <p>If there is a replacement asset the auditor should check that it is allowed to be treated as an acquirable asset under section 67B.</p> <p>Find out about</p> <ul style="list-style-type: none"> • SMSFR 2009/2 <i>Self Managed Superannuation Funds: the meaning of 'borrow money' or 'maintain an existing borrowing of money' for the purposes of section 67 of the Superannuation Industry (Supervision) Act 1993</i> • SMSFR 2012/1 <i>Self Managed Superannuation Funds: limited recourse borrowing arrangements – application of key concepts</i>

S82	<p>The auditor should determine if there are related party investments by sighting financial statements, bank statements and any other relevant supporting documents such as share and unit certificates, loan documents or lease documents.</p> <p>Where the SMSF invests in related parties, the auditor should check:</p> <ul style="list-style-type: none"> • the proportion of shares/units held in the related entity • whether SMSF trustees or related parties hold a controlling interest or can sufficiently influence decisions of the entity (for example, directors, significant share or unit holding, casting votes or control over the day to day operations of the entity) • the related entity's financial statements, including whether it has borrowed, its dealings are at arm's length, and distributions are paid as they fall due • whether the loan, investment or lease meets the definition of an in-house asset (loans to, investments in and leases to related parties) and whether any in-house asset exceptions apply • if there are in-house assets, the auditor calculates the market value ratio of the in-house assets. If the ratio exceeds 5% of the market value of total fund assets, the auditor should seek evidence of a written plan (per section 82 of the SISA) by the trustees to dispose of excess in-house assets by the end of the following financial year to reduce the ratio to less than 5% of total fund assets. <p>Find out about</p> <ul style="list-style-type: none"> • SMSFR 2009/4 <i>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</i> • SMSFR 2009/3 <i>Self Managed Superannuation Funds: application of the Superannuation Industry (Supervision) Act 1993 to unpaid trust distributions payable to a Self Managed Superannuation Fund</i> • SMSFD 2008/1 <i>Self Managed Superannuation Funds: how does the happening of an event in sub-regulation 13.22D(1) of the Superannuation Industry (Supervision) Regulations 1994 affect whether a self managed superannuation fund's investments in related companies or unit trusts are in-house assets of the fund?</i> • SMSFD 2007/1 <i>Self Managed Superannuation Funds: when is a dividend or trust distribution 'received' before the end of 30 June 2009 for the purposes of paragraph 71D(d) of the Superannuation Industry (Supervision) Act 1993</i>
S83	<p>The auditor should check any acquisitions by the fund during the year including the identity of the parties to the transaction to determine if the fund acquired in-house assets by:</p> <ul style="list-style-type: none"> • sighting financial statements, bank statements and any other

	<p>relevant supporting documents such as share and unit certificates, loan documents or lease documents to check for related parties</p> <ul style="list-style-type: none"> • checking the proportion of shares/units held in the related entity • checking whether SMSF trustees or related parties hold a controlling interest or can sufficiently influence decisions of the entity (for example directors, significant share or unit holding, casting votes or control over the day to day operations of the entity). <p>The auditor should obtain evidence to determine whether the acquisition occurred at a time when the market value ratio of in-house assets already exceeded 5% or whether the acquisition caused the market value ratio of the in-house assets to exceed 5%.</p>
S84	<p>Where a fund has in-house assets, the auditor should obtain evidence that the trustees have taken all reasonable steps to comply with in-house asset rules by checking the:</p> <ul style="list-style-type: none"> • market value ratio of in-house assets does not exceed 5% • trustees did not intentionally acquire in-house assets which caused the market value ratio of in-house assets to exceed 5% • trustees have made a written plan to dispose of any excess in-house assets to reduce the market value ratio to 5%. <p>Trustee documents including minutes of meetings may contain further evidence about the acquisition and disposal of in-house assets.</p>
S85	<p>When examining fund transactions, the auditor should check for schemes (including transactions entered into through third parties) which may be designed to circumvent in-house asset rules or artificially reduce the market value ratio of the fund's in-house assets by:</p> <ul style="list-style-type: none"> • sighting bank statements and other relevant supporting documents for transactions, including the methods for valuing assets • considering the relationship between the fund and the parties to the transactions.
S103	<p>The auditor should obtain evidence that minutes of trustee meetings are kept and retained on file for at least 10 years as required by:</p> <ul style="list-style-type: none"> • sighting meeting minutes and records of decisions relevant to the year under audit and retaining these on the audit file • seeking written confirmation from trustees that these minutes and records are kept on file for at least 10 years (in trustee representation letter).
S104	<p>The auditor should obtain evidence that trustees keep and retain records for at least 10 years of all trustee consents and all changes</p>

