

**BUSINESS**

SUPERANNUATION

INSTRUCTIONS

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**Australian Government**

**Australian Taxation Office**

# Self managed superannuation fund annual return instructions 2008

To help you complete the self managed superannuation  
fund annual return for 1 July 2007 – 30 June 2008



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If you follow our guidance in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

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If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

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This publication was current at **May 2008**.

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## ABOUT THESE INSTRUCTIONS

The 2008 instructions will help you complete the *Self managed superannuation fund annual return 2008* (NAT 71226).

In these instructions, we refer to a self managed superannuation fund as an SMSF.

When we refer to 'annual return' in these instructions, we are referring to the *Self managed superannuation fund annual return 2008*.

When we refer to 'you' in these instructions, we are referring either to you as the trustee of the SMSF or to you as the registered tax agent or trustee responsible for completing the annual return.

These instructions cover:

- the member information that must be reported at section F on the annual return (this section incorporates the former *Member contribution statements*)
- the schedules you must complete and attach to the annual return, and
- record keeping requirements.

Seek help from us or a registered tax adviser if this publication does not fully cover your circumstances.

Funds that meet the definition of an SMSF, and only those funds, must use the *Self managed superannuation fund annual return 2008*. All other superannuation funds must use the *Fund income tax return 2008* (NAT 71287) and, where required, a separate *Super member contribution statement* (NAT 71334).

This publication is not a guide to income tax or superannuation law.

## PUBLICATIONS AND SERVICES

To find out how to get a publication referred to in these instructions and for information about our other services, see the inside back cover.

## RECORD KEEPING

SMSFs must keep records, in English, in writing or electronically (as long as the records are in a form that we can access and understand). Generally, SMSFs must keep all relevant records for at least five years but this period may be longer in certain circumstances.

See **Record keeping requirements** on page 50 for further details and references.

# INTRODUCTION

## WHAT'S NEW?

### Forestry managed investment scheme

Schedule 8 to the *Tax Laws Amendment (2007 Measures No. 3) Act 2007* encourages the expansion of commercial plantation forestry in Australia through the establishment and tending of new plantations for felling.

The objective of the legislation is achieved by:

- providing statutory deductions for investors who meet certain conditions, and
- allowing secondary market trading of forestry managed investment scheme interests by investors.

The new rules located in Division 394 of the *Income Tax Assessment Act 1997* apply from 1 July 2007 onwards.

### Amended rules concerning family trust elections and interposed entity elections

The *Tax Laws Amendment (2007 Measures No. 4) Act 2007* amends Schedule 2F to the *Income Tax Assessment Act 1936* to:

- allow family trust elections and interposed entity elections to be revoked in certain limited circumstances
- allow the test individual specified in a family trust election to be changed in certain limited circumstances
- broaden the definition of 'family' to include lineal descendants of family members
- ensure that a person does not cease to be a 'family' member merely because of the death of any other family member, and
- exempt distributions made to former spouses, former widows or widowers, and former step-children from family trust distribution tax by including them within the definition of 'family group'.

These amendments took effect on 1 July 2007.

## 2008 BUDGET ANNOUNCEMENT

### Family trust elections and interposed entity elections

The Government announced that it will reverse two of the amendments mentioned above to:

- reverse the broadened definition of 'family' to limit lineal descendants to children or grandchildren of the test individual or their spouse. This change will have effect from 1 July 2008, and
- prevent family trusts from changing the test individual specified in a family trust election (other than in relation to a marriage breakdown). This change will have effect from 1 July 2007.

At the time of printing these instructions, these changes had not become law. For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) which will be updated once the new law is enacted or phone the Business Infoline on **13 28 66**.

### Removal of quarantining of foreign tax losses

The *Tax Laws Amendment (2007 Measures No. 4) Act 2007* amended the income tax laws to remove the quarantining of foreign losses, which are currently segregated into four classes of foreign income to which they relate. These changes come into force on 1 July 2008 and do not affect the completion of this annual return.

# COMPLETING AND LODGING THE ANNUAL RETURN

You must answer all questions which apply to you and all questions which require a **yes** or **no** answer.

Where a question does not apply to you, leave the answer box blank.

Where a question requires a **yes** or **no** answer, print **X** in the relevant box.

Print neatly in BLOCK LETTERS, using a black pen.

Print one character per box and do not write outside the boxes provided.

Do not use correction fluid or tape: if you make an error on the annual return you will need to get a new annual return and start again.

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

## SELF MANAGED SUPERANNUATION FUNDS

The Tax Office regulates SMSFs that have elected to be regulated superannuation funds and that satisfy the requirements set out under the *Superannuation Industry (Supervision) Act 1993* (SISA) to be SMSFs.

Generally a superannuation fund is an SMSF if (with a few exceptions):

- it has four or fewer members
- no member of the fund is an employee of another member of the fund unless they are related
- each member is a trustee, and
- no trustee of the fund receives any remuneration for their services as a trustee.

Alternatively, an SMSF can have a company as a trustee (known as a corporate trustee) if:

- the fund has four or fewer members
- each member of the fund is a director of the company
- no member is an employee of another member unless they are related
- the corporate trustee does not receive any remuneration for its services as a trustee, and
- no director of the corporate trustee receives any remuneration for their services as a director in relation to the fund.

Employees cannot be in the same self managed superannuation fund as an employer member, unless they are related.

An SMSF at 30 June 2008, or an SMSF that wound up during the 2007–08 income year, must lodge information relating to income tax, member contribution and regulatory details with us by completing a *Self managed superannuation fund annual return 2008*. SMSFs must pay an annual supervisory levy (which is \$150 for 2007–08).

The supervisory levy is automatically included in the calculation statement and will be notified to the SMSF on their notice of assessment and is due and payable with any income tax liability by the date specified on the notice.

## FUNDS THAT ARE NOT SMSFs

Funds that are not SMSFs at 30 June 2008 must use the *Fund income tax return 2008* (NAT 71287) to lodge their tax return.

## LODGING THE ANNUAL RETURN, SCHEDULES AND OTHER DOCUMENTS

The only postal address for lodgment of this annual return is:

**Australian Taxation Office  
GPO Box 9845  
IN YOUR CAPITAL CITY**

The address must appear as shown above.

Only the following schedules may be attached to the annual return if required:

- *Capital gains tax schedule 2008* (NAT 3423)
- *Capital allowances schedule 2008* (NAT 3424)
- *Family trust election, revocation or variation 2008* (NAT 2787)
- *Interposed entity election or revocation 2008* (NAT 2788)
- *Losses schedule 2008* (NAT 3425)
- *Non-individual PAYG payment summary schedule 2008* (NAT 3422), and
- elections required by *Taxation Ruling IT 2624*  
– *Income tax: company self assessment; elections and other notifications; additional (penalty) tax; false or misleading statement*
- a SCHEDULE OF ADDITIONAL INFORMATION  
– ITEM C2 to claim the entrepreneurs tax offset on a distribution of business income from a trust.

You may have to complete other schedules or documents which are to be kept with your records and should **not** be sent with the annual return. These are further described on pages 48–9. Keep these with the SMSF's tax records.

## LODGMET DUE DATE

The due dates and acceptable method for lodging returns, statements and schedules as well as the information to be provided in the schedules are set out in the 'legislative instrument' which is registered on the *Federal Register of Legislative Instruments*. This can be viewed at [www.frli.gov.au](http://www.frli.gov.au) Each year, SMSFs are sent a reminder letter notifying them of their lodgment and payment due dates. For SMSFs the statutory due date is 1 December, however an SMSF may have a different due date if part of a tax agent lodgment program. If you do not lodge the SMSF's annual return by the due date, general interest charge will begin to accrue from the due date for payment until the amount is paid in full – see **Penalties and interest charges** in the next column.

Annual returns received without all the required information schedules attached may not be considered to have been lodged in the approved form. Unless all information and schedules are lodged by the due date, a failure to lodge on time penalty may be applied.

Keep records so the information reported on the annual return can be verified at a later date, if required – see **Record keeping requirements** on page 50.

Do not attach any payments to the annual return. Payment options are on page 62.

## PENALTIES AND INTEREST CHARGES

The law imposes penalties on the trustee of an SMSF for:

- failing to lodge the annual return on time and in the approved form
- making a false or misleading statement in the approved form
- having a tax shortfall or over-claiming a credit that is caused by taking a position that is not reasonably arguable
- refusing to provide an annual return from which the Commissioner can determine a liability
- failing to keep and produce proper records
- preventing access to premises and documents, and
- failing to retain or produce declarations.

The trustee of an SMSF is liable for the general interest charge (GIC) where:

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

The trustee of an SMSF is liable for shortfall interest charge (SIC) where the SMSF's income tax assessment is amended and its liability increased. Generally, the SIC accrues on the shortfall amount from the due date of the original assessment until the day before the assessment is amended.

### ! NOTE

Knowingly answering a question incorrectly will be treated as a more serious offence than voluntarily disclosing a breach of the legislation.

# SECTION A: FUND INFORMATION

This section deals with general identification issues, the current status of the SMSF and refund options.

## 1 TAX FILE NUMBER (TFN)

Print the TFN of the SMSF in the boxes provided on page 1 of the annual return. Print also the TFN in the boxes at the top of pages 3 and 5.

## 2 NAME OF SELF MANAGED SUPERANNUATION FUND (SMSF)

Show the current SMSF name exactly as it appears on the SMSF's trust deed or other constituent document.

For subsequent annual returns, the name of the SMSF should be consistent from year to year unless the name changes.

If the SMSF name is legally changed, you must advise us of the change by either updating online at [www.abr.gov.au](http://www.abr.gov.au) or completing a *Change of details for superannuation entities* (NAT 3036) at the time the change is made.

## 3 AUSTRALIAN BUSINESS NUMBER (ABN)

Print the ABN of the SMSF in the boxes provided. If you do not have an ABN, leave this blank.

SMSFs without ABNs are strongly encouraged to apply for one either online at [www.abr.gov.au](http://www.abr.gov.au) or by lodging an *Application for ABN registration for superannuation entities* (NAT 2944) with us.

The ABN is a single, unique business identifier which will ultimately be used for all dealings with the Australian Government. It is also available to state, territory and local government regulatory bodies. Identification for taxation law purposes is only one of the objects of the ABN.

## 4 CURRENT POSTAL ADDRESS

We will use this address to send you your notice of assessment from this annual return and other correspondence. Abbreviate 'care of' to 'C/-' only.

## 5 ANNUAL RETURN STATUS

Print **X** in the appropriate box.

We will use this information when updating records and will contact you if you answer 'yes' and we do not have an original annual return for the 2007–08 income year.

## 6 FUND AUDITOR

Title: print **X** in the appropriate box to indicate the title of the approved auditor who has completed the audit report, or print a different title in the **Other** box.

Family name: print the full name of the approved auditor, family name and given names in the separate rows of boxes.

Professional body: print the appropriate code from **table 1** below which best describes the approved auditor's professional body and status. If more than one code applies to the approved auditor, select the first applicable code.

Membership number: print the approved auditor's membership number of the professional body. Leave no blank spaces (for example, CPA1234 not CPA 1234).

**TABLE 1: Professional body codes**

Code	Approved auditor's professional status
1	Registered company auditor
2	Member of Certified Practising Accountants (CPA) Australia
3	Member of the Institute of Chartered Accountants in Australia (ICAA)
4	Member of the National Institute of Accountants (NIA)
5	Member or fellow of the Association of Taxation and Management Accountants (ATMA)
6	Fellow of the National Tax and Accountants Association Ltd (NTAA)
7	The auditor-general of the Commonwealth, a state or territory

Auditor's phone number: print the 10 digit phone number, including the area code, of the approved auditor.

Postal address: print the complete postal address of the approved auditor.

Not providing the SMSF's approved auditor details, or providing invalid details, could indicate that the compulsory SMSF audit has not been undertaken. Consequently we might consider that you have not lodged this annual return. We may contact the approved auditor to obtain professional body membership details.

## Date audit was completed

Write at **A** the date the audit was completed. SMSFs are required to be audited every income year that they operate, even if no contributions or payments were made in that income year.

If the audit has not been completed, we will not accept the annual return. You will be contacted and requested to have the audit completed prior to re-lodging the annual return. If the requirement to re-lodge causes the annual return to be lodged late, the SMSF may be subject to failure to lodge on time penalties.

## Was the audit report qualified?

Print **X** in the appropriate box at **B**. If the auditor has qualified the audit report, select **Yes**. Otherwise, select **No**.

If you answer **No** to this question and the audit report has been qualified at the time of lodgment of the annual return, penalties may be imposed on the SMSF trustees for making a false or misleading statement.

## 7 ELECTRONIC FUNDS TRANSFER (EFT)

Print **X** in the appropriate **Yes** or **No** box. Provide the bank's BSB code, account number and full account name in the boxes provided.

If you choose to use EFT, we can deposit your tax refund directly into your Australian bank, credit union or building society account. We will issue electronic refunds only into a recognised financial institution account located in Australia. The account details provided must be for an account operated by the trustees on behalf of the SMSF or the SMSF's tax agent. We will not issue electronic refunds to the trustee's personal bank accounts.

### NOTE

Make sure the account details are correct. Incorrect or incomplete details will delay any tax refund due.

## 8 STATUS OF SMSF

### Australian superannuation fund

The definition of 'Australian superannuation fund' in section 295-95 of the *Income Tax Assessment Act 1997* (ITAA 1997) has replaced the definition of 'resident superannuation fund' in section 6E of the *Income Tax Assessment Act 1936* (ITAA 1936).

An SMSF is an Australian superannuation fund if it satisfies all three of the following tests at the same time during the income year:

- the SMSF is established in Australia, or any asset of the SMSF is situated in Australia at that time, and
- at that time, the central management and control of the SMSF is ordinarily in Australia, and
- at that time, **either** the SMSF had no **active member** (that is, a member covered by subsection 295-95(3) of the ITAA 1997 – see below) **or** at least 50% of:
  - the total market value of the SMSF's assets attributable to superannuation interests held by active members, or
  - the sum of the amounts that would be payable to, or in respect of, active members if they voluntarily ceased to be members

is attributable to superannuation interests held by active members who are Australian residents.

An **active member** is a member covered by subsection 295-95(3) of the ITAA 1997 if the member is **either**:

- a contributor to the fund
- or**
- an individual on whose behalf contributions are made, unless they are a foreign resident for whom the only contributions made to the fund are payments in respect of a time when they were an Australian resident.

The central management and control of a superannuation fund is taken to be ordinarily in Australia even if that central management and control is temporarily outside Australia for a period of not more than two years.

Print **X** in the **No** box at **A** if your SMSF does not meet the above definition of Australian superannuation fund at any time during the income year. Your SMSF will lose its complying superannuation fund status, and a tax rate of 45% will apply to your SMSF's assessable income for this income year.

### Fund benefit structure

Print at **B** the appropriate code from **table 2** that best describes the 'benefit structure' of the SMSF.

**TABLE 2: Fund benefit structure**

Code	Definition of SMSF benefit structure
<b>A</b>	Your SMSF is an <b>accumulation fund</b> if your SMSF provides its members with a benefit which is the total of specifically defined contributions to the SMSF plus earnings on those contributions minus any costs borne by the member. This SMSF is considered an accumulation fund even if the SMSF or any of its accounts is paying a superannuation income stream benefit.
<b>D</b>	Your SMSF is a <b>defined benefit fund</b> if your SMSF provides its members with a benefit which is calculated from a formula based on a combination of factors, including the years of membership in the SMSF and average salary level over a specific time.

Print **D** if your SMSF's benefit structure is a mixture of accumulation and defined benefit (that is, a hybrid fund).

### Does the SMSF trust deed allow acceptance of the Government's Super Co-contributions?

Print **X** in the appropriate box. If the SMSF trust deed allows the SMSF to accept Government Superannuation Co-contributions for all eligible members select **Yes**, otherwise select **No**.



## 9 WAS THE FUND WOUND UP DURING THE INCOME YEAR?

Print **X** in the appropriate box.

### Date on which the fund was wound up

If you answered **Yes**, write the date the SMSF ceased operations.

### Have all tax lodgment and payment obligations been met?

If the SMSF was wound up during the income year, print **X** in the **Yes** box only if the trustees:

- paid all outstanding debts
- paid out or transferred all member benefits, and
- have lodged all previous year annual returns
- if applicable, cancelled the SMSF's ABN either via [www.abr.gov.au](http://www.abr.gov.au) or by lodging a *Cancellation of registration – application* (NAT 2955).

## SECTION B: INCOME

This section deals with all income the SMSF received, or was entitled to receive, during the 2007–08 income year. You do not show cents for any amount you write at this section on your annual return.

### Is the SMSF a complying or non-complying fund?

The compliance status of the SMSF affects how you report income and the tax rates that apply. An SMSF is a complying superannuation fund unless we issue the SMSF with a **Notice of non-compliance**. If the SMSF is a regulated SMSF and you have not received a notice of non-compliance, then the SMSF is a complying fund.

### How GST affects the annual return

If the SMSF is registered for GST purposes, exclude the GST amount from the income you show on the annual return. The deductions you show are also reduced by the GST amount.

If the SMSF is not registered for GST purposes, the deductions you show are the GST-inclusive amounts that the SMSF incurred. Special rules apply to GST adjustments. To register for GST apply online at [www.abr.gov.au](http://www.abr.gov.au)

## 10 INCOME

The taxable income of complying superannuation funds is split into a non-arm's length component and a low tax component.

The **non-arm's length component** (previously referred to as special income) is the entity's non-arm's length income less any deductions that are attributable to that income. See **Net non-arm's length income** on page 17.

The **low tax component** (previously referred to as standard component) is any remaining part of the entity's taxable income.

Ensure that you show the correct income components in the corresponding income labels as different rates of tax apply to different income components. A concessional rate applies to the low tax component, while the non-arm's length component is taxed at the highest marginal tax rate. The rates are set out in **appendix 3** on page 58.

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

An SMSF makes a capital gain or capital loss if certain events or transactions happen. These are called CGT events, and most commonly, CGT events happen to the SMSF's assets, such as the disposal of an asset. However, some CGT events relate directly to capital receipts.

If the SMSF ceases to hold or to use a depreciating asset, and the asset was used for both taxable and non-taxable purposes, a CGT event may happen to the asset. For more information, see the *Guide to depreciating assets 2008* (NAT 1996).

The capital gain or capital loss can be disregarded for some SMSF CGT events. For example, a capital gain or capital loss in relation to segregated current pension assets of a complying superannuation entity is disregarded.

For more information about CGT events see the *Guide to capital gains tax 2008* (NAT 4151). That publication includes:

- a capital gain and capital loss worksheet for calculating a capital gain or capital loss for each CGT event
- a CGT summary worksheet for calculating the SMSF's net capital gain or capital loss, and
- a *Capital gains tax (CGT) schedule 2008*.

The *Guide to capital gains tax 2008* also explains the rules in relation to Australian CGT liability for foreign residents and trustees of foreign trusts.

The worksheets will help you calculate the net capital gain or capital loss for the income year and complete the CGT questions on the annual return. You do not have to complete the worksheets and you do not have to attach them to the annual return (but do keep them with the SMSF's tax records).

If the SMSF had a CGT event happen during the income year, or if the SMSF received a distribution of a capital gain from a trust, print **X** in the **Yes** box at **G**. Otherwise print **X** in the **No** box.

If you selected **Yes**, you must complete a *Capital gains tax (CGT) schedule 2008* (a CGT schedule) and attach it to the SMSF's annual return if:

- total capital gains for the income year are greater than \$10,000, or
- total capital losses for the income year are greater than \$10,000.

### **Did the CGT event relate to a forestry managed investment scheme interest that you held other than as an initial participant?**

The sale of thinnings and harvested trees from a forestry managed investment scheme (FMIS) is a CGT event.

## DEFINITIONS

The SMSF is an **initial participant** in an FMIS if:

- the SMSF obtained its forestry interest in the FMIS from the **forestry manager** of the scheme, and
- the SMSF's payment to obtain the **forestry interest** in the FMIS results in the establishment of trees.

The SMSF is a **subsequent participant** if it is not an initial participant.

The **forestry manager** of an FMIS is the entity that manages, arranges or promotes the FMIS.

A **forestry interest** in an FMIS is a right to the benefits produced by the FMIS (whether the right is actual, prospective or contingent, and whether it is enforceable or not).

Print **X** in the appropriate box. If you selected **Yes** you must complete a *Capital gains tax (CGT) schedule 2008* and attach it to the SMSF's annual return.

### **A Net capital gain**

The SMSF's net capital gain is the total capital gain made for the income year less the current year capital losses, the prior year net capital losses and any other relevant concession.

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

- **G** at **part H** of the CGT summary worksheet, or
- **G** at **part H** of the CGT schedule, if one is required.

For more information on how to calculate the SMSF's net capital gain or on Australian CGT liability of foreign residents and trustees of foreign trusts, see the *Guide to capital gains tax 2008*.

### **NOTE**

The SMSF may need to complete a *Losses schedule 2008*. For more information, see **Schedules** on pages 48–9 and see the *Losses schedule instructions 2008* (NAT 4088).

### **B Gross rent and other leasing and hiring income**

Show at **B** all the rental income from land and buildings, and all income from leasing and hiring. This amount cannot be a loss.

Do not include any rental income distributed from a trust as this should be shown at **M Gross trust distributions**.

## C Gross interest

Do not include non-share dividends received from holding a non-share equity interest. If the SMSF holds such an interest, the issuer is obliged to forward a dividend statement with details of the dividends, which should be shown at **J, K and L** as applicable. See *Debt and equity tests: guide to the debt and equity tests* available on our website for further information on non-share dividends and non-share equity interests.

Do not include any interest distributed from a trust. This should be shown at **M Gross trust distributions**.

Show at **C** the total interest from all sources received by the SMSF. This amount cannot be a loss.

### Record keeping

Keep a record of the following:

- name and address of the borrowers, and
- amounts received or credited.

## X Forestry managed investment scheme income

You need to show at **X** the **total** income from forestry interests the SMSF holds in its FMISs from all the following activities. The amount you show at **X** will depend on the points raised below.

Harvests and sales are CGT events because these events result in the SMSF no longer holding some or all of its forestry interest.

### DEFINITIONS

The SMSF is an **initial participant** in an FMIS if:

- the SMSF obtained its forestry interest in the FMIS from the **forestry manager** of the scheme, and
- the SMSF's payment to obtain the **forestry interest** in the FMIS results in the establishment of trees.

The SMSF is a **subsequent participant** if it is not an initial participant.

The **forestry manager** of an FMIS is the entity that manages, arranges or promotes the FMIS.

A **forestry interest** in an FMIS is a right to the benefits produced by the FMIS (whether the right is actual, prospective or contingent and whether it is enforceable or not).

