



# RICHARDS FINANCIAL

## *IS YOUR SMSF READY FOR THE END OF THE 2023 TAX YEAR?*

With the end of the financial year fast approaching, now is the perfect time to make some final checks and ensure everything is in order for your SMSF before 30 June. The following are some matters that you might want to know more about, particularly if you have taken advantage of some of the COVID-19 relief measures.

If there is anything in this paper that you are unsure about, we encourage you to contact me to discuss your specific circumstances in more detail

### **Contributions**

From 1 July 2022, if you were under the age of 74 you are able to make voluntary (non-deductible) contributions without meeting a work test.

From 1 July 2022, this work test will only apply to you if you wish to claim a tax deduction for the voluntary contributions you make to your SMSF. If making personal deductible contributions, from 1 July 2022, you will be able to meet the work test at any time in the financial year. This means that the work test will no longer apply to contributions you make under a salary sacrifice arrangement or for any personal contributions that you don't claim a tax deduction for, such as non-concessional contributions.

Individuals up to the age of 75, with a total super balance under \$1.7 million, also have the opportunity to make large non-concessional contributions (possibly up to three years' worth) in a single year.

The minimum age to make downsizer contributions has reduced to 55 allowing more individuals to use the proceeds from the sale of their home, to fund their retirement.

The Superannuation Guarantee (SG) rate will increase to 11% p.a. for all from 1 July 2023

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Therefore, it is important to review your contribution strategies before 30 June 2023, to make sure you maximise your contribution opportunities whilst ensuring you are below your contribution caps. Non-concessional (after-tax) contributions are limited to \$110,000 for the 2023 financial year and only available if your TSB was less than \$1.7m on 30 June 2022. Concessional (before-tax) contributions are limited to \$27,500 for the 2023 year.

You may also be eligible, subject to your TSB, to make larger concessional contributions if you have any unused concessional contribution cap from the 2019 financial year onwards.

Where you have made personal contributions and intend to claim a tax deduction in 2022-23, it is important that you reconcile all employer contributions and salary sacrificed amounts to superannuation to make sure you do not breach the annual concessional contributions cap. It is also important to ensure that the relevant notice requirements are met so that you can claim a deduction.

### **Meeting pension requirements**

To help manage the economic impact of COVID-19, the Government reduced the minimum drawdown requirements by half on account-based pensions and market-linked pensions for 2020 -2023. These reductions have now been removed, so we are back to the normal minimum pension rates.

It is important that you reconcile all pension payments received to ensure you do not underpay the minimum pension payment required by 30 June 2023. Where this requirement is not met, SMSFs will be subject to 15% tax on pension investments instead of being tax free.

All pension withdrawals for 2022-23 must be paid in cash by 30 June 2023 and cannot be accrued or adjusted using a journal entry so it is important to attend to this as soon as possible. For example, if you are making pension payments via an electronic transfer, you need to ensure that online transfers show the money coming out of the fund's bank account by no later than 30 June.

Age at commencement / 1 July	Minimum withdrawal
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 and over	14%

### **\$1.9 million transfer balance cap and total superannuation balance.**

Ensuring that member's benefits are shown at market value is important in calculating each member's TSB and in determining whether a member will exceed their transfer balance cap (TBC).

The TBC has been indexed from 1 July 2023 to \$1.9 million. It is more important than ever to ensure that all your TBAR lodgments are up to date and that you seek help in correctly calculating your entitlement to any proportional indexation of the TBC.

The TBC applies to SMSF members who are receiving a pension and limits the amount of tax-free assets that can support a pension. To track the relevant events against your personal TBC, SMSFs are required to lodge with the ATO a transfer balance account report (TBAR). The TBAR is separate to an SMSF's annual return and TBAR lodgment obligations, depend on members' TSBs. From 1 July 2023 all SMSF's with TBAR obligations will have to report to the ATO quarterly.

### **How can we help?**

If you need assistance when making decisions about your fund before the end of the financial year, please feel free to give me a call so that we can discuss in more detail. We will be able to work together to ensure you are maximizing your fund to reach your financial goals.