	<p>of trustees, or directors of the corporate trustee, by:</p> <ul style="list-style-type: none"> • sighting records of trustee changes and consents relevant to the year under audit and retaining these on the audit file • seeking written confirmation from trustees that these records are kept on file for at least 10 years (in trustee representation letter), especially if changes occurred during the year prior to engagement with the auditor.
S104A	<p>The auditor should obtain evidence that that all trustee declarations have been signed and retained as required by:</p> <ul style="list-style-type: none"> • sighting a signed trustee declaration for each individual SMSF trustee or each director of the corporate trustee relevant to the year under audit, and retaining these on the audit file • seeking written confirmation from trustees that the trustee declarations are kept on file for at least 10 years (in trustee representation letter), especially if changes occurred during the year prior to engagement with the auditor. <p>Signing the ATO trustee declaration applies to new trustees and directors from 30 June 2007 and trustees who have undertaken an education course in compliance with an education direction.</p>
S105	<p>The auditor should obtain evidence that the fund has retained all member or beneficiary reports as required by:</p> <ul style="list-style-type: none"> • sighting any member or beneficiary reports relevant to the year under audit • seeking written confirmation from trustees that the reports are kept on file for at least 10 years (in trustee representation letter).
S109	<p>The auditor should obtain evidence that the fund's transactions are conducted at arm's length (particularly where there are dealings with a related party of the fund) by examining:</p> <ul style="list-style-type: none"> • financial statements and source documents • bank statements • supporting documents of transactions, such as leases, loan documents or purchase contracts to check for commercial terms and a market rate of return.
S126K	<p>The auditor should obtain evidence that no trustee of a SMSF is a disqualified person by seeking confirmation from:</p> <ul style="list-style-type: none"> • each individual trustee or director of a corporate trustee that they are not a disqualified person (in a trustee representation letter), and • the directors of a corporate trustee that the company is not otherwise a disqualified person.

	<p>The auditor may consider further checks in some cases, for example, if the trustees refuse to provide written confirmation or there is reason to suspect they may be disqualified.</p> <p>For new engagements, as well as periodically for continuing audits, the auditor seeks independent verification of the trustee status. To help determine whether a trustee is a disqualified person, additional checks the auditor may consider include:</p> <ul style="list-style-type: none"> • the ATO Disqualified Trustees register²⁷ • the Australian Financial Security Authority National Personal Insolvency Index (NPII) register²⁸ for insolvency and bankruptcy information • searching the Australian Securities & Investment Commission (ASIC) Banned and Disqualified register²⁹ for individuals that ASIC have been notified is banned and disqualified from managing a corporation. <p>From 8 December 2021, a company will be a disqualified person if a restructuring practitioner (within the meaning of the Corporations Act 2001) is appointed to the company.</p> <p>Find out about</p> <ul style="list-style-type: none"> • Ensure members are eligible to be trustees or directors
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Table 1B: Audit checks under the SISR

Regulation	Minimum expectation of audit check
Sub Reg 1.06(9A)	<p>The auditor should obtain evidence that the fund has rules for pension payments as set out in SISR sub-regulation 1.06(9A) and that the fund complies with the rules (that is, payments are made at least annually and minimum required payment has actually been paid to the member during the year) by examining:</p> <ul style="list-style-type: none"> • the trust deed • bank statements for payments • actuarial certificates, where relevant • member records evidencing pension payments • any amounts accrued as pension payments.
Reg 4.09	<p>The auditor reviews the fund's investment strategy for evidence that the trustees have formulated, and invested in accordance with, an investment strategy that:</p> <ul style="list-style-type: none"> • has regard to the whole of the fund's circumstances • considers investment risk and returns, diversity, liquidity and the ability to discharge liabilities as they fall due • considers the insurance needs of members • is regularly reviewed.

	<p>The auditor checks the investments of the fund to understand if the trustees have invested in accordance with its requirements. Evidence that an investment strategy has been regularly reviewed and has considered the insurance needs of members may be found in an updated investment strategy, notations on the current investment strategy or information contained in minutes of trustee meetings.</p> <p>Generally, the investment strategy is in writing. If there is no formal investment strategy, the auditor must obtain some form of written confirmation from the trustees on which to base their opinion of the trustee's compliance with the requirements of this regulation.</p> <p>A material contravention of SISR regulation 4.09 should result in a qualified auditor's report and lodgment of an ACR. The trustee should also be notified in writing about the contravention. The auditor can notify the trustees in the management letter of any further concerns about the fund's investment strategy and its investments.</p>
Reg 4.09A	<p>The auditor should obtain evidence that the fund's money and assets are held separately from money and assets held personally by the trustees or a standard employer-sponsor by:</p> <ul style="list-style-type: none"> • sighting asset ownership documents, including bank statements, to verify SMSF assets are held in the name of trustees on behalf of the fund (for example, R & J Smith as trustees for the Smith SMSF or R Smith Pty Ltd as trustee for the Smith SMSF) and not in the name of the trustees alone • where State law prevents ownership in the SMSF's name, checking for alternative documentation that protects the fund's assets (for example, a valid declaration of trust) • reviewing transactions on bank statements to ensure fund money is not mixed with money belonging to related parties of the SMSF. <p>Where there has been a change in trustees, the auditor should obtain evidence that ownership documents reflect the change.</p>
Reg 5.03	<p>The auditor should obtain evidence that the investment return from reserves is allocated to each member's account in a fair and reasonable way by:</p> <ul style="list-style-type: none"> • checking details of the reserve account • reviewing earning allocations to each member's account to determine if they are reasonable given the circumstances • sighting the member records and accounts. <p>For more information, see SMSFRB 2018/1 <i>The use of reserves by self-managed superannuation funds</i>.</p>
Reg 5.08	<p>The auditor should obtain evidence that minimum benefits have been maintained appropriately by:</p> <ul style="list-style-type: none"> • sighting member accounts and records that evidence pension or lump sum payments