The amount of the SMSF's **total forestry scheme deductions** is the total of all the amounts that it can deduct or has deducted for each income year that it held its forestry interest. See **U Forestry managed investment scheme deduction** at item **11** for further information on amounts that you can deduct.

The amount of the SMSF's **incidental forestry scheme receipts** is the total of all the amounts that it has received from the FMIS in each income year that it held its forestry interest, other than amounts received because of a CGT event, that is, a sale or a harvest.

Write at **X** the total income from the following activities for each FMIS in which the SMSF holds a forestry interest.

### For an initial participant in an FMIS

#### Thinning receipts

If the SMSF received thinning proceeds from its forestry interest, include the actual amount received at **X**.

#### Sale and harvest receipts – forestry interest no longer held

If the SMSF ceased holding its forestry interest as a result of a CGT event (because it sold its interest or it received harvest proceeds), include the market value of the forestry interest at the time of the CGT event at **X**.

#### Sale and harvest receipts – forestry interest still held

If a CGT event happened and the SMSF still held its forestry interest (because it sold part of its interest or there was a partial harvest), include the amount by which the market value of the forestry interest was reduced at **X**.

### For a subsequent participant in an FMIS

#### Thinning receipts

If the SMSF received thinning proceeds from its forestry interest, include the actual amount received at **X**.

#### Sale and harvest receipts – forestry interest no longer held

If the SMSF ceased holding its forestry interest as a result of a CGT event (because it sold its interest or it received harvest proceeds), include at **X** the lesser of the following two amounts:

- the market value of the forestry interest at the time of the CGT event, or
- the amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts.

#### Sale and harvest receipts – forestry interest still held

If a CGT event happened and the SMSF still held its forestry interest (because it sold part of its interest or there was a partial harvest), work out the following two amounts:

- the market value of the forestry interest at the time of the CGT event, and
- the amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts.

Use the lesser of the two amounts above in the following formula:

$$\text{amount worked out above} \times \frac{\text{the decrease (if any) in the market value of the forestry interest (as a result of the CGT event)}}{\text{the market value of the forestry interest just before the CGT event}}$$

Include at **X** the amount calculated using the formula.

## To complete this item

Add up all the amounts you worked out for the SMSF's FMIS income and write the total at **X**.

See **examples 1** and **2** for how to calculate the amount you show at **X**.

For more information on the CGT treatment of the SMSF's forestry interest, see *Guide to capital gains tax 2008*.

### EXAMPLE 1

Cedar Superannuation Fund is an SMSF and a subsequent participant in an FMIS. It sold its forestry interest at the market value of \$20,000. The sale of the forestry interest is a CGT event. The original cost base was \$14,000.

In the time that the SMSF held the forestry interest, it claimed \$4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management fees and the cost of felling that it paid to the forestry manager. In the same period, it received \$1,500 from thinning proceeds (its incidental forestry scheme receipts).

Cedar Superannuation Fund will need to include **\$2,500** (that is, \$4,000 – \$1,500) at **X**, because this amount is less than the market value of its forestry interest at the time of the CGT event.

### EXAMPLE 2

Oakey Superannuation Fund is an SMSF and a subsequent participant in an FMIS. It received harvest proceeds over two income years. It received the first harvest payment of \$5,000 in the 2007–08 income year.

The market value of its forestry interest was \$20,000 just before it received its payment for the first harvest (which is a CGT event). After it received this first harvest payment, the market value of its forestry interest was reduced to \$15,000. Its original cost base was \$14,000.

In the time that it held its interest, Oakey Superannuation Fund claimed \$4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management fees and the cost of felling that it has paid to the forestry manager. In the same period, it received \$1,500 from thinning proceeds (its incidental forestry scheme receipts).

**STEP 1** The market value of the forestry interest (at the time of the CGT event) is \$20,000.

The amount by which the total forestry scheme deductions exceed the incidental forestry scheme receipts is \$2,500 (that is, \$4,000 – \$1,500).

The amount to use in step 2 is \$2,500.

**STEP 2** Using the formula above:

$$\$2,500 \times \frac{\$5,000}{\$20,000} = \$625$$

**STEP 3** The SMSF will need to include **\$625** at **X**.

**STEP 4** In the 2008–09 income year, the SMSF received \$15,000 in payment for the final harvest (which is a CGT event). It has not paid any other fees in the 2008–09 income year.

Oakey Superannuation Fund will need to include the remainder from step 2 of **\$1,875** (that is, \$2,500 – \$625) at **X** on its 2009 tax return.

## D Net foreign income

Show at **D** the assessable income which the SMSF derived from foreign sources including New Zealand dividends and supplementary dividends to which you:

- 'gross up' by adding the foreign tax to give you the gross or pre-tax value, but
- subtract expenses, including attributed foreign income. Exclude net foreign source capital gains – show these at **A Net capital gain**.

Do not show negative amounts at **D**.

If the SMSF received franked distributions directly or indirectly from a New Zealand franking company, see **Trans-Tasman imputation** on page 52.

You can offset foreign source tax losses but not foreign capital losses. You offset foreign source tax losses only against foreign source income.

Any excess of such foreign source losses over foreign source income is quarantined, and may be carried forward to be offset against future foreign source income of the same class. For more information on this process, see the *Foreign income return form guide* (NAT 1840) available on our website. Changes enacted in the *Tax Laws Amendment (2007 Measures No. 4) Act 2007* which remove the quarantining of foreign losses do not affect this annual return. See **What's new?** for more information.

Debt deductions that are not attributable to an overseas permanent establishment of the SMSF are not quarantined to foreign income. Therefore, these deductions are not applied against foreign source income for the purposes of calculating net foreign income or identifying a foreign loss. Do not subtract these expenses in calculating the amount of net foreign income shown at **D**. Show them as deductions as follows at item **11** where relevant:

- **A Interest expenses within Australia**
- **B Interest expenses overseas**
- **I Investment expenses**
- **J Management and administration expenses**
- **L Other deductions.**

### ! NOTE

Complete a *Losses schedule 2008* if the SMSF has:

- claimed a deduction for foreign source losses greater than \$100,000
- 'current year' foreign source losses greater than \$100,000
- foreign source losses carried forward to later income years greater than \$100,000
- claimed a deduction for prior year controlled foreign company (CFC) losses greater than \$100,000
- 'current year' CFC losses greater than \$100,000, or
- CFC losses carried forward to later income years greater than \$100,000.

## D1 Gross foreign income

Show at **D1** the gross assessable income derived by the SMSF from foreign sources, including New Zealand dividends and supplementary dividends. Do not include any Australian franking credits attached to New Zealand dividends. Show these at **E Australian franking credits from a New Zealand company**.

If the SMSF received a distribution of foreign source income from a partnership or trust, show the foreign source income at **D1**. Do not include this amount at:

- **I Gross distributions from partnerships**, nor
- **M Gross trust distributions**.

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

An SMSF which is not an 'Australian superannuation fund' makes a capital gain, generally speaking, if the asset is taxable Australian property just before the CGT event happens. Do not show at **D1** any capital gains made from these assets. Include the capital gains at **A Net capital gain**. For more information, see the *Guide to capital gains tax 2008*. A definition of an **Australian superannuation fund** is on page 4.

### ! NOTE

The SMSF may also need to complete a *Losses schedule 2008*.

## E Australian franking credits from a New Zealand company

In 2003, rules were enacted to allow New Zealand companies to join the Australian imputation system. From 1 October 2003, dividends paid by New Zealand resident companies that have chosen to join the Australian imputation system may also carry franking credits.

Did the SMSF receive assessable franked distributions from a New Zealand franking company directly, or indirectly through a partnership or trust?

**NO**  Go to **Transfers from foreign funds**.

**YES**  Show at **E** the amount of Australian franking credits attached to the distributions that are included in assessable income adjusted as follows.

To work out whether the distribution is assessable, see the *Foreign income return form guide*, available on our website.

You must reduce the Australian franking credits that the SMSF received directly or indirectly from a New Zealand company by the amount of a supplementary dividend or the SMSF's share of a supplementary dividend if:

- the supplementary dividend is paid in connection with the franked dividend, and
- the SMSF is entitled to a foreign tax credit because of the franked dividend or because of its inclusion in assessable income.

Show the amount of Australian franking credits included in assessable income at **C2 Credit: Rebates and tax offsets**, if the SMSF is a non-complying superannuation fund or **F4 Credit: Refundable franking credits**, if the SMSF is a complying superannuation fund.

### NOTE

A dividend from a New Zealand franking company may also carry New Zealand imputation credits. An Australian resident cannot claim any New Zealand imputation credits.

## F Transfers from foreign funds

Show at **F** all assessable amounts transferred to an Australian superannuation fund from a foreign superannuation fund that were in excess of what was vested in the member at the time of transfer (section 295-200 of the ITAA 1997).

Also, include amounts transferred to an Australian superannuation fund from a foreign fund by way of a written choice made by members of the SMSF under section 305-80 of ITAA 1997.

Print in the **number box** the number of transfers received from foreign funds for the current income year.

## H Gross payments where ABN not quoted

Show at **H** all gross payments made to the SMSF that were subject to withholding where an ABN was not quoted. Gross payments include amounts withheld.

- Complete a *Non-individual PAYG payment summary schedule 2008* (NAT 3422). For instructions on completing this schedule, see **Schedules** on pages 48–9.
- Show here the gross payment amount for any corresponding credit you show at **F3 Credit: ABN/TFN not quoted (non-individual)** item 12.

Keep a record of the following:

- full name of the payer
- TFN of the payer if known, and
- amount of income.

## I Gross distributions from partnerships

Show at **I** the gross distributions from all partnerships. If the distribution includes an amount of foreign income, including New Zealand franking company dividends and supplementary dividends, show that portion of the distribution at **D1 Gross foreign income** and take it into account to calculate **D Net foreign income**.

Include any amounts subject to foreign resident withholding that were distributed to the SMSF from a partnership. Also include the SMSF's share of credit from foreign resident withholding. A credit can be claimed for the SMSF's share of credit from foreign resident withholding in the calculation statement at **F2 Credit: foreign resident withholding** item 12.

If the amount calculated is a loss, print **L** in the box at the right of the amount.

If a distribution includes franked dividends (including franked non-share dividends), gross up the distribution, that is, include the attached franking credits to the amount at **I**. If the SMSF is a complying superannuation fund, show the amount of franking credit attached to such dividends at **F4 Credit: refundable franking credits** item 12. If the SMSF is a non-complying superannuation fund, show the amount of franking credits attached to such dividends at **C2 Credit: rebates and tax offsets** item 12.

If family trust distribution tax (FTDT) has been paid on income received by the SMSF from partnerships, exclude that amount from the assessable income of the SMSF (section 271-105 of Schedule 2F to the ITAA 1936).

If ultimate beneficiary non-disclosure tax (UBNT) has been paid on a share of the net income of a closely held trust to which another trust is presently entitled, that income attributable to the UBNT to which the SMSF is presently entitled or which has been distributed to the SMSF is excluded from the assessable income of the SMSF under sections 102UK and 102UM of the ITAA 1936.

Losses and outgoings incurred in deriving an amount which is excluded from assessable income under section 271-105 of Schedule 2F to the ITAA 1936 or sections 102UK or 102UM of the ITAA 1936 are not deductible. A tax offset cannot be claimed by the SMSF for any franking credits attributable to the whole or a part of a dividend which is exempt from income tax under section 271-105 of Schedule 2F, section 102UK or section 102UM to the ITAA 1936.

Keep a record of the following:

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

### Notes for completing J, K, L and M: Franked and unfranked dividends, franking credit and gross trust distributions

Dividends and **non-share dividends** that the SMSF receives from Australian payers may carry **franking credits**. Such dividends are called **franked dividends**, and the franking credits they carry reflect the amount of tax paid by the payer.

Dividends and non-share dividends where no tax has been paid are called **unfranked dividends**.

Add all the franked and unfranked dividend amounts received and all the franking credits to determine the SMSF's assessable income from these dividends.

**Non-share dividends** are treated in the same way as dividends. Show the amount of the non-share dividends, whether franked or unfranked, and any amount of franking credit attached to those dividends, at the appropriate place on the annual return as if they were for shares.

- Non-share dividends are returns paid on non-share equity interests. These interests are not shares in legal form but are treated in the same way as shares under the debt and equity measures. The publication *Debt and equity tests: guide to the debt and equity tests*, available on our website, provides an overview of the debt and equity rules and explains what a non-share equity interest is.

If **family trust distribution tax** (FTDT) has been paid on a dividend (including a non-share dividend) paid or credited to the SMSF by a company that has made an interposed entity election, do not include that dividend in the assessable income of the SMSF (section 271-105 of Schedule 2F to the ITAA 1936).

- Losses and outgoings that the SMSF incurred in deriving such income (that is, an amount which is excluded from assessable income under section 271-105 of Schedule 2F) are not deductible.
- The SMSF cannot claim a credit (nor tax offset) for any franking credit attached to the whole or portion of a dividend which is exempt income under section 271-105 of Schedule 2F.

If the SMSF received a dividend from a private company, you must establish whether the dividend can be classified as **non-arm's length income**. For further information, see *Taxation Ruling TR 2006/7 Income Tax: special income derived by a complying superannuation fund, a complying deposit fund or a pooled superannuation trust in relation to the year of income*. If such a dividend is considered non-arm's length income, show the amount under **U1 Net non-arm's length private company dividends**.

**J, K and L** refer to dividends derived from investments in resident entities (including listed investment companies). Dividends that form part of a trust distribution must be shown at **M**.

## J Unfranked dividend amount

Show at **J** the total amount of unfranked dividends and unfranked non-share dividends that the SMSF received, but do not show here the following:

- unfranked distributions from a New Zealand franking company, show them at **D1 Gross foreign income** and **D Net foreign income**
- the unfranked part of a distribution from a pooled development fund (PDF). The unfranked part of the distribution is exempt from income tax and is not included in the SMSF's assessable income. However, this amount of exempt income must be taken into account when working out the amount of your tax loss at **M Tax losses deducted**.

## K Franked dividend amount

Show at **K** the total amount of franked dividends and franked non-share dividends that the SMSF received, but do not show here franked amounts that the SMSF received from a New Zealand franking company (show them at **D1 Gross foreign income** and **D Net foreign income**).

The franked part of a distribution from a PDF is exempt from income tax unless you elect to include the amount in your assessable income. In that case, the franked part of the distribution and the franking credit on the distribution worked out in accordance with Subdivisions 207-B and 207-D of the ITAA 1936 are included in your assessable income.

If the SMSF qualifies for a venture capital franking tax offset, the amount by which the venture capital franked part of a distribution from a PDF exceeds the franked part of that distribution is also exempt from income tax. You cannot elect to include this amount in the SMSF's assessable income. However, you may claim a tax offset in relation to a distribution franked with a venture capital credit even though the distribution is exempt from income tax. The tax offset is included at **C2 Credit: rebates and tax offsets** item **12**. This amount of exempt income must also be taken into account when working out the amount of your tax loss at **M Tax losses deducted**.

## L Dividend franking credit

Show at **L** the amount of the franking credits attached to dividends and non-share dividends that the SMSF received.

Franking credits reduce the amount of tax that the SMSF owes. Franking credits in excess of the tax payable will be refunded if the SMSF is a complying superannuation fund. Show the amount of franking credits attached to dividends and non-share dividends that the SMSF received at **F4 Credit: refundable franking credits** item **12**.

If the SMSF is a non-complying superannuation fund, show the amount of franking credits attached to dividends and non-share dividends that the SMSF received at **C2 Credit: rebates and tax offsets** item **12**.

If the franking credit is attached to a dividend considered as non-arm's length income, show this at **U1 Net non-arm's length private company dividends**.

Do not show at **L** any franking credits attached to assessable dividends received directly or indirectly from a New Zealand franking company. Show these at **E Australian franking credits from a New Zealand company**.

### NOTE

If you elect to include the franked part of a distribution from a PDF in your assessable income, you must also include the franking credit on the distribution worked out in accordance with subdivisions 207-B and 207-D of the ITAA 1936 in your assessable income. Otherwise, a franking credit on a distribution from a PDF is exempt from income tax.

If you qualify for a venture capital franking tax offset, a venture capital credit on a distribution from a PDF is not included in the assessable income of the SMSF.

## M Gross trust distributions

Show at **M Gross trust distributions** the total amount of gross distributions from trusts to the SMSF. Gross distributions from trusts may contain unfranked dividends, franked dividends, franking credit attached to these dividends, and other assessable distributions.

For franked dividends, as for franked non-share dividends, the amount you show here is the 'grossed up' amount, that is, you add the attached franking credits amounts to the franked amounts.

- If you are a complying superannuation fund, show the amount of franking credits attached to such dividends at **F4 Credit: refundable franking credits** item 12.
- If you are a non-complying superannuation fund, show the amount of franking credits attached to such dividends at **C2 Credit: rebates and tax offsets** item 12.

If the distribution includes an amount of foreign income, including New Zealand franking company dividends and supplementary dividends, include that portion of the distribution at **D1 Gross foreign income** and take it into account in calculating **D Net foreign income**.

Include at **M** any amounts subject to foreign resident withholding that were distributed to the SMSF from a trust. Also include the SMSF's share of credit from foreign resident withholding. A credit can be claimed for the SMSF's share of credit from foreign resident withholding in the calculation statement at **F2 Credit: foreign resident withholding**.

All income received from stapled securities should be shown as trust distributions at **M**.

The amount at **M** cannot be a loss.

Consider whether any distributions received from a trust are part of a non-arm's length arrangement and whether the distribution received is greater than what might otherwise have been expected had the parties been dealing with each other at arm's length. See *Taxation Ruling TR 2006/7* for further information. If the distributions received are at non-arm's length amounts, do not show the distribution at **M**. Show these distributions at **U2 Net non-arm's length trust distribution**. See **Net non-arm's length trust distributions** on page 18.

Do not show capital gains received from a trust at **M Gross trust distributions**. Show them at **A Net capital gain**. For information on how to include a capital gain received from a trust, for example, how to gross-up a capital gain for a trust distribution, see the *Guide to capital gains tax 2008*.

Do not include distributions from pooled superannuation trusts (PSTs) at **M**.

If FTDT has been paid on income or capital of a trust to which the SMSF is presently entitled or which has been distributed to the SMSF, exclude that income or capital from the assessable income of the SMSF (under section 271-105 of Schedule 2F to the ITAA 1936).

If UBNT has been paid on a share of the net income of a closely held trust to which another trust is presently entitled, that income attributable to the UBNT to which the SMSF is presently entitled or which has been distributed to the SMSF is excluded from the assessable income of the SMSF (under sections 102UK and 102UM of the ITAA 1936).

Losses and outgoings incurred in deriving an amount which is excluded from assessable income under section 271-105 of Schedule 2F to the ITAA 1936 or sections 102UK or 102UM of the ITAA 1936 are not deductible. A tax offset cannot be claimed by the SMSF for any franking credit attributable to the whole or part of a dividend which is exempt income under section 271-105 of Schedule 2F to the ITAA 1936, section 102UK or section 102UM of the ITAA 1936.

Print in the **Code** box the letter from **table 3** below that best describes the type of trust for the amount of income shown at **M**. If this amount is from more than one type of trust, print the code that represents the trust with the greatest amount of income. **Table 4** defines the types of trusts listed in **table 3**.

If you cannot identify the type of the trust that made the distribution, contact the trustee of that trust.

**TABLE 3: Trust type codes**

Code letter	Type of trust
<b>D</b>	Deceased estate
<b>F</b>	Fixed trust – other than a fixed unit trust or a public unit trust as described in <b>Codes U, P or Q</b>
<b>H</b>	Hybrid trust
<b>S</b>	Discretionary trust – where the main source of income of the trust is from service and management activities
<b>T</b>	Discretionary trust – where the main source of income of the trust is from trading activities
<b>I</b>	Discretionary trust – where the main source of income of the trust is from investment activities
<b>M</b>	Cash management unit trust
<b>U</b>	Fixed unit trust – other than a public trust described in <b>Codes P or Q</b>
<b>P</b>	Public unit trust (listed) – other than a cash management unit trust
<b>Q</b>	Public unit trust (unlisted) – other than a cash management unit trust



**TABLE 4: Definition of trust types**

<b>Fixed trust</b> A trust in which persons have fixed entitlements (as defined in section 272-5 of Schedule 2F to the ITAA 1936) to all of the income and capital of the trust at all times during the income year
<b>Hybrid trust</b> A trust which is not a fixed trust but in which persons have fixed entitlements (as defined in section 272-5 of Schedule 2F to the ITAA 1936) to income or capital of the trust during the income year
<b>Discretionary trust</b> A trust which is neither a fixed trust nor a hybrid trust, and under which a person or persons benefit from income or capital of the trust upon the exercise of a discretion by a person or persons, usually the trustee
<b>Fixed unit trust</b> A fixed trust in which interest in the income and capital of the trust are represented by units
<b>Public unit trust</b> A fixed unit trust which is a widely held unit trust (as defined in section 272-105 of Schedule 2F to the ITAA 1936) at all times during the income year
<b>Public unit trust – listed</b> A public unit trust in which any of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year
<b>Public unit trust – unlisted</b> A public unit trust in which none of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year

Keep a record of the following:

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

## R Assessable contributions

Show at **R** the total assessable contributions received by the SMSF for the year. The amount shown at **R** for assessable contributions is calculated by adding the amounts at:

- **R1 Assessable employer contributions**
- **R2 Assessable personal contributions**
- **R3 No TFN quoted contributions,**

and then deducting:

- **R6 Transfer of liability to life insurance company or PST.**

Do not include at **R** the following contributions because they do not form part of the SMSF's assessable income:

- Super Co-contributions made under the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*

- contributions for a person under 18 which are not made by, or on behalf of, the person's employer
- in relation to splitting a superannuation interest of a member due to marriage breakdown, payments by a member to a regulated SMSF to be held for the benefit of their former spouse (sometimes referred to as 'member spouse contributions'); and
- eligible spouse contributions for which the contributor cannot claim a deduction.

Generally, the liability for tax on contributions lies with the trustee of an SMSF receiving the contributions. Australian superannuation funds are entitled to deduct the costs of collecting all contributions. The deductions for expenditure incurred by an Australian superannuation fund are not reduced because it received non-taxable contributions, for example, non-deductible employee contributions. However, foreign superannuation funds are only entitled to a deduction for the cost of collecting assessable contributions.

Show deductions allowable against assessable contributions at the appropriate entries in **Section C: Deductions**.

### NOTE

Only the *Fund income tax return 2008* contains **R4 Contributions excluded by trustee** and **R5 Pre 1 July 1988 funding credits**. They are not included in the *Self managed superannuation fund annual return 2008*.

