



SuperNews June 2015

SuperStream changes effective 1 July 2015

SuperStream imposes a requirement for SMSFs to receive contributions and data in a new electronic standard. These measures apply from 1 July 2015 and will impact SMSFs currently receiving employer contributions from medium and large employers. However, the Australian Taxation Office has stated that no penalties will be imposed for non-compliance until 31 October 2015.

Under the new rules SMSFs will be required to receive contributions using an eCommerce standard so that contributions can be received by direct credit or BPay and the contribution data message is received electronically via a nominated electronic service address.

Who do the changes affect?

As the 2016 financial year is the first year in which the new Superstream measures will operate there are a number of transitional rules.

SMSFs may not be impacted if:

- Contributions are paid by a related party employer;
- The Fund does not receive employer contributions.

However, if ad hoc contributions are to be received from a non-related employer a SuperStream provider will be required.

Medium and large employers

From 1 July 2015 employers with 20 or more employees (medium and large employers) are expected to begin paying contributions to an SMSF electronically.

From 31 October 2015 the Australian Taxation Office (ATO) will impose penalties on medium and large employers who fail to comply with the Superstream measures.

Small employers

For Superstream a small employer is those employers with 19 or fewer employees.

The start date for the new SuperStream rules for small employers is 30 June 2016 rather than 1 July 2015. As a result small employers must generally be SuperStream ready from 30 June 2016. However, they can elect to commence using Superstream from 1 July 2015.

Small employers can also utilise the free services offered by the Small Business Superannuation Clearing House to streamline their compliance.

Exemption for SMSFs with related party employers

Contributions made to an SMSF from a related party employer are exempt from SuperStream and can continue to be made using existing processes.

Typically, this will cover the situation where a business is run and controlled by one or two members and the business contributes to their SMSF.

In this case, the payment and data standards are not compulsory. However, they can be used if preferred.

Superstream requirements

To make contributions in line with the SuperStream requirements an employer will generally require the employee to provide them with the following information for their superannuation fund.

- Fund Name;
- The Fund's Australian Business Number (ABN);
- Confirmation of the Fund's bank account details;
- Unique Superannuation Identifier (USI) (Retail and Industry funds only);
- An electronic service address for receipt of contribution data messages.

If an employer is not provided with this information they may send contributions to their default super fund.

Nearly all SMSFs have an ABN and a suitable bank account to receive the contributions. However, all SMSFs that wish to receive employer contributions under the new rules will be required to have access to an electronic service address.

Electronic Service Address (ESA)

An electronic service address can be obtained via a range of service providers with a register of providers available from the ATO web site.

For SMSFs administered by Bastion Superannuation Solutions our software provider has established an ESA that can be used as the ESA for your Fund. With our administration software (APS Desktop Super) we will be able to collect and access this contribution information electronically. There is no additional cost for this service.

To use this ESA for your SMSF, please contact our office and speak to the administrator of your SMSF who can provide specific details for your fund.

Reminders for 30 June 2015

Concessional contributions limits

This year the following concessional contributions caps apply:

- \$30,000 for individuals aged under 50 on 30 June 2015;
- \$35,000 for individuals aged 50 or over on 30 June 2015.

Concessional contributions include employer contributions (including salary sacrifice) and personal contributions where a tax deduction is claimed.

Non-concessional contributions

This year there is a non-concessional contribution cap of \$180,000.

Non-concessional contributions are generally personal contributions for which the individual does not claim a tax deduction. Members under age 65 at any time in the financial year may contribute up to \$540,000 by bringing forward up to two future years entitlements.

If a member is age 65 or more at time of contribution a work test applies - the member must have worked at least 40 hours in not more than 30 consecutive days in the financial year. Generally contributions for individuals aged 75 and over are not permitted.

For detailed information on contribution eligibility and limits please contact our office.

Electronic Funds Transfer (EFT) of contributions

You will need to ensure that if paying contributions by EFT they are recorded in the Fund's bank account on or before 30 June 2015.

The ATO has noted in TR 2010/1, where there is an electronic transfer to a superannuation provider, the contribution is made when the funds are credited to the superannuation provider's account.

Making lump sum contributions close to year end

When making any lump-sum contribution, you should allow for any superannuation contributions you may be receiving from more than one source of employment so you do not exceed the contribution limits and therefore incur excess contributions tax.

If you are looking to make a lump-sum contribution closer to the end of the year, the contribution should be made to allow sufficient time for the contributions to be receipted into Fund's bank account.

Make pension payments prior to 30 June

For any fund members receiving Account Based Pensions or Transition to Retirement Income Streams please ensure that the minimum pensions including any PAYG withholding tax have been drawn and cleared from the Fund's bank account on or before 30 June 2015. Additionally in the case of Transition to Retirement Income Streams, you should ensure the amount of the pension does not exceed the maximum allowable amount.

New pensions commenced - 2015 financial year

As the ATO regards a pension as a series of periodic payments we recommend that for new pensions at least two pension payments be made in the first year. If only one payment has been made during the year so far, you may like to consider a small nominal pension payment before 30 June to establish a series of payments and to avoid the possibility of the ATO regarding the initial payment as a lump sum. In the second and subsequent years an annual payment is then a series of payments.

Business real property leased to a related party

Any lease of Business real property must be at arm's length. This essentially means it should be entered into and maintained on a fully commercial basis. Therefore business property should be leased at current market rates and lease payments paid in accordance with the terms of the lease agreement and if applicable by 30 June.

In-house assets

Where a fund has in-house assets the level should be reviewed to ensure they remain less than 5% of the market value of the Fund's assets as in-house assets above this level are not permitted. The trustee/s should ensure any interest due on loans made to related parties is paid at commercial rates on an arm's length basis and if applicable by 30 June.

Unpaid distributions payable by related trusts

Where an SMSF is presently entitled to a distribution from a related or non-arm's length trust, and payment of this amount is not sought, contraventions of one or more provisions of Superannuation Law may occur.

The ATO regards distributions unpaid after a 12-month period as an in-house asset and they would then count towards the 5% limit. Where applicable these distributions should be paid to the Fund and before 30 June if possible.

About Bastion Superannuation Solutions

Bastion Superannuation Solutions specialises in the provision of administration and compliance services to self managed superannuation fund trustees and advisers.

For further information on our range of services please see our web site.

Our range of services include:

- Self managed superannuation fund establishment
- Fund Administration including preparing financial accounts and maintaining member records
- Superannuation compliance and technical guidance
- Group Life Insurance Pool for superannuation fund members
- Assistance with updating self managed superannuation fund trust deeds

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