	<ul style="list-style-type: none"> • ensuring any loans to members are appropriately documented as such, and are therefore not to be considered an early access of benefits • checking whether members receiving payments have met a condition of release.
Reg 6.17	<p>The auditor should obtain evidence that any payments were cashed, rolled over or allotted in accordance with the SISR rules. This includes obtaining evidence that the payments were only paid to members who were eligible to receive those payments under the SISR and the fund's trust deed (based on age, cessation of employment, death, terminal medical condition, temporary or permanent incapacity, compassionate grounds, severe financial hardship, or transition-to-retirement).</p> <p>It also includes obtaining evidence that the trustees have complied with the SuperStream rules in the SISR for rollovers to, and from, a SMSF from 1 October 2021. A failure to do so is a contravention of regulation 6.17.</p> <p>For example, to comply with these rules and enable rollover data to be sent electronically between funds via SuperStream, trustees need to obtain an electronic service address (ESA) from an SMSF messaging provider that offers SuperStream rollover services. If a trustee attempted to obtain an ESA but had difficulties doing so, in limited circumstances, we are approving the use of the paper process for rollovers. Where this is the case, there will be no reportable contravention.</p> <p>Where a rollover is undertaken outside SuperStream using the paper process without our approval, you will need to report a contravention. You should obtain the reason(s) why this occurred from the trustees and include them when lodging an ACR.</p> <p>Find out about SuperStream rollovers-issues obtaining an electronic service address</p>
Reg 7.04	<p>The auditor should test that trustees were able to accept contributions by checking:</p> <ul style="list-style-type: none"> • the trust deed of the fund • members' ages and employment status • the type and source of contributions (this could include downsizer contributions for members over the eligible age) • timing and amount of contributions • if not already provided to the fund, the member's TFN was quoted to the trustee within 30 days of receiving the contribution. <p>If a contribution was accepted that was inconsistent with the requirements of SISR regulation 7.04, the auditor should check whether the trustees have returned the amount to the entity or person who made the payment.</p>

Reg 8.02B	<p>The auditor should check that the trustees have valued all fund assets at market value when preparing the accounts and statements for the fund each income year. They need to determine how the trustees have valued the assets and obtain evidence to support the valuation by:</p> <ul style="list-style-type: none"> • obtaining evidence from the trustees to confirm what method of valuation they used to value assets • sighting supporting documentation verifying market value of an asset. Evidence must be objective and supportable. • sighting third party financial statements to verify that assets such as units in unit trusts, shares and loans are valued at market value. This includes checking that the entity is a going concern and that the assets are recoverable. <p>A statement in the trustee representation letter or a trustee minute confirming asset valuations is not sufficient audit evidence. Find out about</p> <ul style="list-style-type: none"> • Valuation guidelines for self-managed superannuation funds • Verifying the market value of fund assets
Reg 13.12	<p>The auditor should obtain evidence that trustees have not recognised, encouraged or sanctioned an assignment of a member's super interest by seeking written confirmation from trustees (in trustee representation letter).</p>
Reg 13.13	<p>The auditor should obtain evidence that trustees have not recognised, encouraged or sanctioned a charge over or in relation to a member's benefits by seeking written confirmation from trustees (in trustee representation letter).</p>
Reg 13.14	<p>The auditor should obtain evidence that trustees have not given a charge over or in relation to a fund asset by seeking written confirmation from trustees and by carrying out the following checks:</p> <ul style="list-style-type: none"> • property title search to check for encumbrances on real property • the Personal Property Securities Register for other parties registering interests against other SMSF assets.
Reg 13.18AA	<p>The auditor should obtain evidence that the collectables and personal use assets rules have been met by sighting:</p> <ul style="list-style-type: none"> • insurance documents to check that assets were insured within seven days of acquisition and insured in the fund's name • written records of the decision for storage of collectable and personal use assets • written evidence from the trustees that the asset is not used by, or leased to, a related party or stored in the private residence of

	<p>a related party</p> <ul style="list-style-type: none"> • lease agreements for terms and conditions to determine if lessees are related parties of the SMSF. <p>If the collectable or personal use asset is sold to a related party, the auditor should obtain evidence that the asset was transferred at market value as determined by an independent qualified valuer.</p>
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Audit documentation

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditing-an-SMSF/Audit-documentation/>
- Last modified: 07 Sep 2020
- QC 45567

As a self-managed super fund (SMSF) auditor, you must have sufficient documentation to support your findings and opinions. This includes:

- preparing and documenting the audit plan in writing, which details the audit approach to be undertaken
- relevant audit evidence supporting the conclusions reached
- audit programs, checklists completed with relevant notation, issues memoranda, analysis undertaken, records of discussions and correspondence with the trustees and others who were relevant in forming the opinion
- evaluation of evidence including testing undertaken, results of audit testing, and summaries of reasoning on all significant matters that require the exercise of professional judgment.