## R1 Assessable employer contributions

Show at **R1** the amount of total assessable income comprising contributions and payments received by the SMSF in the income year. This includes:

- all contributions or payments to provide superannuation benefits for a member paid by an employer to a complying SMSF, or to a non-complying SMSF where that SMSF is an Australian superannuation fund
- all contributions to provide superannuation benefits for a member paid by an employer to a non-complying SMSF that is a foreign superannuation fund that relate to a period when the member was an Australian resident, or was a foreign resident deriving salary and wage income assessable in Australia
- shortfall amounts paid to a complying SMSF under the provisions of the *Superannuation Guarantee (Administration) Act 1992*
- amounts transferred from the Superannuation Holding Account special account to a complying SMSF under the provisions of the *Small Superannuation Accounts Act 1995* other than amounts which represent Government Super Co-contributions.

Do not show at **R1** contributions received for a member who has not quoted their TFN. Include these contributions in **R3 No TFN quoted contributions**.

**R1** is used to determine **R Assessable contributions**.

## R2 Assessable personal contributions

Show at **R2** the total assessable amount of personal contributions. The trustee of an SMSF is to treat personal contributions as assessable contributions only if the contributor has provided a valid notice stating their intent to claim a deduction for their contributions.

From 1 July 2007, a self-employed person and other eligible individuals can claim a full deduction for superannuation contributions provided the following conditions are met.

- The person can deduct personal contributions, even if they receive some income as an employee. Personal contributions will be deductible if less than 10% of the sum of a person's assessable income and reportable fringe benefits are attributable to employment as an employee. The test will no longer be determined by the level of employer superannuation support a person receives or was entitled to have received.
- If the person was 75 years of age or over on 30 June 2008 and the contributions were made on a day that was on or before 28 days after the end of the month in which they turned 75.
- If the person was under the age of 18 years on 30 June 2008, the person must have derived income in 2007–08 from the carrying on of a business or from employment as an employee.
- To be eligible for the deduction, the person must have given a notice to the trustee of an SMSF of their intention to claim a deduction before lodging a tax return for the income year in which the contribution was made or the end of the income year following the year the contribution was made. The person must also have received an acknowledgment from the trustee of receipt of the notice.

The self-employed person can only claim a deduction in the income year in which the contribution is made.

Other personal contributions that are included in the SMSF's assessable income include:

- the untaxed element of a roll-over superannuation benefit that a member is taken to receive under section 307-15 of the ITAA 1997 to the extent that it is not an excess untaxed roll-over amount (An amount will be an excess untaxed roll-over amount if it exceeds \$1 million.)
- the untaxed element of roll-over superannuation benefits of a complying SMSF that arose as a result of the complying SMSF ceasing to be a constitutionally protected SMSF during the income year or at the end of the previous income year
- the taxable component of a directed termination payment within the meaning of section 82-10F of the *Income Tax (Transitional Provisions) Act 1997*.

**R2** is used to determine **R Assessable contributions**.

### NOTE

#### Contributions caps

From 1 July 2007, caps apply to contributions made to a member's superannuation account. Amounts shown at **R1** and **R2** are taken into account in calculating whether the relevant caps have been exceeded. Contributions that exceed the cap amounts are subject to extra tax. The member will receive an 'excess contributions tax assessment' which will detail how much extra tax the member must pay.

The amount of the cap and how much extra tax the member must pay on the amount in excess of the cap depends on the age of the member (such that certain transitional arrangements can apply) and whether the contributions are concessional or non-concessional contributions.

For further information on the contributions caps, see the electronic publication *Super contributions – too much super can mean extra tax*. It is available on our website.

## R3 No TFN quoted contributions

Show at **R3** all employer contributions received that were for a member who has not quoted a TFN.

The SMSF will be liable for an additional tax at a rate of 31.5% on these contributions. This additional tax must be paid regardless of any tax offsets and amounts the SMSF may have transferred under **R6**.

See **example 3** on the next page for an illustration of how this additional tax must be applied.

**R3** is used to determine **R Assessable contributions**.

Additional tax payable as a result of a member not quoting a TFN should be included in **B Gross tax** item **12**.

**Example 3** should assist you in dealing with member contributions where the SMSF has transferred its tax liability to a life insurance company or PST. The 31.5% additional tax in respect of the 'no TFN quoted' contributions must be paid by the SMSF and the liability cannot be transferred to the life insurance company or PST.

### EXAMPLE 3: SMSF transferring its liability

#### Example 3a: Complying SMSF where all members have quoted a TFN

A complying SMSF can transfer its tax liability on assessable contributions to a life insurance company or PST in which it holds investments provided the requirements of section 295-260 of the ITAA 1997 are satisfied. The effect of the agreement is that the transferee pays the tax on the SMSF's behalf.

The Natalie Superannuation Fund is a complying SMSF which is transferring its tax liability to a life insurance company (shown at **R6 Transfer of liability to life insurance company or PST**). The SMSF has sufficient investments in the transferee life insurance company to cover the tax payable by the transferee as a result of the transfer (calculated under subsection 295-260(6) of the ITAA 1997). The SMSF has \$10,000 of assessable contributions (shown at **R Assessable contributions**).

The taxable income of the SMSF is calculated as follows:

	Amount	Rate	Tax
<b>Income</b>			
Employer contributions	\$10,000	15%	\$1,500
<b>Total</b>	<b>\$10,000</b>		<b>\$1,500</b>
<i>Less</i>			
<b>Contributions excluded</b>			
Transfer to life company	\$10,000	15%	\$1,500
<b>Total</b>	<b>\$10,000</b>		<b>\$1,500</b>
<b>Taxable income and gross tax</b>	<b>Nil</b>		<b>Nil</b>

#### Example 3b: Complying SMSF with 'no TFN quoted' contributions

SMSFs cannot transfer the additional tax liability caused by 'no TFN quoted' contributions to a life insurance company or a PST.

The James Superannuation Fund is a complying SMSF, however it has income which is taxed at different rates.

The SMSF has \$10,000 of assessable contributions (shown at **R Assessable contributions**). Of the total employer contributions, \$2,000 was for members who had not quoted their TFN (shown at **R3 No TFN quoted contributions**) while the remaining \$8,000 of contribution was for members who quoted their TFNs (shown at **R1 Assessable employer contributions**).

The SMSF has transferred all of its assessable contributions to a life company (shown at **R6 Transfer of liability to life insurance company or PST**). However, it must still pay the additional tax on the 'no TFN quoted' income as the following table shows. The total rate of tax that applies to the 'no TFN quoted' income is 46.5% (which is made up of 15% paid by the life insurance

company or PST, and an additional 31.5% paid by the SMSF). Even though the SMSF has transferred 100% of the contributions it received, it is still liable for \$630 tax for the 'no TFN quoted' contributions. The tax amount of \$630 is 31.5% of the \$2,000 'no TFN quoted' contribution, and is shown at **B Gross tax item 12**.

	Amount	Rate	Tax
<b>Income</b>			
'TFN quoted' contributions	\$8,000	15%	\$1,200
<i>Plus</i>			
'No TFN quoted' contributions	\$2,000	46.5%	\$930
<b>Total</b>	<b>\$10,000</b>		<b>\$2,130</b>
<i>Less</i>			
<b>Contributions excluded</b>			
Transfer to life company	\$10,000	15%	\$1,500
<b>Total</b>	<b>\$10,000</b>		<b>\$1,500</b>
<b>Taxable income and gross tax</b>	<b>Nil</b>		<b>\$630</b>

#### R6 transfer of liability to life insurance company or PST

Show at **R6** the amount of income otherwise assessable for the income year under Subdivision 295-C of the ITAA 1997 that the trustee of a complying SMSF (the 'transferor') has agreed to transfer to a life insurance company or PST (the 'transferee') in which the complying SMSF holds investments. The amount of the transfer will be included in the transferee's assessable income instead. The transferor must hold sufficient investments in the transferee to cover the tax payable by the transferee as a result of the transfer and the amount transferred cannot exceed the amount that would otherwise have been assessable income of the transferor under Subdivision 295-C of the ITAA 1997.

The agreement to transfer must be in writing, signed by both parties, must be made before the lodgment of this annual return and cannot be revoked. The trustee can only make one agreement for an income year with a particular transferee.

**R6** is used to determine **R Assessable contributions**.

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

## S Other income

Show at **S** the assessable amount of any income received that does not fall into any of the other categories shown at **A** to **U**.

### Foreign exchange (forex) gain

Show at **S** any assessable forex gains that have not been shown at any other category of income.

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

If a complying SMSF received a distribution from a partnership or trust, and that partnership or trust claimed a deduction for a listed investment company (LIC) capital gain amount, then the SMSF must add back as income one-third of its share of the deduction claimed by the partnership or trust and include the amount at **S**.

If a non-complying SMSF receives a distribution from a partnership or trust, and that partnership or trust claimed a deduction for an LIC capital gain amount, then the non-complying SMSF must add back as income its share of the deduction claimed by the partnership or trust and show the amount at **S**.

### Assessable balancing adjustment amounts

If the SMSF ceases to hold or to use a depreciating asset, it will need to calculate a balancing adjustment amount to include at **S** as assessable income or to claim as a deduction at **L Other deductions** item **11** – see the *Guide to depreciating assets 2008* for more information.

### Rebate or refund of premium paid to provide death or disability benefits

Include at **S** rebates and refunds that a complying SMSF receives and that are attributable to insurance policy premiums paid by the SMSF to provide superannuation death benefits. Disability superannuation benefits and benefits payable because of a person's temporary inability to engage in gainful employment are assessable income where the premium has been allowed or is allowable whole or in part as a deduction.

### Gross payments subject to foreign resident withholding

Show at **S** gross payments made to the SMSF that were regulated foreign resident income. Gross payments include amounts withheld. Do not include at **S** gross distributions of regulated foreign resident income from partnerships and trusts. Instead, show distributions from partnerships at **I Gross distributions from partnerships** and show distributions from trusts at **M Gross trust distributions other amounts**.

Regulated foreign resident income refers to payments which are prescribed in the Taxation Administration Regulations 1976 as being subject to the foreign resident withholding measure.

Do not include payments where the amount was varied to nil under the foreign resident withholding measure because the income was not taxable under a double tax agreement.

Complete a *Non-individual PAYG payment summary schedule 2008*. For instructions on completing this schedule, see **Schedules** on pages 48–9.

If you show a credit at **F2 Credit: foreign resident withholding** item **12** for tax withheld, you must show the corresponding gross payment at **D1 Gross foreign income** (except where the credit is from partnership or trust distributions). Show gross payment even if the credit is nil.

Gross distributions of foreign resident regulated income from a partnership or trust does not have an associated payment summary.

Print in the **Code** box the letter from **table 5** that best describes the greatest amount shown at **S Other income**.

**TABLE 5: Other income codes**

Code letter	Type of income
<b>F</b>	Forex gains
<b>C</b>	LIC capital gain amount
<b>B</b>	Assessable balancing adjustment amount
<b>R</b>	Rebate or refund of premium paid to provide death or disability benefits
<b>W</b>	Gross payments subject to foreign resident withholding
<b>O</b>	Other income received not listed above

## T Assessable income due to changed tax status of fund

Show at **T** the amount that is to be included in the SMSF's assessable income as a result of a change in tax status of the SMSF. An SMSF that changes from complying to non-complying (formula A), or an SMSF that is not an Australian superannuation fund that becomes an Australian superannuation fund (formula B), must calculate the amount of ordinary income and statutory income from previous years and include these amounts in the assessable income of the SMSF in the year the status of the SMSF changed.

### NOTE

A change in compliance or residency status for an SMSF may result in changes in tax rates.

## Formula A – Previously complying SMSF

If an SMSF changes from being a complying SMSF to a non-complying SMSF, the SMSF's assessable income in the year in which its status changed will include its ordinary income and statutory income from previous years as calculated using the formula on the next page. As a result, the tax concessions applicable to the SMSF when it was a complying SMSF are effectively recouped.

Formula A is:

$$\text{asset value} - \text{non-concessional contributions} = \text{assessable amount}$$

where:

- asset value is the sum of the market value of the SMSF's assets immediately before the start of the current income year, and
- non-concessional contributions (formerly referred to as 'undeducted contributions') are the total of:
  - the part of the crystallised undeducted contributions that relate to the period after 30 June 1983, and
  - the contributions segment for current members that have not been, and cannot be, deducted.

The amount calculated in formula A is included in the SMSF's assessable income for the year the SMSF becomes a non-complying SMSF and is taxed at the rate of 45%.

### Formula B – Previously foreign fund

If a foreign superannuation fund becomes an Australian superannuation fund, its assessable income in the year it changes its status will include the amount calculated using the formula below.

Formula B is:

$$\text{asset value} - \text{member contributions} = \text{assessable amount}$$

where:

- asset value is the sum of the market values of the SMSF's assets immediately before the start of the current income year, and
- member contributions in formula B is the total amount of current member contributions in the SMSF at the time.

The amount calculated is included in the SMSF's assessable income for the year in which the SMSF changes its status from foreign superannuation fund to **complying** Australian superannuation fund. The amount is taxed at the rate of 15%. If the SMSF changes its status from foreign superannuation fund to **non-complying** Australian superannuation fund, the amount is taxed at a rate of 45%.

The SMSF is not entitled to a tax offset for the foreign income tax that was paid in the previous year where

- a previously complying SMSF or a previously foreign SMSF includes an amount in assessable income under either formula A or formula B above, and
- the trustee of the SMSF paid foreign income tax in respect of that amount before the start of the income year.

### U Net non-arm's length income

Show at **U** the net amount of income which the SMSF has received from a transaction or a series of transactions between parties not at arm's length.

This includes income such as:

- private company dividends (including non-share dividends)
- certain distributions from trusts, and
- other excessive non-arm's length income that is greater than might have been expected had it been derived from an arm's length dealing.

**All income shown at U is taxed at 45%.** Each component of non-arm's length income is reduced by any deductions attributable to that income and is then taxed at the highest marginal tax rate. Allowable deductions against that income are those that relate exclusively to the non-arm's length component of income, and so much of other allowable deductions as appropriately relate to that income.

If this amount is a loss, quarantine the loss for future deduction against income of the same class. Do not show a loss at **U**, but keep a record of the quarantined loss amount with the SMSF's tax records.

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

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

In deciding whether the amount is consistent with an **arm's length dealing** consideration must be given to any connection between the private company and the SMSF, as well as any other relevant circumstance. Other relevant circumstances include:

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

*Taxation Ruling TR 2006/7* provides guidance on determining when private company dividends are non-arm's length income.

Gross up the private company dividends including non-share dividends, that is, add the amount of any attached franking credit to the total amount of the private company dividends that the SMSF received. Reduce this amount by any related deductions and show the amount at **U1**. If you are a complying SMSF show the amount of franking credits attached to such dividends at **F4 Credit: refundable franking credits** item 12. If you are a non-complying SMSF show the amount of franking credits attached to such dividends at **C2 Credit: rebates and tax offsets** item 12.

Do not show at **U1** any dividends received directly or indirectly from a New Zealand company.

Where private company dividends (including non-share dividends) are consistent with arm's length dealing, such that the amount should not be treated as non-arm's length income, the dividends received are taxed at 15%. These dividends are reported at either **J Unfranked dividend amount**, or **K Franked dividend amount** and **L Dividend franking credit**.

**All income shown at U1 is taxed at 45%.**

## **U2 Net non-arm's length trust distributions**

Trust distributions are non-arm's length income of a complying SMSF if they are:

- distributions where the SMSF does not have a fixed entitlement to income from the trust (generally discretionary trusts), and
- distributions where the SMSF has a fixed entitlement to income from the trust and the SMSF acquired the entitlement to the distribution under an arrangement where the parties were not dealing at arm's length and the amount of income is more than the amount that would have been provided had the parties been dealing at arm's length.

If the SMSF received a distribution from a trust, examine the circumstances of the distribution to determine whether the income is 'non-arm's length income' as defined in section 295-550 of the ITAA 1997. If it is non-arm's length income, show it at **U2**.

If a distribution included franked dividends (including franked non-share dividends), gross up the distribution by including any attached franking credits. If you are a complying SMSF show the amount of franking credits attached to such dividends at **F4 Credit: refundable franking credits** item **12**. If you are a non-complying SMSF show the amount of franking credit attached to such dividends at **C2 Credit: rebates and tax offsets** item **12**.

**All income shown at U2 is taxed at 45%.**

## **U3 Net other non-arm's length income**

Show at **U3** any income (other than private company dividends or trust distributions) derived by the SMSF from a transaction that is non-arm's length income.

Income is **non-arm's length income** if the parties to a transaction or a series of transactions are not dealing at arm's length and the income derived from the transaction is greater than might have been expected had the parties been dealing at arm's length in relation to the transaction. The transactions covered may include interest on loans, rent from property, profit on sale of assets and capital gains, and franking credits on dividends.

The test for such income is a question of fact and all of the circumstances in a relationship are relevant in determining whether the quantum of income derived from a non-arm's length dealing is greater than might have been expected had the parties been dealing at arm's length, including the commercial risks undertaken by the SMSF.

A **non-arm's length dealing** in these cases will include an examination of the same circumstances as those outlined above under **U1**.

See Taxation Ruling TR 2006/7 for further information.

**All income shown at U3 is taxed at 45%.**

## **V Total assessable income**

Do not include any amount from the following because they would have already been included in the total at **D** and **R**:

- **D1 Gross foreign income**
- **R1 Assessable employer contributions**
- **R2 Assessable personal contributions**
- **R3 No TFN quoted contributions**
- **R6 Transfer of liability to life insurance company or PST.**

Where there is no income, print **0** in this field. If the amount shown is a loss, print **L** in the box at the right of the amount.

# SECTION C: DEDUCTIONS

This section deals with all deductions for the 2007–08 income year. You do not show cents for any amount you write at this section on your annual return.

## STOP

You cannot show anywhere on the annual return any expense which the SMSF incurred in deriving exempt current pension income. This means that those expenses cannot be included as part of any deductions claimed at **A** to **L**.

## 11 DEDUCTIONS

### K Exempt current pension income

Gross income of a complying SMSF derived from assets held to provide for current 'pension liabilities' is exempt from income tax. You would have shown this gross income amount at item **10**. To ensure that that income is not taxed, it is necessary to deduct an identical amount at **K**.

Do not reduce the exempt income shown at **K** by the amount of expenses incurred in deriving that income. Doing so will understate the deductible amount of exempt current pension income and will result in some of that income being subject to tax.

Expenses incurred in gaining or producing exempt income are not deductible; those expenses should not be shown anywhere in item **11**.

For treatment of expenses incurred wholly or partly in producing assessable income, see deductions:

- **D Capital works deductions**
- **E Deduction for decline in value of depreciating assets**
- **I Investment expenses**
- **J Management and administration expenses**
- **L Other deductions.**

**Pension liabilities** are the SMSF's liabilities to pay superannuation income stream benefits. The exemption on current pension income applies to all SMSFs currently paying pensions. It does not provide an automatic exemption of the SMSF's total income as certain conditions must be met to obtain an exemption. There are two methods by which the trustee of an SMSF can determine the exempt income shown at **K**. Either one method or both methods may be used depending on the circumstances. Different conditions for claiming the exemption apply depending on the method used.

An SMSF is entitled to franking credits on franked dividends received, even when the dividends relate to current pension liabilities.

### First method: Income from segregated assets used to meet current pension liabilities

If a complying SMSF segregates its assets so that the income can be identified as derived from the segregated assets held to provide for current pension liabilities, that income is the exempt income (section 295-385 of the ITAA 1997). For the purpose of calculating exempt income under section 295-385 of the ITAA 1997, non-arm's length income and assessable contributions are excluded from the SMSF's income.

The trustee must obtain an actuarial certificate before the date for lodgment of the SMSF's annual return for segregated current pension assets.

An actuarial certificate is not required if assets are segregated at all times during the income year and the only superannuation income stream benefits being paid from the segregated assets is a type prescribed by the Income Tax Assessment Regulations 1997. Superannuation income streams prescribed for this purpose by Income Tax Assessment Regulation 295-385.01 include allocated pensions, market linked pensions and account based pension types.

If the SMSF also pays any other type of superannuation income stream, an actuarial certificate will be required for all superannuation income streams (subsection 295-385(5) of the ITAA 1997).

Note that assets of a complying SMSF that are supporting a superannuation income stream benefit prescribed by the regulations (for the purposes outlined above) are not segregated current pension assets to the extent that the market value of those assets exceeds the account balance of the benefit (subsection 295-385(6) of the ITAA 1997).

### Second method: Income from unsegregated assets used to meet current pension liabilities

If a complying SMSF's income is derived from assets that are not segregated between current pension liabilities and other liabilities, under subsection 295-390(3) of the ITAA 1997, the income that is exempt from tax is the portion calculated by dividing:

- the SMSF's average value of current pension liabilities (excluding liabilities for which segregated current pension assets are held)  
by
- the SMSF's average value of superannuation liabilities (excluding liabilities for which segregated current pension assets or segregated non-current assets are held).

For the purpose of calculating exempt income under this method, non-arm's length income, assessable contributions, income derived from segregated non-current assets and income exempted under section 295-385 are excluded from the SMSF's income (section 295-390 of the ITAA 1997).

An actuarial certificate is required under section 295-390 of the ITAA 1997.

An actuarial certificate is also required if the SMSF has segregated non-current assets (section 295-395 of the ITAA 1997).

## A Interest expenses within Australia

Show at **A** the deductible interest incurred on money borrowed from Australian sources to:

- acquire income-producing assets
- finance operations, or
- meet current expenses.

## B Interest expenses overseas

Show at **B** the deductible interest incurred on money borrowed from overseas sources to:

- acquire income-producing assets
- finance operations, or
- meet current expenses.

The SMSF should generally withhold an amount of tax (withholding tax) from interest paid or payable to non-residents, and from interest paid to a resident which was derived by the resident through an overseas branch. The SMSF must remit these amounts to the Tax Office.

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

- name and address of recipients
- amount of interest paid or credited, and
- amount of withholding tax withheld and the date it was remitted to the Tax Office.

## D Capital works deductions

Show at **D** the deduction claimed for capital expenditure on special buildings, which includes eligible capital expenditure on extensions, alterations or improvements. Exclude capital expenditure for mining infrastructure buildings and timber milling buildings.

For more information on capital works deductions, see appendix 1.

## E Deduction for decline in value of depreciating assets

Show at **E** the deduction for decline in value of depreciating assets for tax purposes.

Complete and attach a *Capital allowances schedule 2008* if an amount of more than \$15,000 is shown at **E**. For more information see the *Capital allowances schedule instructions 2008* (NAT 4089). To get a copy visit our website [www.ato.gov.au](http://www.ato.gov.au) or to get a printed copy see the inside back cover.

The decline in value of a depreciating asset is generally worked out using either the prime cost or diminishing value method. Both methods are based on the effective life of an asset. For most depreciating assets, the SMSF can choose whether to self-assess the effective life or to adopt the Commissioner's determination, the most recent of which can be found in *Taxation Ruling TR 2007/3 Income tax: effective life of depreciating assets (applicable from 1 July 2007)*.

