

# Lombardi Partners Bulletin

## 2020 Financial Year Super Checklist

With the end of financial year approaching it is important that trustees of superannuation funds and their members review their superannuation affairs to ensure they are in order before year end.

### *Contributions*

#### **Concessional Contributions**

- The Concessional Contribution (“CC”) cap regardless of age is \$25,000 for the 2019/20 financial year.
- From 1 July 2017 individuals with employer superannuation support have been able to supplement their superannuation balance with a deductible personal member contribution.
- When making a personal concessional contribution (“PCC”), it is important to ensure the cap is not breached and the required Notice is forwarded to the receiving superannuation fund notifying them of the intention to claim a tax deduction for a personal contribution.
- It is important that contributions are received by superannuation funds by no later than 30 June 2020. Failure to do so can result in the following adverse consequences:
  - Inability to claim a tax deduction for the late contribution in the 2019/20 financial year
  - Risk of excess contribution in the 2020/21 financial year if the member makes further contributions in that year and exceeds the annual CC cap.
- Members who have entered into salary sacrifice arrangements should review their year to date contributions to ensure they will not exceed the CC cap for the year. In some instances, members can revise their arrangement with their employer before year end to avoid making excess contributions.
- Members with a total superannuation balance of less than \$500,000 at 30 June 2019 can contribute their unused concessional contribution cap space amounts from the 2018-19 financial year in the 2019-20 financial year without breaching their cap. Carry-forward unused contribution amounts starting from the 2018-19 financial year will expire if they remain unused after five years.

#### **Non-Concessional Contributions**

- The annual Non-Concessional Contribution (“NCC”) cap is \$100,000 for the 2019/20 financial year for individuals with a ‘total superannuation balance’ under \$1.6m.
- Individuals under the age of 65 with a ‘total super balance’ under \$1.6m can make a NCC equal to three times the annual NCC cap (being \$300,000 for the 2019/20 financial year) using the bring forward rule, as long as the bring forward rule has not been triggered in the preceding three year period.

If the bring forward rule has been triggered in an earlier year, but not fully utilised, we suggest contacting our office to confirm your NCC limit for the year.

#### **Satisfying the Work Test (65 to 74-year-old)**

- Members who are aged between 65-74 years old must meet the ‘work test’ in order to make voluntary contributions (PCC and NCC mentioned above). The work test requires that the member has 40 hours of paid employment over any 30-day consecutive period during the financial year.
- From 1 July 2019 individuals aged between 65 and 74 with a total superannuation balance less than \$300,000 can make voluntary contributions without needing to satisfy the work test in the first year of their retirement if they satisfied the work test in the prior year.

### *Spouse contributions*

#### **Spouse Super Contributions Tax Offset**

- Individuals may be able to claim a tax offset up to \$540 if they make contributions on behalf of their spouse who is earning a low income or not working and meet all the required conditions.
- To receive the maximum offset of \$540 the spouse’s assessable income must be \$37,000 or less. The offset is reduced for individuals earning between \$37,001 to \$40,000.

## Spouse Contributions Splitting

- An individual can apply to split 85% of their concessional contributions (personal and/or employer including salary sacrifice amounts) with their spouse immediately after 30 June 2020 for contributions made during the 2020 financial year if they meet the required conditions.
- This is beneficial for individuals with a higher balance than their spouse who wishes to increase their spouse's super balance, especially individuals with a balance equal to or exceeding \$1.6m.

## Payment of Fund Expenses from Outside of Super

- The payment of Self-Managed Superannuation Fund expenses and investment purchases from funds outside of super are treated as in-specie contributions and will count towards the member's CC and/or NCC cap.
- Given the caps on contributions, care should be taken when paying any superannuation obligations outside of superannuation and we recommend SMSF trustees review this issue before June and contact our office to discuss any possible reimbursement for expenses paid before 30 June 2020.

## *Pensions*

### Minimum Pension Withdrawals

- All members who are drawing a retirement phase income stream (i.e. pension) must ensure they have withdrawn at least their minimum pension for the 2019/20 Financial Year.
- In the 2019/20 Financial year the minimum pension withdrawal requirements has been halved. This was announced by the Federal government as a part of the stimulus package in response to the Coronavirus outbreak. Individuals who have already taken their default minimum pension amount for 2019-20 financial

year will not be able to put the difference (50% of the minimum pension) back into their superannuation account under these changes.

- Members who have withdrawn more than their default minimum pension should contact our office to discuss the treatment of the excess withdrawal and any possible rectifications if required.
- Pension withdrawals must clear the fund's bank account to count towards the minimum by 30 June 2020.
- Failure to withdraw the minimum required pension can result in the fund losing the tax exemption on income supporting a pension.

## Transfer Balance Account

- Individuals who are currently withdrawing a Transition to Retirement Pension (TRIS) and will be retiring or turning 65 years old in the 2020/21 Financial Year should contact our office to discuss possible conversion of their TRIS to an Account Based Pension. This will necessitate reporting of the conversion in the standard Transfer Balance Account Reporting (TBAR) to the Australian Taxation Office ('ATO').
- Those individuals who have met both their preservation age and a condition of release and wish to withdraw a pension in the 2020/21 financial year should also contact our office to discuss preparing the necessary documents to commence a pension and report it to the ATO.

## Asset Revaluations

- The Market Value of Superannuation Fund assets must be reviewed every year. Funds which hold Real Property, Collectables or Shares in Unlisted Companies should ensure that they have been valued by an independent valuer at least every three years.
- Where a revaluation of an asset is due for the 2019/20 Financial year, please ensure the valuation is obtained before year end.



**Contact Us...** to discuss your queries before the end of the financial year

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