You should keep audit files separate from other files you may hold for the client. Audit papers should be retained for at least seven years from the date the auditor's report is signed.

Your audit file should include copies of the following documentation:

- Letter of audit engagement – this confirms your acceptance of the appointment and clearly states the scope of the financial audit and the compliance audit within the super laws. It is required under the auditing standards and it should prevent any misunderstandings between the trustees and auditor about the nature and extent of the audit.
Guidance Statement GS 009 Auditing Self-Managed Superannuation Funds, issued by the Auditing and Assurance Standards Board (AUASB), states that the engagement letter is between the auditor and the trustees of the SMSF, not the auditor and any party referring the arrangement such as an accountant or administrator. It should be signed by the SMSF trustees.
- Representation letter – this must include all representations required by the

AUASB's auditing standards and should be signed by all trustees stating that, to the best of their knowledge, they have approved and acknowledge responsibility for financial statements and the fund complies with the super laws.

- Management letter – if there are matters of concern arising from the audit, you should provide the trustees with a management letter stating your findings.
- Working papers – these should be able to be understood by another experienced auditor who has had no previous connection with the audit. They should record the planning, nature, timing and extent of the audit procedures performed, the results of the audit procedures performed, evidence obtained, and the conclusions drawn from this evidence.

The working papers should include your reasoning on all significant matters arising during the audit that require the exercise of judgment, together with your conclusions and recommendations. Amongst other things, they should confirm that the audit was performed according to the AUASB's Australian Auditing Standards and Standards on Assurance Engagements.

See also:

- [Reporting](#)
- [Approved SMSF auditor checklist – what we look for when auditing the auditor](#)
- [Guidance Statements](#)[□] on the AUASB website
- [Australian Auditing Standards](#)[□] on the AUASB website
- [Standards on Assurance Engagements](#)[□] on the AUASB website

Auditing an SMSF that is winding up

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditing-an-SMSF/Auditing-an-SMSF-that-is-winding-up/>
- Last modified: 17 May 2019
- QC 58940

When winding up an SMSF, there are specific requirements SMSF trustees must attend to, including appointing an SMSF auditor to undertake the final audit. The SMSF auditor's responsibilities in these circumstances include:

- Checking the fund complies with wind-up requirements
- Your reporting obligations.

Checking the fund complies with wind-up requirements

As an SMSF auditor, there are extra audit checks you need to consider when undertaking the final SMSF audit for an SMSF that is winding up. These include checking that:

- any wind-up requirements in the trust deed have been met

- all members agreed in writing to the wind up
- the financial statements correctly account for assets, liabilities, income, expenses and final allocations to and payments from member accounts
- no accrued income or expenses are overdue at the wind-up date apart from estimated tax accruals awaiting the SMSF's final tax assessment
- asset disposals occurred at market value (based on verifiable evidence provided by the trustees). Market value of collectables disposed of to a related party, including as an in-specie super payment, must be supported by a written valuation from a qualified independent valuer
- benefits were only paid to members who met a condition of release (where the member provided written confirmation to the trustees), to eligible beneficiaries or to the legal personal representative
- benefits were transferred to and received by a complying superannuation fund for members who did not meet a condition of release
- you have written representation from the trustees confirming that any bank transactions occurring after the audit will comply with the super laws. This will apply when trustees leave the fund's bank account open to accommodate a final tax liability or tax refund which must subsequently be paid or transferred according to the payment standards in the super regulations.

Your reporting obligations

If you find evidence of non-compliance with the super laws or you haven't been provided with sufficient appropriate audit evidence to support your opinion, you should qualify the auditor's report.

Where the trustees have left the SMSF's bank account open, you can add a qualification to the auditor's report. The qualification should say that you are unable to verify the compliance of transactions occurring after the audit date because the SMSF bank account has remained open to receive the final tax refund or pay the final tax liability.

If the SMSF has contravened reportable provisions of the super laws, you must lodge an Auditor/actuary contravention report with us and notify the trustees in writing.

Even where there is no evidence of non-compliance, it is good practice to provide a final management letter to the trustees reminding them of their remaining obligations to formally wind up the SMSF, including:

- lodging the final SMSF annual return
- keeping the SMSF bank account open to pay the final tax liability or receive a tax refund
- keeping all records required under the super laws, including those specific to the wind up, for at least 10 years following lodgment of the final SMSF annual return.

See also:

- [Valuation guidelines for self-managed super funds](#)
- [Completing the auditor/actuary contravention report](#)

- [Winding up for trustees](#)

SuperStream SMSF rollovers and auditor reporting obligations

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Auditing-an-SMSF/SuperStream-SMSF-rollovers-and-auditor-reporting-obligations/>
- Last modified: 05 Sep 2022
- QC 70324

When to report contraventions of the SuperStream rollover rules and what evidence you need.

On this page

- [SuperStream rollover rules](#)
- [Reporting contraventions](#)
- [ACR reporting and audit evidence](#)
- [Obtaining an electronic service address](#)

SuperStream rollover rules

Trustees of self-managed super funds (SMSFs) must comply with the SuperStream rules in Division 6.5 of the Superannuation Industry (Supervision) Regulations 1994 (SISR) for rollovers.