The SMSF can deduct an amount equal to the decline in value for an income year of a depreciating asset that it held for any time during that year. However, the deduction is reduced to the extent the SMSF uses it or has it installed ready for use for other than a taxable purpose.

The decline in value of a depreciating asset costing \$300 or less is its cost (but only to the extent the asset is used for a taxable purpose) if the asset satisfies all of the following requirements:

- it is used predominantly for the purpose of producing assessable income that is not income from carrying on a business
- it is not part of a set of assets acquired in the same income year that costs more than \$300, and
- it is not one of any number of substantially identical items acquired in the same income year that together cost more than \$300.

The decline in value of certain assets with a cost or opening adjustable value of less than \$1,000 can be calculated through a low-value pool. Assets eligible for the immediate deduction cannot be allocated to a low-value pool.

For an explanation of the concepts and terms mentioned above, and for more information on deductions for decline in value, see the *Guide to depreciating assets 2008*.

## F Death or disability premiums

Show at **F** deductions for insurance premiums paid by a complying SMSF to provide superannuation benefits upon death or temporary or permanent disability of the member.

An SMSF may use a variety of life insurance policies to provide these benefits with the allowable deduction being:

- 30% of the premium where the policy is a whole of life policy
- 10% of the premium paid where the policy is an endowment policy, or
- for both whole of life and endowment policies, the part of a premium that is specified in the policy as being wholly for the liability to provide death or disability benefits.

An actuarial certificate is not required in the above circumstances.

For all other insurance policies, a complying SMSF can deduct the premium (or part thereof) that is attributable to the liability to provide death or disability superannuation benefits. An actuarial certificate is required to obtain this deduction.

A complying SMSF is also allowed a deduction for premiums on insurance policies to replace income during periods of temporary disability. For more information, see *Taxation Determination TD 2007/3 – Income tax: is a deduction allowable to complying superannuation funds under section 279 of the Income Tax Assessment Act 1936, for insurance premiums attributable to the provision of benefits for members in the event of temporary disability longer than two years?*



In the case of SMSFs which self-insure, the deduction is equal to a reasonable arm's length premium, rather than the lowest arm's length premium, for the cost of death and disability cover provided. An actuarial certificate is also required.

Rather than claiming a deduction for insurance premiums paid, a complying SMSF may choose to deduct an amount for its future liability to pay death or disability superannuation benefits (section 295-470 of the ITAA 1997). Show deductions for this amount at **F**.

## G Death benefit increase

Show at **G** the increased amount of superannuation lump sum death benefits.

This deduction is available to an SMSF that has been complying since 1 July 1988 or since established, if later. The SMSF can deduct an amount where it increases (or does not reduce) a superannuation lump sum death benefit so that the death benefit amount is not reduced because of the tax on contributions (the 'tax saving amount'). The lump sum payment must be made to the trustee of the deceased's estate or to the deceased's dependant (an individual who was a spouse, former spouse or child of the deceased) at the time of death or payment in order to claim the deduction.

The deduction is only available to the extent that the spouse, former spouse or child of the deceased can reasonably be expected to benefit from the estate.

The deduction is available under section 295-485 of the ITAA 1997. The amount of the deduction is calculated by dividing the tax saving amount by the low tax component rate (which is generally 15%).

The SMSF can deduct the amount in the income year in which the lump sum is paid.

## H Approved auditor fee

Show at **H** the amount charged for the services of the approved auditor. You must show an amount at **H**, even if there was no fee (for instance, for the first year of operation the fee is charged in the following income year) in which case you must write **0**.

## I Investment expenses

Show at **I** the amount of expenses of a revenue nature incurred in deriving investment income, unless the expense is more appropriately shown at another label. Do not include any amount that is shown at **J Management and administration expenses**.

Complying SMSFs may claim deductions for expenses incurred in relation to acquiring, holding or disposing of:

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

You can claim the deduction if the expenditure would qualify for deduction under the deduction provisions of the ITAA 1936 or the ITAA 1997 as if any profits, gains or bonuses (derived from investments in PSTs, life insurance policies or interests in trusts (as above) that are of a capital nature) were instead assessable as being of an income nature.

Our view on the application of the relevant provisions, section 295-100 of the ITAA 1997, is set out in *Taxation Determination TD 1999/6 – Income tax: what is the purpose of sections 279E and 289A of the Income Tax Assessment Act 1936 (ITAA 1936)?*

Investment charges that are deducted by the PST or life insurance company from gross contributions transferred from the SMSF result in a reduced amount of contributions for investment by the PST or the life insurance company. In this case, the charges are of a capital nature as they reduce the amount of the investment, and are therefore not deductible.

However you cannot deduct amounts of expenses, other than amounts claimed at **F Death or disability premiums**, for fees or charges incurred for virtual PST life insurance policies, exempt life insurance policies and units in a PST that are segregated current pension assets of the fund.

## J Management and administration expenses

Show at **J** the amount of expenses of a revenue nature incurred in the management and administration of superannuation entities, unless the expense is more appropriately shown at another label. Do not include the expense of the approved auditor at **J**. This expense should be shown at **H Approved auditor fee**.

## U Forestry managed investment scheme deduction

The SMSF may be able to claim a deduction at this item for payments made to an FMIS if:

- the SMSF currently holds a forestry interest in an FMIS, or held a forestry interest in an FMIS during 2007–08, and
- the SMSF paid an amount to a forestry manager of an FMIS under a formal agreement.

The SMSF can only claim a deduction at this item if the forestry manager has advised you that the FMIS satisfies the 70% direct forestry expenditure rule in Division 394 of the *Income Tax Assessment Act 1997*.

If the SMSF is an **initial participant**, it cannot claim a deduction if it disposed of the forestry interest in an FMIS within four years after the end of the income year in which a payment was first made.

If the SMSF is a **subsequent participant**, it cannot claim a deduction for the amount paid for acquiring the interest. The SMSF can only claim a deduction for ongoing payments.

The SMSF is an **initial participant** in an FMIS if:

- it obtained the forestry interest in the FMIS from the forestry manager of the scheme, and
- the payment to obtain the forestry interest results in the establishment of trees.

The SMSF is a **subsequent participant** in an FMIS if it obtained the forestry interest in the FMIS from another participant in the FMIS.

A **forestry manager** of an FMIS is the entity that manages, arranges or promotes the FMIS.

A **forestry interest** in an FMIS is a right to benefits produced by the scheme (whether the right is actual, prospective or contingent and whether it is enforceable or not).

**Initial participants** can claim at this item **initial and ongoing payments** made under an FMIS that were made as an initial participant of the FMIS.

**Subsequent participants** can claim at this item **ongoing payments** made under an FMIS that were made as a subsequent participant of the FMIS.

### Excluded payments

The SMSF cannot claim a deduction at this item for any of the following payments:

- payments for borrowing money
- interest and payments in the nature of interest (such as a premium on repayment or redemption of a security, or a discount of a bill or bond)
- payments of stamp duty
- payments of goods and services tax (GST)
- payments that relate to transportation and handling of felled trees after the earliest of the following
  - sale of the trees
  - arrival of the trees at the mill door
  - arrival of the trees at the port
  - arrival of the trees at the place of processing (other than where processing happens in-field)
- payments that relate to processing
- payments that relate to stockpiling (other than in-field stockpiling).

Show at **U** the total amount of deductible payments made to an FMIS.

### L Other deductions

Show at **L** the total amount of all other deductions that do not fall into any of the other categories in **section C: Deductions**.

Deductions that are specifically allowable for your superannuation activities include amounts in the following eight categories.

### Exclusion of personal contributions

A complying SMSF can deduct an amount of personal contributions to the extent the contributor's deduction for them has been reduced by a notice under section 290-180 of the ITAA 1997.

Generally, the deduction is allowed in the year in which the notice is received. However, if the notice is received after the SMSF has lodged its annual return and the SMSF is unable to utilise the deduction fully in the year in which the notice is received (for example, if that year's taxable income is exceeded by the deduction or the SMSF would lose the benefit of franking credits), the SMSF can amend the assessment of the earlier year in which the contribution was made (subsection 295-195(3) of the ITAA 1997).

### Forex losses

Show at **L** any deductible forex losses made by the SMSF that have not been shown at any other category. See **Foreign exchange gains and losses** on page 51 for more information on the forex measures.

### Contribution that is a fringe benefit

An SMSF can claim a deduction for an amount included in its assessable income that is a fringe benefit because it will be taxed as a fringe benefit in the hands of the contributor.

A contribution made to a complying SMSF will not be a fringe benefit.

### Return of contributions by non-complying SMSFs

An SMSF that has been non-complying since 1 July 1988 or since it was established can deduct an amount which it returns to the entity which had paid the amount to it, provided the entity includes the amount in its assessable income.

### Deductible balancing adjustment amounts

If the SMSF ceases to hold or to use a depreciating asset, it will need to calculate a balancing adjustment amount to include in its assessable income or to claim as a deduction. See the *Guide to depreciating assets 2008* for more information.

### Environment protection expenditure

A deduction is allowed for certain capital expenditure incurred for the sole or dominant purpose of:

- preventing, combating or rectifying pollution of the environment, or
- treating, cleaning up, removing or storing waste.

See the *Guide to depreciating assets 2008* for more information.

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

An LIC can pay a dividend which includes an LIC capital gain amount to a complying SMSF. The complying SMSF can claim a deduction of one third of that LIC capital gain amount. The LIC's dividend statement shows the LIC capital gain amount.

A non-complying SMSF is not entitled to claim a deduction for the LIC capital gain amount included in any dividends paid to it by an LIC.

### Deduction relating to foreign non-assessable non-exempt income

Certain expenses relating to foreign non-assessable non-exempt income (that is, tax-free income) are allowable deductions against the SMSF's assessable income if the expenses are a cost in relation to certain debt interests incurred in an income year that began on or after 1 July 2001 (see section 25-90 of the ITAA 1997). For SMSFs, the relevant non-assessable non-exempt income is foreign income exempted from income tax under section 23AI and 23AK of the ITAA 1936.

These deductions should not be applied against **D1 Gross foreign income** for the purpose of calculating **D Net foreign income** or a foreign loss.

Print in the **Code** box the letter from **table 6** that best describes the greatest amount shown at **L Other deductions**.

#### ! NOTE

You cannot claim a deduction against the assessable income of the SMSF for benefits paid.

There is no provision for SMSFs to transfer or pass on deductions to other entities (for example, life insurance companies or PSTs).

**TABLE 6: Other deductions codes**

Code letter	Deductions in respect of:
<b>C</b>	Exclusion of personal contributions
<b>F</b>	Foreign exchange losses
<b>B</b>	Contribution that is a fringe benefit
<b>R</b>	Return of contributions by non-complying funds
<b>A</b>	Deductible balancing adjustment
<b>E</b>	Environment protection expenditure
<b>I</b>	Listed investment company capital gain amount
<b>N</b>	Deduction relating to foreign non-assessable non-exempt income
<b>O</b>	Other deductions not listed above

### M Tax losses deducted

Show at **M** the tax losses the SMSF is claiming: this amount is equal to the SMSF's tax losses brought forward less the amount of the SMSF's net exempt income (section 36-15 of the ITAA 1997). The SMSF's **net exempt income** is the SMSF's gross exempt income less the expenses incurred in deriving that income.

Do not show net capital losses at **M**. See **V Net capital losses carried forward to later income years** at item **13**.

Domestic losses can be used to offset foreign source income. The trustee of the SMSF makes an election and keeps it with the SMSF's tax records. Foreign source losses may be deducted against foreign source income of the same class. For more information, see the *Foreign income return form guide*, available on our website. Changes enacted in the *Tax Laws Amendment (2007 Measures No. 4) Act 2007* about removing the quarantining of foreign losses do not affect this annual return. See **What's new?** for more information.

#### ! NOTE

- The trust loss legislation in Schedule 2F to the ITAA 1936 affects the deductibility of prior year losses by all trusts which are not excepted trusts as defined in section 272-100 of Schedule 2F to the ITAA 1936, such as non-complying superannuation funds.
- The SMSF may need to complete and attach a *Losses schedule 2008* to the annual return. For more information, see **Schedules** on pages 48-9 and the *Losses schedule instructions 2008*.

### N Total deductions

Show at **N** the total of all allowable deductions from **K** to **M**. This amount takes into account concessions and adjustments allowable for income tax purposes.

### O Taxable income or loss

Show at **O** the taxable income or loss by subtracting **N Total deductions** from **V Total assessable income** item **10**. If the amount calculated is an overall loss for the year, print **L** in the box at the right of the amount.

# SECTION D: INCOME TAX CALCULATION STATEMENT

This section works out the tax liability where there is taxable income.

We use the information which you provide in this section to calculate the 2008–09 Commissioner’s instalment rate under the PAYG income instalment system. You must complete all labels as accurately as possible to ensure that the rate calculated results in a reliable estimate of tax payable for the 2008–09 income year.

## 12 INCOME TAX CALCULATION STATEMENT

### A Taxable income

Show at **A** the amount of taxable income of \$1 or more.

This amount is the amount at **O Taxable income or loss** when the **Loss** code box is blank. Write **0** if the SMSF has no taxable income or has a tax loss.

### B Gross tax

Show at **B** the amount of tax payable before applying any rebates, tax offsets and credits.

The compliance status of the SMSF affects the tax rates that apply. If the SMSF is a regulated SMSF and you have not received a notice of non-compliance, then the SMSF is a complying fund and the standard tax rate is 15%. If your SMSF is a non-complying fund the standard tax rate is 45%.

However, different tax rates apply to the following types of income and you must ensure that you apply the correct tax rate to amounts shown at any of:

- **R3 No TFN quoted contributions** item 10
- **U Net non-arm’s length income** item 10
- **T Assessable income due to changed tax status of fund** item 10.

See **Appendix 3: Tax rates** for more information on the applicable tax rates. There are special provisions for no-TFN-quoted contributions; see **R Assessable contributions** in these instructions for further examples.

If you show no income at **R3, U** and **T** item 10, then the amount you show at **B** is the amount at **A** multiplied by the applicable tax rate. Otherwise use **examples 4** and **5** below to help you calculate the gross tax amount.

### EXAMPLE 4: SMSF showing income at R3 No TFN quoted contributions item 10

#### Example 4a: Complying SMSF

The Natalie Superannuation Fund is a complying fund, however it has income which cannot be taxed at 15%.

The SMSF received \$10,000 in assessable contributions (shown at **R** item 10) all of which are employer contributions. Of that amount, \$8,000 is shown at **R1** item 10 for members who quoted their TFN, but \$2,000 is shown at **R3** item 10 for members who have not quoted their TFN and whose account was opened either:

- on or after 1 July 2007, or
- prior to 1 July 2007 but the assessable contributions made for the member in the year exceeded \$1,000.

The SMSF has also incurred \$1,000 in administration expenses (**J** item 11). The SMSF’s taxable income is \$9,000.

	Amount	Rate	Tax
<b>No TFN quoted contributions</b>	<b>\$2,000</b>	<b>31.5%</b>	<b>\$630</b>
<b>Assessable income</b>			
Employer contributions	\$10,000		
<b>Total assessable income</b>	<b>\$10,000</b>		
<i>less</i>			
<b>Deductions</b>			
Administration expenses	\$1,000		
<b>Taxable income</b>	<b>\$9,000</b>	<b>15%</b>	<b>\$1,350</b>
<b>Gross tax</b>			<b>\$1,980</b>

See **Appendix 3: Tax rates** for more information on the applicable tax rates.

#### Example 4b: Non-complying SMSF

Most of the income of non-complying SMSFs is taxed at 45%, but a tax rate of 46.5% applies to ‘no-TFN-quoted’ contributions.

If the Natalie Superannuation Fund were a non-complying fund, you would calculate its gross tax as follows:

	Amount	Rate	Tax
<b>No TFN quoted contributions</b>	<b>\$2,000</b>	<b>1.5%</b>	<b>\$30</b>
<b>Assessable income</b>			
Employer contributions	\$10,000		
<b>Total assessable income</b>	<b>\$10,000</b>		
<i>less</i>			
<b>Deductions</b>			
Administration expenses	\$1,000		
<b>Taxable income</b>	<b>\$9,000</b>	<b>45%</b>	<b>\$4,050</b>
<b>Gross tax</b>			<b>\$4,080</b>

See **Appendix 3: Tax rates** for more information on the applicable tax rates.

**EXAMPLE 5: SMSF showing income at U Net non-arm's length income item 10**

**Example 5a: Complying SMSF**

The Elizabeth Superannuation Fund is a complying SMSF, however, it has income which cannot be taxed at 15%.

The SMSF received \$10,000 of assessable contributions (shown at **R** item **10**) and \$4,000 of private company dividends. All private company dividends are generally treated as non-arm's length income unless that income is consistent with an **arm's length dealing**. (See **U1 Net non-arm's length private company dividends** for a definition of arm's length dealing.) Of the \$4,000 private company dividends, \$2,000 are treated as non-arm's length income. The net non-arm's length income is taxed at 45%.

Non-arm's length income expenses are \$100. These expenses can only be deducted from the non-arm's length income. All non-arm's length income is shown on the annual return as net amount of income.

The amount of taxable income other than the non-arm's length income is referred to as the **low tax component**.

The SMSF has also incurred \$2,500 in administration expenses (shown at **J** item **11**) which are not considered to be attributable to the earning of the non-arm's length income.

The SMSF's taxable income is \$11,400.

	Amount	Rate	Tax
<b>Assessable income</b>			
Employer contributions	\$10,000		
<i>plus</i>			
Private company dividends (arm's length dealing)	\$2,000		
<i>plus</i>			
Net private company dividends (non-arm's length income)	\$1,900		
<b>Total assessable income</b>	<b>\$13,900</b>		
<i>less</i>			
<b>Deductions</b>			
Administration expenses	\$2,500		
<b>Taxable income</b>	<b>\$11,400</b>		
<b>Components of taxable income</b>			
Non-arm's length component	\$1,900	45%	\$855
Low tax component (that is, other taxable income)	\$9,500	15%	\$1,425
<b>Gross tax</b>			<b>\$2,280</b>

**Example 5b: Non-complying superannuation SMSF**

The income of non-complying SMSFs is taxed at 45% (except for a tax rate of 46.5% which applies to 'no-TFN-quoted' contributions).

If the Elizabeth Superannuation Fund were a non-complying SMSF, all of its income would be taxed at the same rate because it does not have no-TFN-quoted contributions. You would calculate its gross tax as follows:

	Amount	Rate	Tax
<b>Assessable income</b>			
Employer contributions	\$10,000		
<i>plus</i>			
Net private company dividends (including those treated as non-arm's length income)	\$3,900		
<b>Total assessable income</b>	<b>\$13,900</b>		
<i>less</i>			
<b>Deductions</b>			
Administration expenses	\$2,500		
<b>Taxable income</b>	<b>\$11,400</b>	<b>45%</b>	<b>\$5,130</b>
<b>Gross tax</b>			<b>\$5,130</b>

**C1 Credit: foreign tax credit**

Show at **C1** the self-determined amount that is the lesser of:

- the foreign tax paid (or taken to have been paid), and
- the Australian tax payable.

To calculate foreign tax credit, see the *Foreign income return form guide*, available on our website, and *How to claim a foreign tax credit 2008*.

If the SMSF received franked distributions directly or indirectly from a New Zealand franking company, see **Trans-Tasman imputation** on page 52.

**C2 Credit: rebates and tax offsets**

Show at **C2** the total of rebates and tax offsets available. Do not show the amounts giving rise to the tax rebate and tax offset. If the SMSF is complying, do not include franking credits that relate to dividends (including non-share dividends) received nor assessable dividends from a New Zealand franking company. Show these at **F4 Credit: refundable franking credits**.

If the SMSF received a distribution of business income from a trust which was a small business entity with an aggregated turnover of less than \$75,000, the SMSF may be eligible for the entrepreneurs tax offset. You will need to complete a schedule of additional information. On a separate piece of paper:

- print SCHEDULE OF ADDITIONAL INFORMATION – ITEM C2
- include the SMSF's name, address and tax file number

- for each trust for which the SMSF is eligible for an entrepreneurs tax offset
  - write the name of the trust
  - print K = and write the amount of the trust's aggregated turnover
  - print N = and write the amount of the SMSF's share of the net small business income of the trust (do not reduce the SMSF's share by any deductions it is entitled to claim for income tax purposes).
- sign and attach the schedule to page 3 of the annual return.

### C Rebates, offsets, foreign credits

Add the amounts at **C1** and **C2** and show the total at **C**. Foreign tax credits, and rebates and tax offsets shown at **C** cannot exceed the gross tax amount shown at **B**. Do not show at **C** an amount greater than at **B**. See **example 6a**.

Any unused rebates, offsets and foreign credits shown at **C** will not be recorded by us to be applied in future years. Where it is possible to carry forward a credit, for example, excess foreign tax credits, the SMSF is required to keep its own records if it is carrying the credits forward to a later date.

### D Sub total

Subtract the amount at **C** from the amount at **B**. Show the result at **D**. The amount at **D** cannot be less than zero.

### E Section 102AAM interest charge

Show at **E** the amount of interest calculated under section 102AAM for a distribution received from a non-resident trust. Section 102AAM of the ITAA 1936 imposes an interest charge on certain distributions from non-resident trusts. For more information, see the *Foreign income return form guide*, available on our website.

### F1 Credit: interest on early payments

Show at **F1** only the calculated interest amount of 50 cents or more for early payments. Do not show payment amounts.

Interest may be payable where an actual payment is made on account of certain amounts more than 14 days before the due date of payment. Amounts which may attract early payment interest include payments of:

- income tax
- shortfall interest charge, and
- interest payable under section 102AAM of the ITAA 1936.

Amounts which are not directly paid, but are reduced by the crediting or applying of an amount, do not attract early payment interest. These amounts include:

- credit for instalments payable under PAYG instalment
- credit for amounts withheld from withholding payments under PAYG withholding
- an overpayment of other income tax liabilities
- a running balance account (RBA) surplus, and
- any other credit entitlement arising under a tax law.

Early payment interest is also not payable on:

- any component of the payment that exceeds the amount due, and
- an amount for any period during which that amount also attracts interest on overpayment.

Early payment interest is calculated from the date the early payment is made to the date the amount becomes due and payable. However, where you pay an amount early on account of a tax liability, and we refund it before the due date of the liability, interest will not accrue for the period after the date on which we refund the amount.

Date of payment is either:

- the date shown on the receipt
- the date payment is mailed to the Tax Office plus three days, or
- the date shown on the taxpayer's bank statement where payment is made through direct debit, that is, electronic funds transfer (EFT).

### TABLE 7: Interest on early payments

The rates of interest on early payments for the 2007–08 income year are:

Quarter	Annual interest rate
Jul–Sep 2007	6.37%
Oct–Dec 2007	6.75%
Jan–Mar 2008	7.15%
Apr–Jun 2008	7.69%

If the early payment extends over two or more quarters, calculate the interest for the number of days in each quarter.

For 2007–08 interest is calculated as follows:

$$\text{Interest} = \frac{\text{number of days}}{366} \times \text{amount of payment for that quarter} \times \text{interest rate}$$

Keep a record of the amount of early payment interest claimed. **This interest is assessable income** in the income year in which it is paid or credited against another liability.

### F2 Credit: foreign resident withholding

Show at **F2** the total amount of tax withheld from payments subject to foreign resident withholding. This includes any distributed share of foreign resident withholding credits distributed to the SMSF from a partnership or trust.

Where a credit is claimed at **F2** for tax withheld under foreign resident withholding, the corresponding gross payment must be shown at item **10**, at **I Gross distributions from partnerships** or **M Gross trust distributions** or **S Other income** (gross payment subject to foreign resident withholding).

### F3 Credit: ABN/ TFN not quoted (non-individual)

Show at **F3**:

- the total tax withheld from payments subject to withholding where the SMSF's ABN or TFN was not quoted. (This amount equals the sum for the amounts shown in the tax withheld boxes on the *Non-individual PAYG payment summary schedule 2008* – see **Schedules** on pages 48–9), and
- any amounts withheld from investments where the SMSF's TFN has not been quoted to the financial institution.

If a credit is shown at **F3** for tax withheld where an ABN or TFN was not quoted, the corresponding gross payment must be declared at **H Gross payments where ABN not quoted** item 10.

**F3** is not where you show **contributions** that have been received by the SMSF where no TFN has been quoted; these are reported at **R3 No TFN quoted contributions** item 10.

### F4 Credit: refundable franking credits

Complying SMSFs are entitled to claim a refund of excess franking credits in respect of dividends received (including non-share dividends and assessable dividends from a New Zealand franking company).

Show at **F4** the amount of franking credits attached to dividends received, including non-share dividends and assessable dividends from a New Zealand franking company. Make sure you have included the amount of the franking credits in the assessable income you showed at **I Gross distributions from partnerships, L Dividend franking credit, M Gross trust distributions** and **E Australian franking credits from a New Zealand company** item 10.

If the SMSF is a non-complying fund, the SMSF is entitled to a tax offset of franking credits attached to dividends received (including non-share dividends and assessable dividends from a New Zealand franking company) against the income tax liability of the SMSF. Show the amount of the franking credits at **C2 Credit: rebates and tax offsets**. Make sure you have included the amount of the franking credits in the assessable income you showed at **L Dividend franking credit** and **E Australian franking credits from a New Zealand company**.

Do not show at this label credits included at **C1 Credit: foreign tax credit** or payments for the current year tax liability. Show any amounts already paid for the current year tax liability at **G PAYG instalments raised**.

#### ! NOTE

A dividend from a New Zealand franking company might also carry New Zealand imputation credits. An Australian resident cannot claim any New Zealand imputation credits.

### F Eligible credits

Show at **F** the total of the amounts at:

- **F1 Credit: interest on early payments**
- **F2 Credit: foreign resident withholding**
- **F3 Credit: ABN/ TFN not quoted (non-individual)**, and
- **F4 Credit: refundable franking credits**.

### G PAYG instalments raised

Show at **G** the total of the SMSF's PAYG instalments for 2007–08, whether or not the instalments have actually been paid.

Include the following amounts in the total instalment amount:

- If the SMSF did not vary but used the instalment amounts worked out by us, show the amounts pre-printed at **T7** on the SMSF's quarterly activity statements or at **T5** on the annual instalment activity statement.
- If the SMSF did not use the instalment amounts worked out by us, include the amounts which the SMSF reported at **5A** on the SMSF's activity statements, reduced by any credits the SMSF claimed at **5B**.

To ensure the SMSF receives the correct amount of credit for its PAYG instalments, make sure all of its activity statements are finalised before lodging the annual return. If the SMSF is required to lodge its activity statements, it should do so even if it can't pay on time, or had nothing to pay.

The SMSF is entitled to a credit for its PAYG instalments even if it has not actually paid a particular instalment. However, the SMSF will be liable for the general interest charge on any outstanding instalment for the period from the due date for the instalment until the date it is fully paid.

### H Supervisory levy

**H** already shows an amount that is the SMSF's annual supervisory levy that must be paid to us. Do not change the amount printed on the annual return.

The supervisory levy for the 2007–08 income year is **\$150**. This levy is included in the SMSF's tax assessment calculation, and is paid when the SMSF pays its income tax liability (if any). The supervisory levy is payable even if the SMSF has no tax liability for the year.

### I Total amount due or refundable

Show at **I** the balance of tax payable or refundable, as indicated on the annual return.

The amount at **I** does not take into account any interim or voluntary payments the SMSF has made against its income tax liability for the 2007–08 income year. If the SMSF has made such payments, take these into account in calculating the final payment but do not show the interim or voluntary payments amounts on this annual return.

After the SMSF's annual return is processed and its tax liability is assessed, we will issue a notice of assessment. If an amount is payable, we will indicate a due date for payment and methods of payment.

We do not require a payment when the annual return is lodged. However, if you prefer to make a payment at this time, see page 62.

## Record keeping

SMSFs must keep all documentation issued by financial institutions detailing payments of income and any TFN amounts deducted from those payments.

They must also maintain details of any TFN amounts deducted from an income payment made to the SMSFs and subsequently refunded by their financial institution. SMSFs must keep a record of the following details of refund receipts:

- amount of refund received
- date of refund, and
- investment reference number – for example, bank account number of investment relating to refund.

## EXAMPLE 6: Completing income tax calculations

### EXAMPLE 6a: Total amount refundable

The amount you show at **D** item **12** can never be less than zero. In this example, the amount shown at **C** item **12** (that is, the total of the SMSF's rebates, tax offsets and foreign tax credits) exceeds the amount at **B** item **12** (gross tax payable) by \$1,000. This surplus amount cannot be used to offset the final liability shown at **I** item **12**.

The supervisory levy can be offset against other eligible tax credits. In this example, the SMSF would have received a refund of \$1,300 without the inclusion of the levy. The refund is reduced to \$1,150 as a result of the mandatory levy being included at **I** item **12**.

## Section D: Income tax calculation statement

### 12 Income tax calculation statement

	Taxable income <b>A</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 1 0 , 0 0 0 <del>0 0</del>
	Gross tax <b>B</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 1 , 5 0 0 . 0 0
<b>C1</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 1 , 0 0 0 . 0 0 <small>Credit: foreign tax credit</small> plus <small>Credit: rebates and tax offsets</small> <b>C2</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 1 , 5 0 0 . 0 0	Rebates, offsets, foreign credits <b>C</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 2 , 5 0 0 . 0 0 <small>(C1 plus C2)</small>
<b>F1</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 4 0 . 0 0 <small>Credit: interest on early payments</small> plus <small>Credit: foreign resident withholding</small> <b>F2</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 5 0 . 0 0 plus <small>Credit: ABN/TFN not quoted (non-individual)</small> <b>F3</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 2 0 0 . 0 0 plus <small>Credit: refundable franking credits</small> <b>F4</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 6 0 . 0 0	SUBTOTAL <b>D</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 0 . 0 0 <small>(B less C)</small> <small>(Cannot be less than zero)</small> Section 102AAM interest charge <b>E</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 2 0 . 0 0 Eligible credits <b>F</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 3 5 0 . 0 0 <small>(F1 plus F2 plus F3 plus F4)</small>
	PAYG instalments raised <b>G</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 9 7 0 . 0 0 Supervisory levy <b>H</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 1 5 0 . 0 0
<b>TOTAL AMOUNT DUE OR REFUNDABLE I</b> \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> 1 , 1 5 0 . 0 0 <small>(D plus E less F less G plus H)</small>	



**EXAMPLE 6b: Total amount due**

The supervisory levy is included in the overall tax liability calculation. In this example, the SMSF has a tax liability of \$70 without the inclusion of the levy. The liability is increased to \$220 as a result of the mandatory levy being included at I item 12.

**Section D: Income tax calculation statement**

**12 Income tax calculation statement**

Taxable income <b>A</b>		\$						1	0						<del>0</del>
Gross tax <b>B</b>		\$						1			5	0	0		0
Rebates, offsets, foreign credits <b>C</b> (C1 plus C2)		\$						1		1	0	0			0
SUBTOTAL <b>D</b> (B less C) (Cannot be less than zero)		\$								4	0	0			0
Section 102AAM interest charge <b>E</b>		\$								2	0				0
Eligible credits <b>F</b> (F1 plus F2 plus F3 plus F4)		\$								3	5	0			0
PAYG instalments raised <b>G</b>		\$										0			0
Supervisory levy <b>H</b>		\$								1	5	0			0
TOTAL AMOUNT DUE OR REFUNDABLE <b>I</b> (D plus E less F less G plus H)		\$								2	2	0			0

Credit: foreign tax credit  
**C1** \$  6 0 0 . 0 0

plus Credit: rebates and tax offsets  
**C2** \$  5 0 0 . 0 0

Credit: interest on early payments  
**F1** \$  4 0 . 0 0

plus Credit: foreign resident withholding  
**F2** \$  5 0 . 0 0

plus Credit: ABN/TFN not quoted (non-individual)  
**F3** \$  2 0 0 . 0 0

plus Credit: refundable franking credits  
**F4** \$  6 0 . 0 0

## SECTION E: LOSSES

This section deals with all losses for the 2007–08 income year. You do not show cents for any amount you write at this section on your annual return.

### ! NOTE

Complete a *Losses schedule 2008* and attach it to the annual return if the total of the SMSF's tax losses and net capital losses carried forward to later income years is greater than \$100,000.

### 13 LOSSES

#### U Tax losses carried forward to later income years

Show at **U** the total tax losses incurred by the SMSF that are to be carried forward to the 2008–09 income year under section 36-15 of the ITAA 1997. The amount at **U** is the sum of:

- the SMSF's **tax losses for 2007–08** less the SMSF's net exempt income for 2007–08, and
- the SMSF's **prior year tax loss**.

Use the SMSF's 2007–08 net exempt income, if any, to reduce the current year tax losses first and then any prior year tax loss. If the SMSF's 2007–08 net exempt income is greater than its 2007–08 losses, you will reduce prior year losses, and the SMSF's 2007–08 year losses will be nil.

Do not include net capital losses to be carried forward to later income years at **U** – show these at **V Net capital losses carried forward to later income years** and in the CGT schedule, if a schedule is required.

If the SMSF must lodge a *Losses schedule 2008*, the amount shown at **U Tax losses carried forward to later income years** item **1** in part A of that schedule must be the same as the amount shown at **U** on the annual return.

You do not include an amount of quarantined losses in respect of non-arm's length income at **U**. You should keep a record of the quarantined loss amount with the SMSF's tax record.

#### V Net capital losses carried forward to later income years

Show at **V** the total of any unapplied net capital losses from collectables and unapplied net capital losses from all other assets and CGT events. If this item applies to the SMSF, you must refer to the *Guide to capital gains tax 2008* to complete this item. It also explains the change in Australian CGT rules for foreign residents and trustees of foreign trusts.

This information for this item is transferred from:

- **V** in part I of the CGT summary worksheet, or
- **H** and **I** in part I of the CGT schedule, if one is required.

If the SMSF must lodge a *Losses schedule 2008*, the amount shown at **V Net capital losses carried forward to later income years** item **2** in part A of that schedule must be the same as the amount shown at **V** on the annual return.

# SECTION F: MEMBER INFORMATION

You must report all SMSF member information at this section of the annual return. (The former *Member contribution statements* are no longer used.)

Report all current members at 30 June 2008, regardless of their contributions during the year. For example, if a member stops contributing and receives their benefits part way through a financial year, you need to report the contributions received in that financial year.

If the SMSF was wound up during 2007–08, only show member information for individuals who exited the fund by taking a lump sum.

SMSFs are only permitted a maximum of 4 current members. If you are required to report more than 4 members as a result of changes in the membership of the SMSF during the year, report the additional members in **Section G: Supplementary member information**.

Where all of the entitlements of a former member or members have been rolled over to another fund, do not report their entitlements in this section. (The entitlements for the former member, including any current year contributions, will be reported by the fund that receives the rollover. The receiving fund will use the information you provide on the *Rollover benefit statement* for the member to report this.)

## Do not use this section for any of the following:

- deceased members
- former members who have not received any contributions and exhausted all their entitlements (for example, through superannuation lump sum benefits, superannuation income streams), or
- former members who rolled over all their contributions to another fund.

These should be reported in **Section G: Supplementary member information**.

All transactions reported for a member (including all contributions and rollovers, deducting payments, outward rollovers and allocated earnings and losses) should be taken into account to determine the new member balance at 30 June 2008.

You do not show cents for any amount you write at this section on your annual return.

## Title, family and given names

Print the name of the member as previously notified to us. You may need to refer to the member's most recent notice of assessment.

## Member's TFN

Print the tax file number (TFN) of the member.

## Consequences of not providing a member's TFN

As from 1 July 2007, an SMSF that does not have a member's TFN by the end of the income year:

- will have to pay additional income tax on some of the contributions it receives on or after 1 July 2007, and
- might not be able to accept some types of contributions, including Super Co-contributions.

Additional tax is not payable on contributions totalling less than \$1,000 for the income year when paid into a member's account that existed prior to 1 July 2007.

If the SMSF does not have a member's TFN by 30 June 2008, then all the assessable contributions for that member (shown at **R3 No TFN quoted contributions** item **10**) will be taxed an additional 31.5%; unless the account was opened before 1 July 2007, in which case the additional tax will not apply to the first \$1,000 for the income year.

The additional tax of 31.5% charged on the 'no-TFN-quoted' contributions income is on top of the standard 15% tax rate which applies to the SMSF's taxable income.

Where the SMSF has paid additional tax, and in a subsequent year the member provides their TFN to the SMSF, the SMSF can claim a tax offset for the additional tax paid. The SMSF must claim the offset:

- in the financial year in which the member provides their TFN
- within three years of the end of the financial year in which the no-TFN-quoted member's contributions were subject to the additional tax.

If the SMSF had debited the amount of additional tax from the member, it must refund this money to their account.

➤ For more information see the publication *Superannuation funds, retirement savings accounts and tax file numbers* and the fact sheet *Tax file numbers and superannuation* (NAT 70641), available on our website.

## Date of birth

Print the member's date of birth. This information is mandatory for each member.

## CONTRIBUTIONS

### A Employer contributions

The amount you show here includes contributions made by an employer on behalf of an employee who is a member of an accumulation fund. For employees who are members of a defined benefit fund, provide the notional taxed contributions. See the definition of **accumulation fund** and **defined benefit fund** on page 4.

Show at **A** the following:

- employer contributions made to an accumulation fund on behalf of employees to meet superannuation guarantee charge, award or other obligations
- amounts contributed under effective salary sacrifice arrangements
- superannuation guarantee charge and the taxable component of any superannuation holding accounts special account amounts, transferred by us to the SMSF on behalf of the member, and
- notional taxed contributions for a defined benefit fund.

Contributions made into defined benefit SMSFs are not always linked to individual members. The concessional contributions amount for a member of a defined benefit fund is not calculated on the actual contributions made to the SMSF but on 'notional taxed contributions'. You need to include the notional tax contributions amount at **A** so that the member's concessional contributions for the income year can be determined.

The notional taxed contributions amount for a defined benefit account is equal to:

- the actuarial value of the notional taxed contributions, if
  - the actuarial value of the notional taxed contributions is less than or equal to the concessional contributions cap for the financial year, or
  - the defined benefit interest commenced after 5 September 2006, or
  - the member does not otherwise qualify for the transitional arrangement

and

- the concessional contributions cap, if
  - the member held the defined benefit interest on 5 September 2006, and
  - the actuarial value of the notional taxed contributions amount was greater than the concessional contribution cap, and
  - the member qualifies for the transitional provision.

A **transitional arrangement** applies when calculating the amount of the notional taxed contributions if the individual was a member of a defined benefit fund on 5 September 2006.

Under this transitional arrangement, notional taxed contributions which exceed the concessional contribution cap will be treated as though they are equal to the cap. This means that the member will not be liable for excess contributions tax on these contributions.

Do not include at **A**:

- contributions made by an employer on behalf of their employee from the employee's after-tax pay (these are reported at **B Personal contributions**)
- a directed termination payment that an employer pays to a superannuation provider on behalf of an employee (these are reported at **H Directed termination (taxable component) payments**).

## A1 ABN of principal employer

Print at **A1** the Australian business number (ABN) of the employer who made contributions to the member's account. If more than one employer contributed to the member's account, print the ABN of the employer who made the greatest total contribution.

## B Personal contributions

Show here the total amount of contributions made to the SMSF by the member. Show at **B**:

- contributions made by an employer on behalf of the member from the member's after-tax pay
- contributions made by the member on their own behalf, whether or not the contributions have been claimed or can be claimed as a tax deduction by the member
- contributions arising from a personal injury payment that are not shown at **E Personal injury election**, and
- contributions arising from capital gains that do not qualify for either the CGT small business exemptions listed under **C CGT small business retirement exemption** or **D CGT small business 15-year exemption amount**.

Do not include at **B**:

- the taxable component of a directed termination payment, show it at **H**
- a rollover superannuation benefit, show it at **P** or **M**
- a superannuation lump sum from a foreign superannuation fund or scheme, show it at **I**, **J** or **M**
- contributions made by the member's spouse, other family members or friends, show them at **F** or **G**
- capital gains that are disregarded under the CGT small business retirement exemption, show them at **C**
- capital proceeds from the disposal of assets that qualify for the small business 15-year exemption, show them at **D**
- personal injury payment amounts that were made under an exemption about the which the member informed the SMSF before making the contribution, show them at **E**.

## C CGT small business retirement exemption

The **small business retirement exemption amount** includes up to **\$500,000** of capital gains that are disregarded under the CGT small business retirement exemption.

Show at **C** the amount of CGT small business retirement exemption. To show an amount at **C** the SMSF must have received a completed *Capital gains tax cap election* (NAT 71161) from the member.

## D CGT small business 15-year exemption amount

Show at **D** the capital proceeds from the disposal of assets that:

- qualify for the small business 15-year exemption, or
- would qualify for the small business 15-year exemption, except
  - they were pre-CGT assets
  - there was no capital gain, or
  - the 15-year holding period was not met because of the permanent incapacity of the person (or a controlling individual of a company or trust).

To show an amount at **D** the SMSF must have received a completed *Capital gains tax cap election* from the member.

### ! NOTE

The contributions shown at **C CGT small business retirement exemption** and **D CGT small business 15-year exemption amount** are excluded from the non-concessional contributions cap. There is a lifetime limit of \$1 million (indexed from 2008–09).

## E Personal injury election

Show at **E** all personal injury payment amounts that were made under an exemption, and about which the member informed the SMSF before, or when, the member made the contribution (to ensure its exclusion from the non-concessional contributions cap).

The amounts you include at **E** must arise from one of the following:

- a structured settlement payment
- an order for a personal injury payment
- a lump sum workers compensation payment, or
- amounts reported at item **15(d)** on a *Rollover benefits statement* (NAT 70944) which the SMSF received from a transferor provider.

The member must have made the contribution within 90 days of the later of the day:

- the member received the personal injury payment
- the member entered into an agreement for settlement of a personal injury, or
- on which an order for a personal injury payment was made.

The exclusion only applies to that part of the payment that is compensation or damages for personal injury.

### ! NOTE

Show at **B Personal contributions** personal injury amounts which the member did not elect to exclude from the non-concessional contributions cap.

To show an amount at **E** the SMSF must have received a completed *Contributions for personal injury* (NAT 71162) from the member before or when the member made the contribution. If the member submits the form after the contribution has been made, the exclusion will not apply.

## F Spouse and child contributions

Show at **F**:

- contributions made by a member's spouse
- contributions made on behalf of a member under 18 years of age – that is, contributions that are not made by the member nor by (or on behalf of) the member's employer
- amounts shown at **15(e)** on a *Rollover benefits statement* which the SMSF received from a transferor provider.

Do not include here contributions:

- when spouses have separated and are living apart on a permanent basis
- made by a member who is under 18 years of age, show these at **B Personal contributions**
- made by (or on behalf of) the members' employer, show these at **A Employer contributions**.

## G Other family and friend contributions

Superannuation contributions can be made by anyone on behalf of a member.

Show at **G**:

- contributions made for the member by any of the following
  - a spouse living separately and apart on a permanent basis from the member
  - a parent, child or other relative
  - a friend, or
  - any other third party other than an employer or a spouse who is living with the member
- amounts reported at **15(f)** on a *Rollover benefits statement* which the SMSF received from a transferor provider.

**Do not include** contributions at **G** if those contributions are included at any label other than **N Total contributions**.

**Do not include** contributions at **G** if the contributions are made for a member under 18 years of age. Show these at **F Spouse and child contributions**.

## H Directed termination (taxable component) payments

Show at **H** the **taxable component** only of a transitional termination payment which the member has directed the payer to make to a complying superannuation plan.

Show also at **H** amounts shown at **15(g)** on a *Rollover benefits statement* (NAT 70944) which the SMSF received from a transferor provider.

We use this information to work out whether any of the directed termination payment will be included in the member's concessional contributions.

➤ For more information about directed termination payments, see *Simpler super – employment termination payments – transitional arrangements* (NAT 70644).

## I Assessable foreign superannuation fund amount

Show at **I** the amount transferred from a foreign superannuation fund or scheme that **exceeds** the amount that was vested in the member at the time of transfer that is included in the assessable income of the SMSF.

Show also at **I** amounts shown at **15(h)** on a *Rollover benefits statement* (NAT 70944) which the SMSF received from a transferor provider.

**Do not include** that part of the amount transferred from a foreign superannuation fund or scheme that does not exceed the amount that was vested in the member at the time of transfer. That amount is included at **J Non-assessable foreign superannuation fund amount**.

## J Non-assessable foreign superannuation fund amount

Show at **J** the amount transferred from a foreign superannuation fund or scheme that is not included in the assessable income of the SMSF.

Show also at **J** amounts reported at **15(i)** on a *Rollover benefits statement* (NAT 70944) which the SMSF received from a transferor provider.

**Do not include** that part of the amount transferred from a foreign superannuation fund or scheme that is included in the assessable income of the Australian SMSF if the amount transferred to the SMSF exceeds the amount that was vested in the member in the foreign superannuation fund or scheme at the time of the transfer (this amount is reported at **I Assessable foreign superannuation fund amount**).

A member may choose to have an amount included in the SMSF's assessable income. In general terms, this amount reflects the investment earnings of the foreign fund or scheme that accrued while the member was an Australian resident. This amount is only reported at **M Any other contributions (including Super Co-contributions)**.