This includes partial rollovers to and from an SMSF requested from 31 March 2021. Certain exceptions apply, including:

- *in-specie* rollovers
- transfers from foreign super funds
- contributions splitting super benefits that are rolled over.

Different rules apply to the trustee of a transferring or receiving SMSF in a rollover transaction. For example, trustees of transferring funds must ensure the:

- SMSF is able to receive the rollover information electronically where the rollover request is from the receiving fund or the ATO (regulation 6.33B)
- SMSF verifies certain fund/member details via the ATO's electronic services for rollovers between SMSFs, where applicable (regulation 6.33E)
- SMSF validates the member's tax file number using the SMSFmemberTICK service for rollovers out of the fund, where applicable (regulation 6.33D)
- SMSF makes the rollover in accordance with the rollover request and includes a payment reference number (PRN) (regulation 6.34)

- rollover occurs no later than 3 business days after all information needed to process the request is received (regulation 6.34A)
- SMSF provides the rollover information (including the PRN) to the receiving fund on the same day the rollover is made (regulation 6.34B). The rollover payment and information must match.

Trustees of receiving funds must ensure that:

- where the rollover request was received by the SMSF directly from the member, the SMSF uses SuperStream to request the rollover from the transferring fund (regulation 6.33A)
- where the rollover was made by the transferring fund to the receiving fund using SuperStream, the receiving fund is able to receive the rollover information and payment electronically (regulation 6.34C)
- the rollover is allocated to the member within 3 business days after it is received and all information is received to enable it to occur (regulation 6.34D).

If a trustee fails to comply with the Division 6.5 rules, this is a contravention of 'payment standards' in Part 6 of the SISR, in particular regulation 6.17.

Reporting contraventions

While the law requires compliance with the SuperStream rules for certain rollovers requested to and from an SMSF from 31 March 2021, we allowed a transition period until 1 October 2021.

This means you only need to report contraventions for non-compliance with the SuperStream rules to us via an [Auditor/actuary contravention report \(ACR\)](#) if:

- the rollover is requested on or after 1 October 2021, and
- the contravention meets the ACR reporting criteria.

When conducting the annual [compliance audit](#), if you identify non-compliance with the Division 6.5 rules and a contravention of regulation 6.17 for a rollover requested on or after 1 October 2021, you must:

- notify the fund trustee(s) in writing
- report the contravention to us via an ACR at Section E (Contraventions) provided the reporting criteria is met, and
 - describe the event as a failure to comply with the SuperStream rules for rollovers
 - provide the reason why
- modify Part B of the SMSF Independent Auditor's Report if the contravention is material.

ACR reporting and audit evidence

A breach of regulation 6.17 is a reportable contravention. This means you need sufficient appropriate audit evidence to form an opinion on whether the fund has complied with SuperStream rules in Division 6.5.

While non-compliance with any of the SuperStream rules is a contravention of regulation 6.17, we do not expect you to report all contraventions for ACR purposes.

Where the SMSF is the transferring fund, you must obtain evidence confirming:

- The SMSF received the rollover request, which may have come from the member, receiving fund or ATO (if a member makes a request via our Online services which generates an electronic portability form to the fund). Evidence could include a
 - copy of the member's rollover request
 - printout of the 'initiate rollover request' (or equivalent) message from the receiving fund's SMSF messaging provider.
- The rollover was paid and information was given to the receiving fund via SuperStream. Evidence could include
 - bank account and transaction details
 - a printout of the 'rollover transaction request' (or equivalent) message from the transferring fund's SMSF messaging provider.
- The rollover occurred no later than 3 business days after receiving the rollover request and if applicable, any additional information required to process the request. Evidence could include
 - rollover request details
 - bank account and transaction details
 - additional information requested and provided.

Where the SMSF is the receiving fund, you need to obtain evidence confirming:

- Where the rollover request was received by the SMSF directly from the member, the SMSF used SuperStream to request the rollover from the transferring fund. Evidence could include a
 - printout of the 'initiate rollover request' (or equivalent) message from the receiving fund's SMSF messaging provider.
- The rollover was allocated to the member within 3 business days after the fund received the rollover payment and the message containing all the information required to enable it to occur. Evidence could include
 - bank/member account and transaction details
 - a printout of the 'rollover transaction request' (or equivalent) message from the transferring fund's SMSF messaging provider.

Obtaining an electronic service address

Trustees need to obtain an [electronic service address](#) (ESA) from an SMSF messaging provider with SuperStream rollover services. This allows trustees to:

- comply with the SuperStream rules in Division 6.5 of the SISR
- send rollover data electronically between funds via SuperStream.

Trustees of transferring funds must:

- Send certain details to the receiving fund using a 'rollover transaction request' message to comply with regulation 6.34B of the SISR.
- Be able to receive rollover information electronically from a receiving fund via an 'initiate rollover response' message to comply with regulation 6.33B of the SISR.
- Use the ATO's electronic services to verify certain fund details, including the ESA, to comply with regulation 6.33E of the SISR.

Trustees of receiving funds must:

- Send certain details to the transferring fund using an 'initiate rollover response' message to comply with regulation 6.33A of the SISR, if they receive a rollover request from the member.
- Be able to receive rollover information electronically from a transferring fund via a 'rollover transaction request' message to comply with regulation 6.34C of the SISR.

If a trustee fails to comply with these obligations because a fund does not have an ESA, this is a contravention of regulation 6.17 of the SISR. You may need to report the contravention to us and the trustees if the temporary measure for [issues obtaining an ESA](#) does not apply.

Trustees must also give us their ESA for inclusion in the SuperStream register to comply with section 34Z of the *Superannuation Industry (Supervision) Act 1993*. Failure to comply with this obligation is an offence of strict liability. You:

- need to notify the fund trustee(s) in writing
- can report the contravention to us via an ACR at Section G (Other regulatory information).

Issues obtaining an ESA

Some trustees have experienced issues obtaining an ESA from an SMSF messaging provider that offers services to:

- make a rollover from their SMSF
- receive a rollover from another SMSF.

For trustees who have attempted to obtain an ESA but had issues doing so, we are approving the paper process for SMSF rollovers in limited circumstances. This is a temporary measure put in place in the 2021–22 income year to help facilitate rollovers. It only applies to rollovers from an SMSF and between SMSFs.

Where a trustee has approval to make a rollover outside of SuperStream using the paper process, you do not need to report a contravention. Trustees must provide you with the reference number for approval.

If a trustee uses the paper process without our approval, you need to report a contravention of regulation 6.17. Find out from the trustees why this occurred and include this when lodging an ACR.

Keep up to date with [SMSF news and alerts](#). For a monthly wrap-up of news and updates, subscribe to [SMSF news](#)[↗].

Reporting

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Reporting/>
- Last modified: 01 Mar 2022
- QC 45568

As an approved SMSF auditor, you are required to complete the audit and provide the audit report to the trustees within 28 days of receiving all relevant documentation.

If you request information relevant to the audit from the trustees, they must provide it to you within 14 days of your written request.

You also need to advise us if, during an audit, you believe a reportable contravention of the *Superannuation Industry (Supervision) Act 1993* (SISA) or the *Superannuation Industry (Supervision) Regulations 1994* (SISR) has occurred, is occurring or may occur. You do this by lodging an Auditor/actuary contravention report (ACR) within 28 days of completing the audit.

Find out about

- [Auditor reporting requirements to trustees](#)
- [Auditor reporting requirements to ATO](#)

Auditor reporting requirements to trustees

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Reporting/Auditor-reporting-requirements-to-trustees/>
- Last modified: 13 Aug 2020
- QC 45570

As a self-managed super fund (SMSF) auditor, you are required to give the trustees an SMSF independent auditor's report (IAR) on the fund's operations for the financial year. You also need to advise trustees about contraventions and whether the financial position of the fund is about to become unsatisfactory.

You need to give the trustees the IAR within 28 days of receiving all relevant

documentation, drawing attention to any financial and compliance issues identified during the audit.

You must report using the approved form: [Self-managed superannuation fund independent auditor's report](#) (IAR) (NAT 11466-07.2019).

Independent auditor's report (IAR)

The independent auditor's report (IAR) outlines:

- the SMSF trustees' responsibilities
- the auditor's responsibilities, consistent with the Australian Auditing Standards and Standards on Assurance Engagements
- your opinion on whether the financial report fairly represents the financial position of the fund and its operational results, in Part A
- your opinion on whether the trustees of the fund have complied with the listed provisions under the *Superannuation Industry (Supervision) Act 1993* (SISA) and the *Superannuation Industry (Supervision) Regulations 1994* (SISR), in Part B.

Auditor contravention report (ACR)

At the time of the annual audit you must also advise trustees immediately about any contraventions that may have occurred, may be occurring, or may occur.

You can do this by issuing a management letter to the trustee. Where the contraventions meet the ACR reporting criteria, you must provide us with an ACR for the fund and you may also provide a copy to the trustee. Lodge your ACR with us within 28 days of completing the audit report.

If you also determine that the financial position of the SMSF may be or may be about to become unsatisfactory, you should report this in Section F of the ACR.

By notifying the trustees as soon as you detect a contravention, they can respond to the issue and, if possible, rectify, or have a plan in place to rectify, the issue before you finalise the audit.

When is the financial position of the fund unsatisfactory?

If the SMSF is an accumulation fund, its financial position is unsatisfactory if, in the opinion of the auditor, either:

- the fund's assets are inadequate to cover the aggregate benefit accounts of the fund members, or
- the value of fund assets is inadequate to cover the value of the fund's liabilities in respect of benefits accrued to fund members.

If the SMSF is a defined benefit fund, the test is whether the value of fund assets is inadequate to cover the value of the fund's liabilities in respect of benefits vested in the fund members.

The likelihood of the value of fund assets being inadequate must be based on the reasonable expectation of an actuary, on whose advice the auditor has relied on in relation to the matter.