## EXAMPLE 7: Transfer from a foreign superannuation fund (All amounts are Australian dollars.)

David had \$50,000 in an overseas superannuation fund when he became an Australian resident. Four years later, the earnings on the fund were \$8,000, giving a total balance of \$58,000. David transfers \$60,000 to his SMSF – the David Superannuation Fund, that is, \$2,000 more than the amount vested in his account at the time of the transfer.

David chooses to have the \$8,000 included in the assessable income of the SMSF. It is taxed at 15%. This amount is only reported as part of the entire \$60,000 at **M Any other contributions (including Super Co-contributions)**.

The fund's assessable income also includes the \$2,000 that was not vested in David at the time of the transfer.

This amount is reported at **I Assessable foreign superannuation fund amount**.

The \$50,000 is reported at **J Non-assessable foreign superannuation fund amount**.

## K Transfer from reserve: assessable amount

Show at **K** assessable amounts transferred from reserves, and assessable amounts shown at **15(j)** on a *Rollover benefits statement* (NAT 70944) which the SMSF received from a transferor provider.

The **assessable amount** is the amount that is taken to be a concessional contribution because the SMSF allocated an amount to the member's account from a reserve. The amount taken to be a concessional contribution may be greater than the amount actually allocated to the member's account.

➤ For more information about the assessable amount, see regulation 292-25.01 of the Income Tax Assessment Regulations 1997.

## L Transfer from reserve: non-assessable amount

Show at **L** the non-assessable amounts transferred from reserves, and the non-assessable amounts shown at **15(j)** on a *Rollover benefits statement* (NAT 70944) which the SMSF received from a transferor provider.

The **non-assessable amount** is the amount that is taken to be a non-concessional contribution because you allocated an amount to the member's account from a reserve, not included as assessable income of the SMSF.

➤ For more information about the amount, see regulation 292-90.01 of the Income Tax Assessment Regulations 1997.

## M Any other contributions (including Super Co-contributions)

Show at **M** any other contributions received by the member but not reported at any of the other labels, such as:

- Super Co-contributions received for the member
- tax-free component of a directed termination payment
- so much of the amount transferred from a foreign superannuation fund or scheme that the member chose to have included in the SMSF's assessable income, and
- amounts reported at **15(k)** on a *Rollover benefits statement* (NAT 70944) which the SMSF received from a transferor provider.

Do not show at **M** an amount credited to the member's account from a contributions split for a spouse. For more information see *Superannuation contributions splitting* (NAT 14969).

## N Total contributions

Show at **N** the total of all the amounts contributed to, received by, credited or otherwise attributed to the member's account for 2007–08 before any tax or expenses were debited to the member's account. This amount must be equal to or greater than the sum of labels **A** to **M**.

## OTHER TRANSACTIONS

### O Allocated earnings or losses

Show at **O** all the allocated earnings or losses derived by the SMSF's investments, and attributed to this member, for 2007–08. Allocated gains and losses from assets should also be included at **O**. If the amount calculated is an overall loss for the year, print **L** in the **Loss** box.

### P Inward rollover amounts

Show at **P** all the amounts that the member transferred into the SMSF from another superannuation fund, retirement savings account (RSA) provider, approved deposit fund (ADF) or deferred annuity.

### Q Outward rollover amounts

Show at **Q** all the amounts that the member transferred out of the SMSF to another superannuation fund, RSA provider, ADF or deferred annuity. The SMSF should have completed a *Rollover benefits statement* for this transfer.

### R Benefit payments and code

Show at **R** all the benefit payments made during the year to the member. Print the applicable code from **table 8** in the **Code** box. If two or more payment types apply, use the code relating to the largest payment.

**TABLE 8: Benefit type**

Code	Benefit type
<b>P</b>	Superannuation income stream benefit (formerly known as pensions)
<b>L</b>	Superannuation lump sum benefit
<b>T</b>	Transition to retirement superannuation income stream benefit
<b>C</b>	Payment is a combination of superannuation lump sum and superannuation income stream benefits

### S Closing account balance

Show at **S** the member's account balance at 30 June 2008. To work out the member's balance at 30 June 2008:

- begin with last year's reported end of year balance for the member
- take into account all transactions reported for the member
  - include all contributions and inward rollovers (shown at **N** and **P**)
  - deduct payments and outward rollovers (shown at **R** and **Q**)
  - apply allocated earnings and losses (shown at **O**).

You must show an amount at **S** for the Government Super Co-contribution to be paid to the SMSF.

## SECTION G: SUPPLEMENTARY MEMBER INFORMATION

Use this section to report:

- deceased members
- former members who exhausted all their entitlements through a lump sum or income stream during 2007–08 (but not through rollovers to another fund), and
- current members in excess of the four-member SMSF limit who have an account with the SMSF at 30 June 2008.

**Do not report former members who rolled over all their contributions to another fund by 30 June 2008** anywhere in Sections **G** or **H**. These will be reported by the receiving superannuation fund in their *Rollover benefits statement*.

The information required in this section is the same as for section F. See the section F instructions to complete each entry from **A** to **S**.

The only additional label in section G is the date of death for members who died during the year.

### If deceased, date of death

If the member died during the 2008 income year, print the date of their death and complete the member's account details on their page of the annual return.

Do not show cents for any amount you write at this section on the SMSF's annual return.

## SECTION H: ASSETS AND LIABILITIES

This section covers the assets and liabilities of the SMSF and should balance. Use the asset value shown in the SMSF's balance sheet (also known as the SMSF's statement of financial position) at **30 June 2008**. Do not show cents for any amount you write at this section on the annual return.

### 14 ASSETS

#### 14a Australian managed investments

This section covers investments in other entities that then make further investments on behalf of the SMSF. If the entity in which the SMSF has invested is located or registered in Australia, then it is recorded at one of the following: **A**, **B**, **C** or **D**.

##### A Listed trusts

Show at **A** the value of listed trust units that the SMSF owned and traded on an Australian stock exchange.

A listed trust is a trust which has its units traded through Australian stock exchanges and the unit values are reported as shares. Units in a listed trust can be bought through a stockbroker.

##### B Unlisted trusts

Show at **B** the value of unlisted trust interests that the SMSF held and were registered or located inside Australia.

Unlisted trusts are not traded or purchased through an Australian stock exchange.

##### C Insurance policy

Show at **C** the value of life insurance policies that the SMSF owned and that were issued by an organisation registered under the *Life Insurance Act 1995*.

##### D Other managed investments

Show at **D** the value of other investments in other entities that are located or registered in Australia who invest on behalf of the SMSF in other asset classes not reported in **A Listed trusts**, **B Unlisted trusts** or **C Insurance policy**.

This asset category includes investments with all external investment managers and pooled superannuation trusts (PSTs) located or registered in Australia.

An external investment manager is a person appointed by the trustee of the SMSF in accordance with section 124 of the SISA to make investments on behalf of the SMSF. Investments managed by an external investment manager are called managed funds. Where the managed fund is registered in Australia and invests in overseas assets, the managed fund is still considered as being an Australian investment vehicle.



A PST is a resident unit trust:

- whose trustee is a trading or financial corporation formed within the limits of the Commonwealth, and
- that is used only for investing assets
  - of a regulated superannuation fund, ADF or PST
  - solely for the tax-advantaged assets of life insurance companies, or
  - of an exempt entity within the meaning of paragraphs (a), (c) or (d) of the definition of exempt entity in section 102M of the ITAA 1936.

## 14b Australian direct investments

This section covers investments located in Australia where the SMSF directly holds the assets, either in the name of the SMSF or in another legally recognised format.

### E Cash and term deposits

Show at **E** the value in Australian currency of all cash accounts and term deposits that the SMSF held (including accounts with financial institutions or other similar organisations) with any Australian financial institution.

### F Debt securities

Show at **F** the value of any debt securities that the SMSF traded or were available inside Australia.

Debt securities are typically financial securities which establish ownership and represent borrowings that must be repaid by the issuer. They include negotiable instruments such as bonds, bills of exchange, promissory notes or share certificates which are traded in financial markets.

Some securities may consist of a combination of two or more financial instruments. These are called hybrid securities and can have a combination of bonds or notes, swaps, forward or futures contracts, and options. Show the value of hybrid securities at **F**.

### G Loans

Show at **G** the value of loans that the SMSF held or negotiated within Australia.

### H Listed shares

Show at **H** the value of public shares and equities that the SMSF held within Australia and traded on Australian stock exchanges.

This category relates to shares, equities and similar financial contracts that are traded on Australian stock exchanges, excluding debt securities. Do not show investments in listed trusts here – show them at **A Listed trusts**.

### I Unlisted shares

Show at **I** the value of private shares that the SMSF held within Australia that are not listed on Australian stock exchanges.

This category refers to shares, equities and similar financial contracts that are not listed on Australian stock exchanges but are located in Australia. Do not show investments in unlisted trusts here – show them at **B Unlisted trusts**.

If you show an amount at **I**, you must also show an amount at **U Net non-arm's length income** item **10** if the amount is not consistent with an arm's length dealing. An arm's length dealing is defined at **U1 Net non-arm's length private company dividends** on page 17.

### J Derivatives and instalment warrants

Show at **J** the value of derivative and instalment warrant investments that the SMSF purchased or traded inside Australia.

Derivatives are financial products which derive their value from the value of another financial product. Examples of derivative instruments include futures contracts, forward contracts, contracts for difference, options, instalment warrants, interest rate swaps, caps, floors and swap options.

Do not show investments in hybrid securities here – show them at **F Debt securities**.

#### NOTE

SMSFs may not borrow money to invest except in the limited circumstances permitted under section 67 of the *Superannuation Industry (Supervision) Act 1993* (SISA).

Tax Laws Amendment (2007 Measures No. 4) Bill 2007, which includes, among other things, amendments to the borrowing provisions, received Royal Assent as Act No. 143 on 24 September 2007.

It contains amendments to the SISA which:

- allow superannuation funds to invest in instalment warrant type arrangements of a limited recourse nature over any asset a fund would be permitted to invest in directly, and
- provide that an investment in a related trust forming part of an instalment warrant arrangement (which meet the requirements of the borrowing exception) will only be an in-house asset where the underlying asset would itself be an in-house asset of the fund if it were held directly.

The amendments apply from 24 September 2007, the day the Bill received Royal Assent.

Please seek professional advice or contact us before investing money in this asset class to confirm whether the investment is permissible.

## **K Non-residential real property**

Show at **K** the value of non-residential real property that the SMSF owned that is located inside Australia.

Non-residential real property includes investments in land and buildings located within Australia that are used for commercial or business purposes. This includes premises that are used for both commercial purposes and as a place of residence.

Show non-residential real property located outside Australia in the overseas assets category **Q Overseas non-residential real property**.

## **L Residential real property**

Show at **L** the value of residential real property that the SMSF owned that is located inside Australia.

Residential property means a building which is lawfully occupied as a place of residence or is suitable for occupation as a place of residence. If the premises are suitable for occupation as a place of residence but are used for commercial purposes, show this property at **K Non-residential real property**.

Show investments in real property located outside Australia in the overseas assets category **R Overseas residential real property**.

## **M Artwork, collectables, metal or jewels**

Show at **M** the total value of artwork, collectables, metal or jewels that the SMSF owned that are stored in Australia.

## **O Other assets**

Show at **O** the value of other assets that the SMSF owned but that do not fall within any of the categories listed above but are located in Australia.

## **14c Overseas direct investments**

This section covers investments which are located outside Australia. This section includes overseas direct investments that may make further investments in Australian markets. If an investment is not regulated by an Australian organisation, then the investment is recorded at **P, Q, R, S** or **T** below.

Do not show in section 14c investments in Australian-regulated entities that make further investments on behalf of the SMSF. Show these investments at **A Listed trusts, B Unlisted trusts, C Insurance policy** or **D Other managed investments**.

## **P Overseas shares**

Show at **P** the value of public **and** private shares that the SMSF held outside Australia.

Overseas public and private shares refer to shares, equities and similar financial contracts that are traded on an overseas stock exchange, but exclude debt securities. Do not show investments in listed or unlisted trusts at **P** – show them at **S Overseas managed investments**.

## **Q Overseas non-residential real property**

Show at **Q** the value of non-residential real property that the SMSF owned that is located outside Australia.

Non-residential real property includes investments in land and buildings located outside Australia that are used for commercial or business purposes. This includes premises used for both commercial purposes and as a place of residence.

Show investments in non-residential real property located inside Australia at **K Non-residential real property**.

## **R Overseas residential real property**

Show at **R** the value of residential real property owned by the SMSF that is located outside Australia.

Residential property means land which has a building on it which is lawfully occupied as a place of residence or is suitable for occupation as a place of residence. If the premises are suitable for occupation as a place of residence but are used for commercial purposes, show this property at **O Other assets**.

Show investments in real residential property located inside Australia at **L Residential real property**.

## **S Overseas managed investments**

Show at **S** the value of investments with overseas investment vehicles located outside Australia that the SMSF owned.

For an explanation of the types of investment vehicles, see the descriptions on page 36 of:

- **A Listed trusts**
- **B Unlisted trusts**
- **C Insurance policy**, and
- **D Other managed investments**.

This category includes placements with all external investment managers located overseas. An external investment manager is someone appointed by the trustee of the SMSF in accordance with section 124 of the SISA to make investments on behalf of the SMSF. Investments managed by an external investment manager are called managed funds.

Do not show at **S** managed-fund investments registered or located in Australia where the managed fund invests in overseas assets – show them at **D Other managed investments**.

## **T Other overseas assets**

Show at **T** the value of other assets that the SMSF owned but that do not fall within any of the categories listed above and are located outside Australia.

## **U Total Australian and overseas assets**

Show at **U** the total of all the amounts shown at **A** to **T**.

## 15 LIABILITIES

### V Borrowings

Show at **V** the total amount of borrowings by the SMSF, including accrued interest, at 30 June 2008.

#### ! NOTE

SMSFs are prohibited from borrowing except in certain limited circumstances permitted under section 67 of the SISA.

### W Total member closing account balances

Show at **W** the total of all member-account balances shown at **S Closing account balance** in section F and G.

### X Reserve accounts

Show at **X** the total amount of assets not allocated to members at 30 June 2008.

#### ! NOTE

The use of reserve accounts is strictly limited for SMSFs.

### Y Other liabilities

Show at **Y** the total amount of liabilities that cannot be included in:

- **V Borrowings**
- **W Total member closing account balances**, or
- **X Reserve accounts**.

### Z Total liabilities

Show at **Z** the sum of all the liabilities shown at **V** to **Y**.

**Z Total liabilities** must equal **U Total assets**.

## SECTION I: REGULATORY INFORMATION

This section covers key regulatory obligations for which the Commissioner requires ongoing disclosure each year by the trustees of SMSFs.

Failure to disclose correct information may result in penalties being imposed. Penalties can include administrative penalties of \$2,200 or fines of up to \$5,500.

The SMSF's complying status may be removed if the trustees are found to have contravened the superannuation laws. This would result in the SMSF's tax rate being increased to 45%.

We aim to work with you to help you comply with your obligations. We may seek to impose penalties where you have deliberately or intentionally failed to meet your obligations, or where actions lead to serious contraventions of the superannuation laws. We may prosecute in more serious cases or for repeated contraventions of the superannuation laws.

Trustees of SMSFs and those preparing the *Self managed superannuation fund annual return 2008* should refer to the publication *Self managed superannuation funds – role and responsibilities of trustees* (NAT 11032).

More information about the information required at this section is available on our website at [www.ato.gov.au](http://www.ato.gov.au)

Do not show cents for any amount you write at this section on your annual return.

### IN-HOUSE AND RELATED PARTY ASSETS

#### A Did the SMSF loan, lease to or invest in related parties (known as in-house assets)?

Print **X** in the appropriate box.

Show at **A** the value of in-house assets that the SMSF held at any time during the year.

Generally an **in-house asset** of an SMSF is an asset that is:

- a loan to, or an investment in, a related party of the SMSF
- an investment in a related trust of the SMSF, or
- subject to a lease or lease arrangement between the trustee of the SMSF and a related party of the SMSF.

**Related parties** of an SMSF are all members of the SMSF and their associates, and all standard employer-sponsors of the SMSF and their associates.

- Associates of a particular member of the SMSF would include every other member of the SMSF, their relatives, business partners and any companies or trusts that they control (either alone or with their other associates).

A **standard employer-sponsor** is an employer who contributes to a superannuation fund for the benefit of a member, under an arrangement between the employer and the trustee of the SMSF.

- Associates of standard employer-sponsors would include business partners and any companies or trusts that the employer controls (either alone or with their other associates) or companies and trusts that control the employer.

Some exceptions do exist, such as a lease or lease agreement, between the SMSF and a related party of the SMSF involving business real property. There is also a limited exception for certain investments in related non-g geared trusts and companies.

Do not show at **A** any related party investments that are not in-house assets.

➤ Legislative reference: see part 8 of the *Superannuation Industry (Supervision) Act 1993*.

### **B Did the SMSF hold in-house assets at any time during the year that exceeded 5% of total assets?**

Print **X** in the appropriate box.

SMSFs are not allowed to have in-house assets that exceed 5% of total assets. If the market value ratio of in-house assets held by the SMSF at 30 June 2008 exceeds 5% of the SMSF's total assets, you must answer yes to this question.

➤ Legislative reference: see part 8 of the *Superannuation Industry (Supervision) Act 1993*.

In relation to valuation of certain in-house assets for the purposes of the 5% ratio, refer to *Self Managed Superannuation Funds Determination SMSFD 2008/2 Self Managed Superannuation Funds: when calculating the market value ratio of in-house assets for the purposes of section 75 of the Superannuation Industry (Supervision) Act 1993 is it permissible for a self managed superannuation fund to value units held in a related unit trust at historical cost (purchase price)?*

### **C Did the SMSF hold an investment in a related party at any time during the year (excluding in-house assets)?**

Print **X** in the appropriate box.

Show at **C** the value of related party investments that the SMSF held at any time during the year that were not in-house assets. The definition of **related party** is contained in subsection 10(1) of the SISA and is explained on page 39.

These related party investments that are not in-house assets include:

- grandfathered investments – these are investments or acquisitions of assets made before 11 August 1999 that were not in-house assets at that time, and additions to these existing investments up to the allowable limits

- deemed trust investments – these are investments in related trusts that satisfy the conditions of the Superannuation Industry (Supervision) Regulations 1994 so that they are deemed not to be in-house assets, and
- any other investment with a related party that is not an in-house asset.

For more information on the operation of a transitional provision which excludes certain investments in related entities made on or before 30 June 2009 from being in-house assets, see *Self Managed Superannuation Funds Determination SMSFD 2007/1 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?*

For more information on when investments in certain related companies and units trusts become in-house assets, see *Self Managed Superannuation Fund Determination SMSFD 2008/1 Self Managed Superannuation Funds: how does the happening of an event in subregulation 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?*

### **D Did the SMSF acquire any assets (other than exempt assets) from related parties?**

Print **X** in the appropriate box.

Show at **D** the value of any assets (other than exempt assets) acquired from related parties.

SMSFs are prohibited from acquiring assets for the SMSF from related parties of the SMSF. There are limited exceptions.

Exempt assets include business real property acquired at market value, listed securities, and in-house assets that would not result in the level of in-house assets of the SMSF exceeding 5% of the SMSF's total assets.

**Business real property** of an entity generally relates to land and buildings used wholly and exclusively in a business.

➤ Legislative reference: see section 66 of the *Superannuation Industry (Supervision) Act 1993*.

For more information see SMSFR 2008/D2 and SMSFR 2008/D3.

## **OTHER REGULATORY QUESTIONS**

### **E Did the SMSF lend money or provide financial assistance to a member or relative of a member of the fund?**

Print **X** in the appropriate box.

SMSFs are prohibited from lending money or providing direct or indirect financial assistance (including the provisions of credit) from the SMSF to a member or a member's relative. A **member's relative** includes:

- parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendant or adopted child of that individual or of his or her spouse, or
- a spouse of that individual or of any other individual specified above.

A **spouse** includes another person who, although not legally married to the person (that is, de facto spouse), lives with the person on a genuine domestic basis as a husband or wife of the person.

For more information see Draft Ruling SMSFR 2007/D2 *Superannuation: giving financial assistance using the resources of a self managed superannuation fund 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.*

➤ Legislative reference: see section 65 of the *Superannuation Industry (Supervision) Act 1993.*

### **F Did the SMSF receive *in specie* contributions during the year?**

The term *in specie* refers to contributions to the SMSF in the form of an asset other than money.

Print **X** in the appropriate box.

Show at **F** the value of all *in specie* contributions that the SMSF received during the year on behalf of its members. Do not include other costs, if any, associated with the acquisition of the asset (for example, stamp duties, legal fees or GST).

Trustees must keep in mind that regulated superannuation funds are generally prohibited from intentionally acquiring assets from related parties of the SMSF. See **D Did the SMSF acquire any assets (other than exempt assets) from related parties?** for exceptions to this rule.

### **G Did the SMSF make and maintain all investments on an arm's length basis?**

Print **X** in the appropriate box.

Investments undertaken by SMSF trustees need to be made and maintained on an arm's length basis.

The effect of this rule is that all investments by the SMSF trustee (or investment manager) must be both entered into, and maintained, on commercial terms – the purchase or sale price of an investment should be at full market value and the income received from that investment should reflect a true market rate of return. This rule does not necessarily prevent trustees or investment managers from entering into transactions with related or associated parties. The requirement applies to the terms of the transaction, not the parties. The trustee (or investment manager) should keep proper records to establish that the SMSF's assets were invested on arm's length terms.

➤ Legislative reference: see section 109 of the *Superannuation Industry (Supervision) Act 1993.*

### **H Did the SMSF borrow for purposes that are not permissible?**

Print **X** in the appropriate box.

Trustees must not borrow or maintain a borrowing for purposes outside those permitted under section 67 of the *Superannuation Industry (Supervision) Act 1993.*

Exceptions to the general prohibition include short-term borrowing to pay beneficiaries, superannuation surcharge or to cover settlement of securities transactions.

A further exception relates to a form of borrowing that allows the SMSF trustee to invest in instalment warrant type arrangements.

➤ Legislative reference: see section 67 of the *Superannuation Industry (Supervision) Act 1993.*

### **I Did members have the personal use of the SMSF's assets before retirement?**

Print **X** in the appropriate box.

Assets belonging to the SMSF must not, under any circumstances, be used for personal or business purposes by members. This is to ensure that the SMSF investments are made for the sole purpose of providing for retirement income for its members.

Personal use of the SMSF's assets can include, but is not limited to, the use of a holiday home or receiving commissions or other benefits for investing in a particular asset, the wearing of jewellery at any time and displaying artworks in the family home. Investment decisions by trustees must be made for the sole purpose of providing retirement benefits and should not be influenced by the trustees' personal considerations.