Auditor reporting requirements to ATO

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Reporting/Auditor-reporting-requirements-to-ATO/>
- Last modified: 17 Mar 2022
- QC 45572

On this page

- [Contravention reporting](#)
- [Lodging an ACR](#)
- [Cancelling an ACR](#)
- [Failure to lodge an ACR](#)

Contravention reporting

If you're conducting an audit and you believe a reportable contravention of the SISA or the SISR has occurred, is occurring or may occur, you need to tell us. You can do this by lodging an *Auditor/actuary contravention report* (ACR) within 28 days of completing the audit.

We'll review the contravention and other information we hold to decide what further action we will take.

You must report contraventions resulting from an event. An event is an action or inaction by the trustees that may lead, or has led, to one or more contraventions.

Not all contraventions need to be reported. To work out the contraventions you have to report, apply the reporting criteria provided in [Completing the Auditor/actuary contravention report](#).

If you discover a matter that doesn't have to be reported but you believe the information will help us with our regulatory role, you can provide this information in the 'other regulatory information' section of the ACR.

Lodging an ACR

eSAT was decommissioned on 1 March 2022 and has been replaced by Online services for business. You can lodge your ACRs electronically through [Online services for business](#).

Online services for business is a secure way of managing your tax and

superannuation obligations which can be used on multiple devices. It includes the ability to lodge ACRs and audit complete advices (ACAs), and to communicate to us via secure mail.

You need to log in or sign up for Online services for business through our website. If you are new to our services, you may need to set up your myGovID and link it to your business or have your employer authorise you to act on behalf of their business in Relationship Authorisation Manager (RAM).

For more information go to [Accessing online services with myGovID and RAM](#).

Where you are unable to lodge online, for example you are an Actuary, you can [order a paper form](#) *Auditor/actuary contravention report* (NAT 11239).

Cancelling an ACR

When you have made a genuine error on a lodged ACR you can request a cancellation of the ACR. Genuine errors include lodging under the wrong fund ABN or providing incorrect information about the contravention.

If the matter has been reported correctly but you've received new information you should lodge a revised ACR. For a step by step guide, see [How to complete the report](#).

We can only accept a cancellation request from the approved SMSF auditor who lodged the ACR. To request a cancellation of a lodged ACR you'll need to provide the following information to us in writing:

- self-managed super fund's ABN
- date the ACR was lodged and year of audit
- reasons the ACR needs to be cancelled.

You can use the secure mail messaging service in Online services for business to request a cancellation by selecting:

- Communication
- Secure mail
- New
- Superannuation:
- Approved SMSF Auditor reporting: IAR/ACR/ACA enquiries

Include the details in the form and review, complete the declaration and send.

We will respond within 28 days.

Failure to lodge an ACR

If you fail to lodge an ACR as required, we can impose a penalty of 50 penalty units on you.

We can also apply penalties if (as first auditor) you haven't informed us and a trustee about a matter which must be reported, but you tell another auditor you

have.

Find out about

- [Penalties](#)

Help and resources

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/Help-and-resources/>
- Last modified: 15 Sep 2022
- QC 45577

How and where to find tools and resources to use if you're a self-managed super fund (SMSF) auditor.

On this page

- [SMSF auditor resources](#)
- [Requesting non-binding advice](#)
- [Accessing other support and self-help services](#)

SMSF auditor resources

We have several tools and resources to help you in your role.

Products available

Resource	Description	Where to find
Super Professional 2 Professional service	If you need help with circumstances not covered in our range of guidance and self-help products you can access non-binding guidance.	Visit Requesting non-binding advice
Online services for business	Online services for business is our preferred channel for auditor contravention reports (ACRs). It can also be used to lodge an audit complete advice (ACA)	Visit ato.gov.au/osb_smsfaa
Webinars	We invite you to attend our SMSF webinars. We record these so you can view them at a time that suits	Watch ato.gov.au/smsfwebinars

	you.	
ato.gov.au	Our guidance helps you find the information you need quicker.	Visit ato.gov.au/smsfauditors

The following products and tools are designed for trustees, but can also help auditors:

- SMSF news – provides news updates, case studies, and Q&As. Read articles and subscribe at ato.gov.au/smsfnews
- SMSF videos – these short educational videos explain the basics about a range of SMSF topics. Watch at ato.gov.au/smsfvideos
- ato.gov.au – our SMSF web content provides useful information for all stages of the SMSF lifecycle. View at ato.gov.au/smsf

Requesting non-binding advice

SMSF auditors' that are unable to resolve their query via our online guidance and self-help products can request general advice on the *Superannuation Industry (Supervision) Act 1993* (SISA) and *Superannuation Industry (Supervision) Regulations 1994* (SISR) requirements or SMSF administrative issues.

When you send your request through secure mail:

- You will receive a receipt ID as acknowledgement of your request.
- We may contact you via phone or secure mail if we need further information to help us respond to your request.

We aim to resolve requests within 28 days. However, it could take additional time when there is a high demand for our technical service.

If the issue you raise is particularly complex or very specific, in place of your request for non-binding advice, we may ask you to complete a [Request for self-managed superannuation fund specific advice](#) (NAT 72441).