➤ Legislative reference: see section 62 of the *Superannuation Industry (Supervision) Act 1993.*

### **J Did the SMSF provide money to members without a condition of release being met?**

Print **X** in the appropriate box.

Trustees have the very important responsibility in determining whether (and when) a member can receive their benefits. Setting up or using an SMSF to gain improper early access to superannuation benefits is illegal. Significant penalties apply to both the trustee and the member of the SMSF if superannuation money has been unlawfully released. Conditions of release are nominated events that a person must satisfy to enable

them to withdraw their preserved benefits and unrestricted non-preserved benefits from an SMSF. Lawful conditions of release are:

- retirement
- attaining 65 years of age
- terminating gainful employment after 1 July 1997
  - benefits less than \$200
- terminating gainful employment with certain employers
  - benefits of \$200 or more
- death
- permanent incapacity
- temporary incapacity
- severe financial hardship
- compassionate grounds
- temporary residents departing Australia, or
- attaining preservation age (transition to retirement).

Different cashing restrictions apply to the above conditions of release. If a payment has been made without one of the conditions being met or if you have any questions about the above conditions, contact the Superannuation Infoline (see the inside back cover).

➤ Legislative reference: see part 6 and Schedule 1 to the *Superannuation Industry (Supervision) Regulations 1994*.

### **K Did trustees of the fund receive any remuneration for their services as trustees?**

Print **X** in the appropriate box.

Payment to trustees for the time and effort involved in running the SMSF, including making investment decisions, is strictly prohibited. No trustee should be receiving any remuneration for acting as a trustee. Limited reimbursement for direct operating costs paid by the trustee on behalf of the SMSF is allowed (for example, accounting fees) and is not considered remuneration. However, reimbursement of this kind should not normally arise, as expenses of the SMSF should be paid by the SMSF directly.

➤ Legislative reference: see paragraphs 17A(1)(f) and (g) of the *Superannuation Industry (Supervision) Act 1993*.

### **L Are any trustees or directors currently disqualified persons as defined by SISA?**

Print **X** in the appropriate box.

A disqualified person may not act as:

- a trustee of any type of superannuation fund, or
- as a responsible officer of a body corporate that is a trustee of any type of superannuation fund.

An individual is a disqualified person if they:

- have ever been convicted of an offence involving dishonesty
- have ever been subject to a civil penalty order
- are insolvent under administration
- are an undischarged bankrupt, or
- have been disqualified by a regulator.

An application can be made to the regulator in certain circumstances to allow an individual to be a trustee even if they have been convicted of an offence involving dishonesty.

A corporate trustee is not permitted to act as trustee if:

- the company knows or has reasonable grounds to suspect that a responsible officer of that company is a disqualified person (a responsible officer includes a director, secretary or executive officer)
- a receiver, administrator, official manager or provisional liquidator has been appointed to the company, or
- action has commenced to wind up the company.

Action should be taken to remove the disqualified trustee as soon as possible. Penalties may apply to those who continue to act as trustees while disqualified. Notify us immediately if the trustee is in this position to minimise any possible negative consequences.

➤ Legislative reference: see part 15 of the *Superannuation Industry (Supervision) Act 1993*.

### **M Are all SMSF assets appropriately documented as owned by the fund?**

Print **X** in the appropriate box.

Trustees must ensure that the SMSF's ownership of its investments is assured. We require that the SMSF's assets be held in a legally recognised ownership arrangement. We also prefer the assets to be in the names of all of the individual trustees as trustees for the SMSF, or in the case of a corporate trustee, in the name of the company as trustee for the SMSF. It is important that money and other assets of the SMSF are held separately from money and assets held by the trustees and members in their personal capacity.

It is recognised that, in certain states, restrictions may prevent an SMSF from holding assets using the SMSF's name at all. In this circumstance, a caveat, legal instrument or declaration of trust must be properly executed in respect of the asset, to clearly show the SMSF's ownership of the asset. Failure to take appropriate action to protect the SMSF's assets is a breach of trustee duties and responsibilities. If the restriction from holding the assets in the name of the SMSF exists, it should be clearly documented.

➤ Legislative reference: see section 52 of the *Superannuation Industry (Supervision) Act 1993*.

## N Did the SMSF carry on a business of selling goods or services?

Print **X** in the appropriate box.

In order to answer this question you first need to determine if the SMSF either sells physical goods (for example, office supplies, food items) or provides services (for example, financial advice, catering staff) for which it bills clients or customers. You then need to determine whether or not a business is actually being carried on. The business activity indicators include:

- there is a reasonable expectation of profit
- the business is of a reasonable size
- there is a repetition and continuity of activity
- the activities are undertaken in a business-like manner, and
- the intention is to carry on a business.

If an SMSF is conducting a business, it may not be administered for the sole purpose of providing benefits for members and beneficiaries of the SMSF. In all undertakings, an SMSF that carries on a business must ensure it complies with the following:

### ■ Sole purpose test

Was the SMSF set up and maintained for the purpose of generating retirement benefits for members or is there some other predominant purpose, for example, running a business in a tax-reduced environment?

### ■ Investment strategy requirement

Is the business activity included in the strategy and properly documented?

### ■ Acquiring assets from related parties

SMSFs are prohibited from acquiring assets from related parties.

### ■ Prohibition on borrowing

Trustees are unable to borrow money. No overdraft facility or other line of credit can be maintained by the trustees in support of the business.

### ■ Arm's length requirement

Trustees would be required to demonstrate that all transactions have been made and maintained on a commercial basis. For example, the sale and purchase price of the investment is at full market value and returns on the investment reflect a true market rate of return.

### ■ Governing rules of the SMSF

These must permit the SMSF to make certain business-related investments.

➤ Legislative reference: see section 52 of the *Superannuation Industry (Supervision) Act 1993*.

If you are unsure as to whether your SMSF is operating a business, seek advice from a professional adviser or phone the Superannuation Infoline (see the inside back cover).

## O Does the auditor provide services to the SMSF as either a tax agent, accountant or financial advisor or administrator?

Print **X** in the appropriate box.

The SISA has no specific requirement for auditor independence; however, a lack of independence may be a factor contributing to an SMSF's failure to meet legislative requirements. It is essential that an auditor is independent of the SMSF's decision-making process. An auditor must be independent and also appear to be independent. This is a fundamental requirement for every audit. Auditors need to follow the standards as outlined by their professional bodies.

The code of professional conduct of CPA Australia and the ICAA can be a useful guide to assist in ensuring auditor independence. The CPA's professional statement F1 'Professional independence' provides guidance to members of the CPA and ICAA. Threats to independence in this guide include:

- **self review (F1 Appendix 1.23)** – where the person who prepared the SMSF's accounts also conducted the SMSF's audit
- **self interest (F1 Appendix 1.22)** – this could occur, for example, if the auditor benefits financially from an investment the client has made (for example, shares in the same company), and
- **intimidation (F1 Appendix 1.26)** – this could occur, for example, if a trustee threatens to stop using the auditor's services for related work (for example, the auditor may be engaged to provide other services such as financial advice or preparing the accounts of other entities belonging to the trustee).

The CPA's professional statement F1 is available at [www.cpaaustralia.com.au](http://www.cpaaustralia.com.au)

For more information on auditing standards and independence, see the standards of your professional association as well as considering the Auditing Standard ASA 2007-1 *Amendments to Australian Auditing Standards* issued by the Auditing and Assurance Standards Board, available at [www.auasb.gov.au](http://www.auasb.gov.au)

For more information on ethics for accountants, see APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, available at [www.apesb.org.au](http://www.apesb.org.au)

## SECTION J: OTHER INFORMATION

### Forestry managed investment schemes

Complete this section only if:

- the SMSF is eligible to claim a deduction at **U Forestry managed investment scheme deduction** item **11** for contributions made to an FMIS during the income year, and
- a product ruling or a private ruling has been issued to the SMSF in relation to its interest in the FMIS.

To complete this item, if the SMSF's interests in the FMIS are covered by a product ruling, then:

- print **PR** at **G** under **Code**
- write the year of the product ruling at **H** under **Year**, and
- write the product ruling number at **I** under **Number** (do not write the year of the product ruling nor the slash).

Alternatively, if the SMSF's interests in the FMIS are covered by a private ruling, then:

- print **AN** at **G** under **Code**
- leave **H** blank under **Year**, and
- write the authorisation number which was printed on the front page of your notice of private ruling, at **I** under **Number**.

### Family trust and interposed entity election status

Items **A** to **D** must be completed if any of the following applies.

The trustees of the SMSFs:

- have previously made a family trust election (FTE) specifying an income year from 1994–95 to 2006–07 in accordance with section 272-80 of Schedule 2F to the ITAA 1936 and, if applicable, item 22 or 22A of Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998* (Trust Loss Act 1998) and, in accordance with subsections 272-80(6) to (8), that election has not been revoked in an income year before the 2007–08 income year
- are making an FTE specifying the 2004–05 or later income year in accordance with section 272-80 of Schedule 2F to the ITAA 1936
- have previously made one or more interposed entity elections (IEEs) specifying a day in any income year from 1994–95 to 2006–07 in accordance with section 272-85 of Schedule 2F to the ITAA 1936 and, if applicable, item 23 or 23A of Schedule 1 to the Trust Loss Act 1998
- are making one or more IEEs specifying a day in the 2004–05 or later income year in accordance with section 272-85 of Schedule 2F to the ITAA 1936
- are revoking from a time in the 2007–08 income year, one or more previously made IEEs in accordance with section 272-85 of Schedule 2F to the ITAA 1936
- are revoking from a time in the 2007–08 income year, a previously made FTE in accordance with section 272-80 of Schedule 2F to the ITAA 1936, or
- are varying the specified individual of a previously made FTE in accordance with section 272-80 of Schedule 2F to the ITAA 1936.

Do not attach election forms for FTEs and IEEs made specifying an income year before the 2004–05 income year to the SMSF's 2008 annual return. Under section 272-80 and 272-85 of Schedule 2F to the ITAA 1936 a trustee cannot make an FTE or an IEE specifying a year earlier than 2004–05 in the SMSF's 2008 annual return.

#### ! NOTE

Amendments to Schedule 2F to the ITAA 1936 enacted in *Tax Laws Amendment (2007 Measures No. 4) Act 2007* may impact on the family trust and interposed entity election status codes to be completed at **section J**. The amendments apply to income years starting on or after 1 July 2007.

#### Family trust election

Changes to section 272-80 of Schedule 2F to the ITAA 1936 allow a trustee to revoke an FTE and vary the specified individual in an FTE in certain limited circumstances.

A trustee cannot vary the specified individual or revoke an FTE unless the variation or revocation is in respect of an income year that occurs during the period:

- starting at the beginning of the income year specified in the election and finishing at the end of the fourth income year after the income year specified in the election, or
- starting on 1 July 2007 and finishing on 30 June 2009.

The variation or revocation of an election must be made with the entity's tax return for the income year from which the variation or revocation is to be effective.

For more information on a 2008 Budget announcement that may impact on variations to the specified individual, see **What's new?** on page 1.

#### Interposed entity election

Changes to section 272-85 of Schedule 2F to the ITAA 1936 allow an IEE to be revoked in certain limited circumstances.

A trustee cannot revoke an IEE unless the revocation is in respect of an income year that occurs during the period:

- starting at the later of
  - the beginning of the income year specified in the election, or
  - the beginning of the income year in which the entity became a member of the family group, and
  - finishing at the end of the fourth income year after the income year referred to in the above two dot points,

or

- starting on 1 July 2007 and finishing on 30 June 2009.

The revocation must be made with the entity's tax return for the income year from which the revocation is to be effective.

For more details on these amendments see the fact sheet *Family trusts – details of the amendments to increase flexibility for family trusts*, available only on our website.



Instructions on how to complete the *Family trust election, revocation or variation 2008* (NAT 2787) and the *Interposed entity election or revocation 2008* (NAT 2788) are on the forms themselves.

If the annual return is not lodged electronically using ELS and a *Family trust election, revocation or variation 2008* or an *Interposed entity election or revocation 2008* is being lodged with the SMSF's 2008 annual return, send the annual return and the attachments to:

**Australian Taxation Office**  
**GPO Box 9845**  
**IN YOUR CAPITAL CITY**

#### NOTE

An FTE or IEE can be made at any time provided certain conditions are met.

However, when revoking an FTE or an IEE or varying the test individual in an FTE, a *Family trust election, revocation or variation 2008* or an *Interposed entity election or revocation 2008* must be attached to the SMSF's 2008 annual return.

### Family trust election status

If the trustees have previously made an FTE specifying an income year before the 2007–08 income year, write the appropriate income year in the box at **A**.

If the trustees have previously made an FTE specifying an income year before the 2004–05 income year and taken advantage of the one-off opportunity in *Law Administration Practice Statement PS LA 2004/1 (GA) Lodgment opportunity for family trust and interposed entity elections* to specify an earlier year, write the earlier income year specified in the box at **A**.

If the trustees are making an FTE specifying the 2004–05 or later income year, write the appropriate income year in the box at **A** and complete a *Family trust election revocation or variation 2008* specifying the 2004–05 or later income year.

If the trustees of the SMSF have not made or are not making an FTE, do not complete the box at **A**.

### Interposed entity election status

If the trustees have previously made one or more IEEs specifying a day in an income year before the 2007–08 income year, write in the box at **C**:

- the income year that has been specified in the IEE made by the trustees (if only one IEE has been made), or
- the earliest income year which has been specified in all of the IEEs made by the trustees (if more than one IEE has been made)

unless the trustees are making one or more IEEs specifying a day in the 2004–05 or later income year. If so, write 2005 or the later income year in the box at **C**.

If the trustees have previously made one or more IEEs specifying a day in an income year before the 2004–05 income year and took advantage of the one-off opportunity in Practice Statement PS LA 2004/1 to specify an earlier year, write the earliest income year specified in the box at **C section J**, unless the trustees are making one or more IEEs specifying a day in the 2004–05 or later income year.

If the trustees are making one or more IEEs specifying a day in the 2004–05 or later income year, write the latest income year specified in the box at **C section J** and complete an *Interposed entity election or revocation 2008* for each IEE, specifying a day in the 2004–05 or later income year.

If the trustees of the SMSF have not made or are not making any IEEs, do not complete the box at **C**.

### Revoking an FTE

An FTE can only be revoked by an SMSF that satisfies the relevant conditions in section 272-80 of Schedule 2F to the ITAA 1936.

Print **R** in the box at **B** if the FTE made by the trustee of the SMSF is being revoked from a time in the 2007–08 income year. A *Family trust election, revocation or variation 2008* must be completed and lodged with the SMSF's 2008 annual return.

### Revoking an IEE

An IEE can only be revoked by the trustee of an SMSF that satisfies the relevant conditions in section 272-85 of Schedule 2F to the ITAA 1936.

Print code **R** in the box at **D** if the IEE made by the trustee of the SMSF is being revoked from a time in the 2007–08 income year. An *Interposed entity election or revocation 2008* must be completed and lodged with the 2008 annual return.

### Varying the test individual of an FTE

Providing the relevant conditions in section 272-80 of Schedule 2F to the ITAA 1936 are satisfied, an SMSF may, in respect of an income year specified under the heading *Family trust election* in the Note box on page 44, vary an election so that a different individual is specified as the individual whose family group is taken into account in relation to the election. The trustee may only vary the specified individual of an FTE once, except where doing so under subsection 272-80(5C) of Schedule 2F to the ITAA 1936 in relation to a relevant order, agreement or award.

Print code **V** in the box at **B** if the specified individual of an FTE is being varied from a time in the 2007–08 income year. A *Family trust election, revocation or variation 2008* must be completed and lodged with the 2008 annual return.

For more information on a 2008 Budget announcement that may impact on variations to the specified individual, see **What's new?** on page 1.

### EXAMPLE 8

The trustee of an SMSF has previously made an FTE specifying the 1994–95 income year and an IEE specifying a day in the 1994–95 income year.

The trustee writes **1995** in the box at **A** and **1995** in the box at **C**. The trustee does not need to complete a *Family trust election, revocation or variation 2008* or an *Interposed entity election or revocation 2008*.

### EXAMPLE 9

The trustee of an SMSF previously made an FTE specifying the 1996–97 income year and an IEE specifying a day in the 1997–98 income year. The trustee wants to make another IEE specifying a day in the 2006–07 income year.

Assuming the trust meets the relevant conditions in section 272-85 of Schedule 2F to the ITAA 1936 to specify an earlier income year, the trustee writes **1997** in the box at **A** and **2007** in the box at **C**. The trustee provides details in an *Interposed entity election or revocation 2008* of the election the SMSF is making, specifying a day in the 2006–07 income year.

### EXAMPLE 10

The trustee has not previously made an FTE specifying an income year before the 2007–08 income year or an IEE specifying a day in an income year before the 2007–08 income year, but the trustee wants to make an FTE specifying the 2007–08 income year and an IEE specifying a day in the 2007–08 income year.

The trustee writes **2008** in the box at **A** and **2008** in the box at **C**. The trustee provides details in a *Family trust election, revocation or variation 2008* specifying the 2007–08 income year and an *Interposed entity election or revocation 2008* specifying a day in the 2007–08 income year.

### EXAMPLE 11

The trustee previously made an FTE specifying the 1995–96 income year and is revoking the FTE from a day in the 2007–08 income year as it meets the relevant conditions of section 272-80 of Schedule 2F to the ITAA 1936. The trustee has not made any IEEs.

The trustee writes **1996** in the box at **A** and prints **R** in the box at **B**, and completes a *Family trust election, revocation or variation 2008* and lodges it with the Tax Office.

### EXAMPLE 12

The trustee previously made an FTE specifying the 1998–99 income year and an IEE specifying the 2001–02 income year. The trustee is revoking the FTE from a day in the 2007–08 income year as it meets the relevant conditions in section 272-80 of Schedule 2F to the ITAA 1936.

The trustee writes **1999** in the box at **A** for the FTE status and writes **2002** in the box at **C** for the IEE status. The trustee prints **R** in the box at **B** if revoking an FTE. The trustee completes a *Family trust election, revocation or variation 2008* and lodges it with the SMSF's 2008 annual return.

### EXAMPLE 13

The trustee previously made an FTE specifying the 2000–01 income year. The trustee previously took advantage of the one-off opportunity in Practice Statement PS LA 2004/1 (GA) by lodging a declaration requesting that the election apply from the 1995–96 income year.

The trustee writes **1996** in the box at **A**. The trustee does not need to complete a *Family trust election, revocation or variation 2008*.

### EXAMPLE 14

The trustee previously made an FTE specifying the 1998–99 income year and an IEE specifying the 2001–02 income year. The trustee is varying the specified individual in the FTE from the first day in the 2007–08 income year as it meets the relevant conditions in section 272-80 of Schedule 2F to the ITAA 1936.

The trustee:

- writes **1999** in the box at **A** for the FTE status
- writes **2002** in the box at **C** for the IEE status
- prints **V** in the box at **B** if varying the specified individual of the FTE, and
- completes a *Family trust election, revocation or variation 2008* and lodges it with the SMSF's 2008 annual return.

# SECTION K: DECLARATIONS

All SMSFs must complete this section.

## TRUSTEE'S OR DIRECTOR'S DECLARATION

All trustees are equally responsible and accountable for managing the SMSF and making sure it complies with the law. The signing of this declaration confirms that **all** trustees or directors have authorised this annual return. Signing this declaration confirms that the information supplied is true and correct.

This annual return should be authorised by all trustees of the SMSF and documented as such in the SMSF's records. As well, all trustees should ensure that the audit undertaken on the SMSF has been reviewed by all trustees before this annual return has been authorised.

Penalties may be imposed for false or misleading information in addition to penalties relating to any tax shortfalls.

### Preferred trustee or director contact details

List the name and contact details of the individual (not the tax agent) that we can contact if required.

You must provide a contact phone number including area code.

### Non-individual trustee name (if applicable)

Print the name of the non-individual trustee (also referred to as the corporate trustee) if applicable.

### ABN of non-individual trustee

Print the ABN of the non-individual trustee if applicable.

### Time taken to prepare and complete this annual return

We are committed to reducing the costs involved in complying with the SMSF's taxation and regulatory obligations. The trustee's response to this item is voluntary.

When completing this item consider the time, rounded up to the nearest hour, which you spent:

- reading the annual return instructions
- collecting the necessary information to complete this annual return
- making the necessary calculations, and
- actually completing this annual return or putting the tax affairs of the SMSF in order so the information can be handed to the SMSF's registered tax agent.

Include the time both the trustee and tax agent spent in preparing and completing the annual return. This includes the time spent by any other person who helped with this.

## TAX AGENT'S DECLARATION

If the tax agent is a partnership or a company, this declaration must be signed in the name of the partnership or company by a person who is registered as a nominee of that partnership or company. The person's name must be printed at this item.

### Tax agent's contact details

List the name and contact details, including:

- title
- family name
- given name
- name of the tax agent's practice
- tax agent's phone number including area code
- tax agent's reference number (that is, the client number that the tax agent has allocated to the SMSF), and
- tax agent number issued to the agent by us.

# SCHEDULES

General information about completing schedules:

- Complete only **one** copy of the appropriate schedule.
- Attach all completed schedules to the annual return unless specified otherwise.
- Annual returns lodged without all the required schedules may not be considered to have been lodged in the approved form. Unless all schedules are lodged by the due date, a failure to lodge on time penalty may apply.

## CAPITAL GAINS TAX SCHEDULE

All SMSFs that have one or more CGT events happen during the income year must complete a *Capital gains tax (CGT) schedule 2008* (NAT 3423) and attach it to the annual return if:

- a CGT event happens in relation to a forestry managed investment scheme interest that is held other than as an initial participant
- the total current year capital gains for the income year are greater than \$10,000, or
- the total current year capital losses for the income year are greater than \$10,000.

The *Guide to capital gains tax 2008* (NAT 4151) will help you meet your SMSF's CGT obligations by outlining the essential steps involved in calculating your SMSF's net capital gain for the income year. The guide also includes:

- aspects of CGT law that may apply to the SMSF, for example, record keeping requirements
- a capital gain or capital loss worksheet for calculating a capital gain or capital loss for each CGT event
- a CGT summary worksheet for calculating the SMSF's net capital gain or net capital loss for the income year, and
- the CGT schedule.

## LOSSES SCHEDULE

The *Losses schedule 2008* (NAT 3425) and, where relevant, the CGT schedule, have replaced most of the labels relating to losses in previous tax returns. Transfer totals of the amounts at part A of the *Losses schedule 2008* to section E of the annual return at **U Tax losses carried forward to later income years** and at **V Net capital losses carried forward to later income years**.