Accessing non-binding advice

When seeking interpretive assistance, you can contact us by [secure mail](#) in:

- [Online services for business](#) if you're a business or SMSF auditor
- [Online Services for Agents](#) if you're a tax practitioner.

Accessing other support and self-help services

- Our phone support service is available on 13 10 20 for straightforward or simple queries.
- For specific advice, use our [Request for self-managed superannuation fund specific advice](#) (NAT 72441).
- [Online services for business](#) is a free service which allows auditors to fulfil their obligations and lodge ACRs and ACAs. The secure mail function in Online

services for business also enables you to request non-binding advice and share intelligence with us.

- Our range of self-help products can be accessed at
 - [using our search feature](#)
 - [A-Z index](#)
 - [Legal database](#).
- We also provide a range of technical guidance products specifically for SISA regulatory issues, including
 - [SMSF rulings and determinations](#)
 - [ATO interpretative decisions](#)
 - [Law administration practice statements](#)

SAN misuse

- <https://www.ato.gov.au/Super/Self-managed-super-funds/SMSF-auditors/SAN-misuse/>
- Last modified: 18 Feb 2021
- QC 64778

Approved self-managed super fund (SMSF) auditors who register with the Australian Securities and Investment Commission (ASIC) are provided with an SMSF auditor number (SAN). Each SAN is unique and only applies to the individual who applied to be an auditor.

A SAN is included in each SMSF annual return (SAR), to identify who audited the fund prior to SAR lodgment.

There have been instances where a SAN is included in a SAR, but:

- an audit has not been completed by the auditor with that SAN, or
- the SAR was lodged prior to the completion of an audit.

This is referred to as SAN misuse and we are taking action to stop it. If we find that a tax agent has purposefully included an incorrect SAN in a SAR or lodged a SAR prior to completion of an audit, we may refer them to the Tax Practitioners Board (TPB).

The TPB may impose a sanction for any breach of the *Tax Agent Services Act 2009* (TASA) Code of Professional Conduct. These sanctions can include:

- a written caution
- an order
- suspension or termination of registration.

SMSF trustees who have deliberately misused a SAN may also be sanctioned.

SAN list

Since March 2019, the ATO has used a proactive approach to more effectively treat SAN misuse. Specifically, we now issue auditors with a list of all SMSFs that reported their SAN.

This list is sent to auditors at least once a year. When you receive this list, you should compare it to your own record of completed audits. You should contact us as soon as possible where you:

- identify a fund on the client list that you didn't audit, or
- audited a fund but the date is incorrect, or
- audited a fund that doesn't appear on the client list.

If your client list is correct and no instances of SAN misuse have been identified, you should still contact us to confirm that all the information is correct.

Auditors can reduce the number of SMSFs for which they need to confirm audits by lodging an audit complete advice (ACA).

Audit complete advice

The ATO uses ACAs to provide assurance that an SMSF has been audited and that the audit was completed prior to lodgment.

We recommend that auditors lodge an ACA immediately after completing an audit (except where a [bulk lodgment form](#) is used).

Where an ACA has been lodged and it matches the details in the SAR, we don't need to ask auditors to confirm the same details in the SMSF list. Therefore, the list will only contain funds where:

- we find discrepancies between auditor details in the SAR and an ACA, and/or
- no ACA has been lodged to confirm that an audit was completed.

How to lodge an ACA

To lodge an ACA in [Online services for business](#) – select these menu options: Lodgments > Reports and Forms > Audit Complete Advice.

To lodge multiple ACAs in one form – complete an [Audit Complete Advice – Bulk Lodgment](#) form.

We recommend that auditors using ACA bulk lodgment forms lodge monthly. This will help us to identify SAN misuse in a timely manner.

Lifecycle publications to help you navigate your

SMSF


- <https://www.ato.gov.au/Super/Self-managed-super-funds/Lifecycle-publications-to-help-you-navigate-your-SMSF/>
- Last modified: 05 Sep 2022
- QC 67369

These guides help you at various stages of the self-managed super fund (SMSF) lifecycle. They only contain key points of what you need to know. For more detailed information, always refer to the web content.

On this page

- [Starting a self-managed super fund](#)
- [Running a self-managed super fund](#)
- [Winding up a self-managed super fund](#)

Starting a self-managed super fund

The [Starting a self-managed super fund \(PDF, NAT 75397, 1,643KB\)](#)  publication helps you consider if an SMSF is right for you. It includes:

- what is an SMSF
- choosing a structure
- an outline of your obligations
- registering your SMSF
- getting professional advice.


The content in this publication can also be found in [thinking about self-managed super](#) and [setting up](#).

Running a self-managed super fund

We are currently developing the Running a self-managed super fund publication. It will be available here once it is completed.

The content in the publication can also be found in [contributions and rollovers](#), [investing](#), [paying benefits](#) and [administering and reporting](#).

Winding up a self-managed super fund

The [Winding up a self-managed super fund \(PDF, NAT 75417, 860KB\)](#)  publication helps you prepare for when you decide to wind up your SMSF. It includes:

- common situations where you may consider winding up
- preparing your exit plan
- how to correctly wind up your SMSF
- getting professional advice.

The content in this publication can also be found in [winding up](#).

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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