Complete and attach a *Losses schedule 2008* if:

- the total of the SMSF's tax losses and net capital losses carried forward to the 2008–09 income year is greater than \$100,000
- the SMSF is claiming a deduction for foreign source losses greater than \$100,000
- the SMSF has 'current year' foreign source losses greater than \$100,000
- the SMSF has carried forward foreign source losses to later income years greater than \$100,000
- the SMSF is claiming a deduction for prior year CFC

losses greater than \$100,000

- the SMSF has 'current year' CFC losses greater than \$100,000, or
- the SMSF has carried forward CFC losses to later income years greater than \$100,000.

For more information, see the *Losses schedule instructions 2008* (NAT 4088).

If, under the above criteria, you need to complete a *Losses schedule 2008*, you may also need to complete a CGT schedule. For more information, see the *Guide to capital gains tax 2008*.

## NON-INDIVIDUAL PAYG PAYMENT SUMMARY SCHEDULE

Pay as you go (PAYG) withholding applies to several withholding events including:

- payment to a payee who does not quote an ABN
- payments made under a PAYG voluntary agreement, and
- payments made under foreign resident withholding.

If the payer withheld an amount from a payment because the SMSF did not quote its ABN, the payer should have given the SMSF (payee) a *PAYG payment summary – withholding where ABN not quoted* (NAT 3283). A payer may issue a receipt, remittance advice or similar document in place of the payment summary, provided the document contains all the information required.

If an amount from a payment to the SMSF was withheld by the payer because of the operation of foreign resident withholding, the SMSF should have received a *PAYG withholding from foreign residents – payment summary* from the payer.

## PAYG PAYMENT SUMMARY – WITHHOLDING WHERE ABN NOT QUOTED

If the SMSF did not receive or has lost its copy of a payment summary, contact the payer responsible and request a signed photocopy of the payer's copy. Details from any *PAYG payment summary – withholding where ABN not quoted* must be included on a *Non-individual PAYG payment summary schedule 2008* (NAT 3422).

Complete a *Non-individual PAYG payment summary schedule 2008* when you show an amount at:

- **H Gross payments where ABN not quoted** in section B, or
- **F3 Credit: ABN/TFN not quoted (non-individual)** in section D.

Print neatly in block letters with a black pen only. Show the SMSF's TFN and name in the appropriate boxes at the top. From each *PAYG payment summary – withholding where ABN not quoted*, record on the *Non-individual PAYG payment summary schedule 2008*:

- the payer's ABN (or withholding payer number)
- total tax withheld
- gross payment, and
- the payer's name.

When you have entered details of all these payment summaries on the schedule, attach the *Non-individual PAYG payment summary schedule 2008* to the applicable return.

Do not attach copies of any *PAYG payment summary – withholding where ABN not quoted* to the applicable return – keep them with the SMSF's copy of the annual return. Also keep a copy of the *Non-individual PAYG payment summary schedule 2008* with the SMSF's tax records.

## PAYMENT SUMMARY – FOREIGN RESIDENT WITHHOLDING

Details from any *PAYG withholding from foreign residents – payment summary* must be included on a *Non-individual PAYG payment summary schedule 2008*.

Complete a *Non-individual PAYG payment summary schedule 2008* when you show an amount at:

- **F2 Credit: foreign resident withholding** in section D (except where the amount is from partnership or trust distributions).

When you have entered details of all these payment summaries on the schedule, attach the *Non-individual PAYG payment summary schedule 2008* to the applicable return.

A *Non-individual PAYG payment summary schedule 2008* is not required for income subject to foreign resident withholding received in a distribution from a partnership or trust because these distributions do not have an associated payment summary.

Do not attach copies of any *PAYG withholding from foreign residents – payment summary* to the annual return – keep them with the SMSF's copy of the annual return. Keep a copy of the *Non-individual PAYG payment summary schedule 2008* with the SMSF's tax records.

# GENERAL INFORMATION

## ELECTION TO BECOME A REGULATED FUND

A trustee must elect to become 'regulated' under the SISA if the SMSF wishes to receive concessional taxation treatment. The trustees of a new SMSF must, within 60 days after establishment of the SMSF, give the Tax Office a notice of election to be a regulated superannuation fund.

The trustee completes an *Application for ABN registration for superannuation entities* (NAT 2944). You can register online at [www.abr.gov.au](http://www.abr.gov.au) or, for a paper copy of the application, phone the Superannuation Infoline (see the inside back cover).

Once a trustee has elected for the SMSF to become regulated they cannot reverse the decision – the SMSF would have to be wound up to cease to be regulated under the SISA and the Superannuation Industry (Supervision) Regulations 1994.

## SWITCHING REGULATORS OR CHANGING TRUSTEES

The *Self managed superannuation fund annual return 2008* must not be used to report a switch of regulator or changes with trustees.

If a non-regulated or Australian Prudential Regulation Authority (APRA) regulated superannuation fund attempts to lodge a *Self managed superannuation fund annual return 2008* it will be rejected. The same will occur if an SMSF attempts to lodge a *Fund income tax return 2008*.

All superannuation funds that switch regulators must inform us within 21 days by either updating their details online at [www.abr.gov.au](http://www.abr.gov.au) or by completing a *Change of details for superannuation entities* (NAT 3036).

When SMSFs appoint or remove trustees, directors or members they must also update these details by one of the two methods mentioned above. APRA regulated funds have the same requirement for changes to trustees. We will inform APRA of any relevant changes to the SMSFs they regulate. SMSFs are now legally required to inform us of any changes of trustees within 28 days of the change occurring.

A trustee or a director of a corporate trustee of an SMSF appointed after 30 June 2007 must complete and sign a *Trustee declaration* (NAT 71089), no later than 21 days after becoming a trustee or director, and retain this document with the SMSF's records for 10 years.

## RECORD KEEPING REQUIREMENTS

Generally, an SMSF must keep all relevant records for five years after they were prepared or obtained, or five years after the completion of the transactions or acts to which they relate, whichever is the later, although this period may be extended in certain circumstances, such as is the case for the *Trustee declaration*, which is to be retained for 10 years.

Keep records in writing and in English. You can keep them electronically as long as the records are in a form that we can access and understand to ascertain the SMSF's tax liability – see *Taxation Ruling TR 96/7 – Income tax: record keeping – section 262-A – general principles* and *Taxation Ruling TR 2005/9 – Income tax: record keeping – electronic records*.

You are not expected to duplicate records. If the records that the SMSF normally keeps contain the information specified in the instructions, you do not need to prepare additional records.

For some items on the annual return, these instructions refer to specific record keeping requirements. In general, the records specified cover instances where the required information may not be available in the normal SMSF accounts. The record keeping requirements within the instructions indicate the information that the SMSF uses to calculate the correct amounts to declare on the annual return but this is not an exhaustive list of the records that an SMSF maintains.

Prepare and keep the following documents:

- a statement of financial position
- a detailed operating statement
- a statement of cash flow (reporting entities only)
- notices and elections
- documents containing particulars of any estimate, determination or calculation made while preparing the annual return, together with details of the basis and method used in arriving at the amounts on the annual return, and
- a statement describing and listing the accounting systems and records – for example, a chart of accounts showing those kept on paper and those kept electronically.

If we conduct an audit, we may ask for the following information, and we expect you to make the information readily available:

- a list and description of the main financial products (for example, bank overdrafts, bills, futures and swaps) that were used by the SMSF to finance or manage its activities during the income year
- for SMSFs that have entered into transactions with associated entities overseas
  - an organisational chart of the group structure, and
  - all documents, including worksheets, that explain the nature and terms of the transactions entered into.

The SMSF will be liable to pay penalties and interest, in addition to the shortfall amount, if it does not state the correct amount of taxable income and tax payable on that income, or overclaims a credit entitlement on the annual return. The law also imposes a penalty where an SMSF fails to keep records in the required manner or it fails to retain records for the appropriate period.

SMSF trustees are required to keep:

- minutes of trustee meetings and records of decisions where matters affecting the SMSF were discussed
- records of all changes of trustees, including all changes of directors of any corporate trustee
- copies of members' written consent to be appointed as trustees of the SMSF, or as a director of the corporate trustee
- copies of all annual returns lodged
- copies of all member or beneficiary reports given to members
- records relating to the management of the SMSF as required by the SISA, and
- *Trustee declarations* recognising the obligations and responsibilities for any trustee, or director of a corporate trustee, appointed after 30 June 2007

for a minimum of 10 years following the end of the income year to which they relate.

### Capital gains tax record keeping

Generally an SMSF should keep records for five years after the capital gains tax event happened for which those records will be needed to work out a capital gain or capital loss. For more information on record keeping for capital gains tax, see the *Guide to capital gains tax 2008*.

### Tax losses record keeping

If an SMSF incurs tax losses or capital losses, it may need to keep records longer than five years from the date when the losses were incurred.

Generally you can carry forward indefinitely tax losses and capital losses incurred in an income year, until they are applied by recoupment. When applied, the loss amount is a figure that is included in the calculation of the SMSF's taxable income in that year.

It is in the SMSF's interest to keep records substantiating this year's losses until the amendment period for the assessment in which the losses are applied has lapsed (in most cases up to four years from the date of that assessment). See *TD 2007/2 – Income Tax: should a taxpayer who has incurred a tax loss or made a net capital loss for an income year retain records relevant to the ascertainment of that loss for only the record retention period prescribed under income tax law?*

## e-Record

*e-Record* is an electronic record keeping package the Tax Office has developed to help small and micro businesses and non-profit organisations keep good business records.

It is designed for businesses that use a cash basis of accounting and who wish to make the transition from paper-based products to an electronic record keeping package. It is not designed for those businesses that are already using a commercially available accounting software package.

*e-Record* consists of a set of simple-to-use electronic worksheets that produce daily and weekly information as well as monthly, quarterly and annual summaries, and has the added benefit of automatic calculations and consolidations. It will help businesses complete their activity statements.

You can download the latest versions of *e-Record* from our website at [www.ato.gov.au/erecord](http://www.ato.gov.au/erecord) or get a copy of the CD-ROM by phoning **1300 139 051**.

## Record keeping for overseas transactions and interests

Keep records of any overseas transactions in which the SMSF is involved, or has an interest, during the income year.

The involvement can be direct or indirect – for example, through persons, trusts, companies or other entities. The interest can be vested or contingent, and includes the case where the SMSF has direct or indirect control of:

- any income from sources outside Australia not disclosed elsewhere on the applicable return, or
- any property – including money – situated outside Australia. If this is the case, keep a record of the following
  - the location and nature of the property
  - the name and address of any partnership, trust, business, company, or other entity in which the SMSF has an interest, and
  - the nature of the interest.

If an overseas interest was created by exercising any power of appointment, or if the SMSF had an ability to control or achieve control of overseas income or property, keep a record of the following:

- the location and nature of the property, and
- the name and address of any partnership, trust, business, company, or other entity in which the SMSF has an interest.

## FOREIGN EXCHANGE (FOREX) GAINS AND LOSSES

Under the forex measures, forex gains and losses are generally brought to account as assessable income or allowable deductions, when realised. The measures cover both foreign currency denominated arrangements and, broadly, arrangements to be cash-settled in Australian currency with reference to a currency exchange rate. Some forex gains and losses of a private or domestic nature, or in relation to exempt income or non-assessable non-exempt income, are not brought to account under the forex measures.

If a forex gain or loss is brought to account under the forex measures and under another provision of the tax law, it is assessable or deductible only under the forex measures.

In general, forex gains and losses will not be assessable or deductible under these measures if they arise from certain acquisitions or disposals of capital assets, or acquisitions of depreciating assets, and the time between the acquisition or disposal and payment is no more than 12 months. Instead, any forex gain or loss is usually matched with or integrated into the tax treatment of the underlying asset.

The general translation rule requires all tax-relevant amounts to be expressed in Australian currency regardless of whether there is an actual conversion of that foreign currency into Australian dollars.

The tax consequences of gains or losses on existing foreign currency assets, rights and obligations that were acquired or assumed before the commencement date (1 July 2003) are generally to be determined under the law as it was before these measures came into effect, unless:

- the SMSF has made a transitional election that brings these gains and losses within the new forex measures, or
- there is an extension of an existing loan (for example, an extension by new contract or a variation to an existing contract) that brings the arrangement within these measures.

More information about these measures and on how to calculate your forex realisation gains and losses is available on our website at [www.ato.gov.au](http://www.ato.gov.au) (search for 'forex').

## GENERAL VALUE SHIFTING REGIME

The general value shifting regime (GVSR) can apply to value shifts that happen from 1 July 2002.

Broadly, value shifting describes transactions and other arrangements that reduce the value of an asset and (usually) increase the value of another asset.

The GVSR consists of direct value shifting (DVS) and indirect value shifting (IVS) rules that primarily affect equity and loan interests in companies and trusts. There is also a DVS rule dealing with non-depreciating assets over which a right has been created. There are different consequences for particular interests according to whether the interest is held on capital account, as a revenue asset or as trading stock.

Where the rules apply to a value shift there may be a deemed gain (but not a loss) adjustment to adjustable values (such as cost bases) or adjustments to losses or gains on realisation of assets.

There are *de minimus* exceptions and exclusions which will minimise the cost of complying with the GVSR, particularly for small business. Entities dealing at arm's length or on market value terms are generally excluded from the GVSR.

For more information, visit our website or phone the Tax Reform Infoline (see the inside back cover).

## DEBT EQUITY RULES

The debt equity measures broadly operate to characterise certain interests as either debt or equity. For some tax law purposes, equity interests are treated in the same way as shares even though they are not shares in legal form. These interests are called 'non-share equity interests'. They include some income securities and some stapled securities. *Debt and equity tests: guide to the debt and equity tests*, available on our website, provides an overview of the debt and equity rules and explains what a non-share equity interest is.

For the purposes of the imputation system, generally, non-share equity interests are treated in the same way as shares that are not debt interests. Non-share dividends on these types of interests may be franked or unfranked. Show any amount of non-share dividend, whether franked or unfranked, or any amount of franking credit attached to the non-share dividend, at the appropriate place on the applicable return as if it were for a share.

## TRANS-TASMAN IMPUTATION

The Trans –Tasman imputation measure allows New Zealand resident companies to choose to enter the Australian imputation system. Doing so allows a company to maintain an Australian franking account from 1 April 2003 and to attach Australian franking credits to dividends it pays from 1 October 2003 or one month after the company makes an election, whichever is later. Australian shareholders of these companies may benefit from the Australian franking credits attached to distributions the companies make (such a company is referred to as a 'New Zealand franking company').

If the SMSF is an Australian shareholder of a New Zealand franking company and received franked dividends with Australian franking credits attached directly or indirectly from a New Zealand franking company, see:

- **D1 Gross foreign income** item 10, and
- **E Australian franking credits from a New Zealand company** item 10

for instructions that will assist in completing the annual return. For more information, visit the Trans-Tasman imputation page on our website or phone the Tax Reform Infoline (see the inside back cover).

## FOREIGN RESIDENT WITHHOLDING

Subdivision 12-FB of Schedule 1 to the *Taxation Administration Act 1953* (TAA 1953) inserted two withholding events for payments made to foreign residents. Only payments prescribed in the Taxation Administration Regulations 1976 are subject to this withholding measure.

Payers are required to withhold at the relevant rate prescribed in the appropriate regulation. The Tax Office may grant a variation to the rate of withholding in special circumstances.

### NOTE

- Existing withholding events continue to apply – for example, a foreign resident employee would continue to have an amount withheld under the existing withholding provisions.
- The existing PAYG machinery will apply to these new withholding obligations.
- This withholding is not a final tax. These new withholding requirements will not affect existing income tax obligations for foreign residents deriving assessable income in Australia, such as the requirement to lodge a tax return. Any amounts withheld will be available as a credit against the income tax assessment.
- Gross regulated income subject to foreign resident withholding will not be taken into account in determining the SMSF's instalment income.

For more information, visit our website or phone the Business Infoline (see the inside back cover).



## FOREIGN CURRENCY TRANSLATION RULES

The *New Business Tax System (Taxation of Financial Arrangements) Act (No. 1) 2003* introduced a package of measures dealing with the taxation of foreign currency gains and losses contained in Division 775 of the ITAA 1997, and the foreign currency translation rules contained in Subdivision 960-C of the ITAA 1997 (and also the functional currency rules contained in Subdivision 960-D). For more information about the foreign currency translation rules, please see the fact sheets *Foreign exchange (forex) – the general translation rule* (NAT 9339) and *Foreign exchange (forex) – general information on average rates* (NAT 13434), available only on our website.

## SELF-DETERMINATION OF FOREIGN TAX CREDITS

If an SMSF has paid foreign tax and wishes to claim a credit for the foreign tax paid, calculate the amount of any such credit allowed and show it at the appropriate label on the annual return. For more information on the calculation of foreign tax credits, see the *Foreign income return form guide* (NAT 1840) and *How to claim a foreign tax credit 2008* (NAT 2338), available on our website.

For help with the calculation, or advice about whether the credit is allowed, phone the Personal Tax Infoline (see the inside back cover).

## ASSESSMENT

Assessments of SMSFs are deemed to be made on the day on which the annual return is lodged.

## OBJECTION TO SELF-ASSESSMENT

If a trustee wishes to object to the calculation of taxable income calculated according to a Tax Office ruling or policy that is unfavourable to the SMSF, they may dispute the application of a ruling or policy by lodging an objection to the self-assessment, generally within four years of the deemed assessment date. The objection must state the full particulars of the issue in dispute.

## PRIVATE RULING BY THE COMMISSIONER OF TAXATION

A private ruling is a written expression of opinion by the Commissioner about the way in which tax laws and other specified laws administered by the Commissioner would apply to, or be administered in relation to, an entity in relation to a specified scheme.

An application for a private ruling must be made in the approved form and in accordance with Divisions 357 and 359 of Schedule 1 to the TAA 1953.

The required information and documentation that accompany a private ruling request must be sufficient for the Commissioner to make the private ruling and include:

- the entity to whom the ruling is to apply
- the facts describing the relevant scheme or circumstance
- relevant supporting documents such as transaction documents
- issues and questions raised that relate to the relevant provision to which the ruling relates, and
- your argument and references on such questions.

The Commissioner may request additional information to make a ruling. The Commissioner will then consider the request and either issue or, in certain limited circumstances, refuse to issue a private ruling.

The trustee may apply for a ruling affecting a member's income tax affairs with the written consent of the member.

## Publications

To further improve the administration of the private rulings system, the Tax Office now publishes all notices of private rulings for public record. These publications are available on our website at [www.ato.gov.au](http://www.ato.gov.au)

Private rulings are published in an edited form to safeguard taxpayer privacy.

Private ruling applicants are invited to provide a statement detailing any information they believe should be removed from the published version of their private ruling.

If the information the applicant wants removed is more than simply names and addresses, reasons why publication of this information will breach the applicant's privacy should be provided.

Before publication, applicants can comment on the edited version of their private ruling.

## Review rights

Trustees can object to adverse private rulings or a failure to make a private ruling in much the same way as they can object to assessments. They also can seek a review of adverse objection decisions on a private ruling by the Administrative Appeals Tribunal (AAT) or a court. An explanation of review rights and how to exercise them is issued with the private ruling. An objection to a ruling can be lodged within the later of:

- 60 days after receipt of the ruling, or
- four years from the last day allowed for lodging an annual return for the income year covered by the ruling.

A trustee cannot object to a private ruling if an assessment has occurred covering the same facts and issues; however, they can object to the assessment.

If a trustee has objected to a private ruling, they cannot object on the same grounds against a later assessment, unless the facts have changed.

Private rulings dealing with the ITAA 1936 continue to apply to the ITAA 1997, to the extent that the old law to which the ruling applies expresses the same ideas as the new law in the ITAA 1997.

## When rulings are binding

A private ruling is binding on the Commissioner where it applies to an entity and the entity has relied on the ruling by acting (or omitting to act) in accordance with the private ruling. An entity can stop relying on a private ruling at any time (unless prevented by a time limit imposed by a tax law) by acting (or omitting to act) in a way that is not in accordance with the private ruling; and can subsequently resume relying on the private ruling by acting accordingly. The Commissioner cannot withdraw a private ruling. However, where the scheme to which a private ruling relates has not begun to be carried out and (where the private ruling relates to an income year or other accounting period) that period has not begun, the Commissioner can make a revised private ruling.

## PAYMENT ARRANGEMENTS

### Paying your tax debt

Income tax debts must be paid by the due date. For payment options, see page 62.

General interest charge (GIC) is a uniform interest charge imposed where there is a late payment of a tax debt. The GIC rate is the 90-day bank accepted bill rate plus 7% and is updated on a quarterly basis. Amounts payable under the original assessment are due on the statutory due date for payment, which is the first day of the sixth month of the following income year or by such later date as the Commissioner allows. Each year SMSFs are sent a reminder letter notifying them of their lodgment and payment due dates. For SMSFs the balancing date is 30 June and the statutory due date for payment is the following 1 December. GIC will begin to accrue from the due date for payment until the amount is paid in full.

For more information on the GIC, phone the Business Infoline (see the inside back cover).

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

If you cannot pay the debt on time phone the Account Management Infoline (see the inside back cover). You are expected to organise the SMSF's affairs to ensure that you pay the debt on time. However, depending on the circumstances you may be able to enter into an arrangement to pay by instalments. You may need to provide details of the SMSF's financial position, including a statement of its assets and liabilities and details of the SMSF's income and expenditure. We will also want to know what steps you have taken to obtain funds to pay the tax debt and the steps you are taking to meet future tax debts on time. GIC will continue to accrue on the outstanding balance from the original due date.

# APPENDIXES

## APPENDIX 1: CAPITAL WORKS DEDUCTIONS

Division 43 of the ITAA 1997 provides for a system of deducting capital expenditure incurred in the construction of capital works used to produce assessable income.

### Capital works

You can deduct construction costs for the following capital works:

- buildings or extensions, alterations or improvements to a building
- structural improvements or extensions, alterations or improvements to structural improvements
- environmental protection earthworks.

Deductions for construction costs must be based on actual costs incurred. If it is not possible to genuinely determine the actual costs, provide an estimate by a quantity surveyor or another independent qualified person. The costs incurred by the SMSF for providing this estimate are deductible as a tax-related expense, not as an expense in gaining or producing assessable income.

### Who can claim?

The SMSF can claim a deduction under Division 43 for an income year only if it:

- owns, leases or holds part of a construction expenditure area of capital works
- incurred the expense, and
- uses the building to produce income.

The area the SMSF owns, leases or holds is called 'your area'.

In calculating the fund deduction you must identify your area for each construction expenditure area of the capital works. Your area may comprise the whole of the construction area or part of it.

### Lessee of a building

A lessee can claim a deduction for an area leased or held under a quasi-ownership right.

To claim a deduction the lessee must have:

- incurred the construction expenditure or been an assignee of the lessee who incurred the expenditure
- continuously leased or held the building itself, or the building must have been held in that way by previous lessees, holders or assignees since completion of construction, and
- used the building to produce assessable income.

If there is a lapse in the lease the entitlement to the deduction reverts to the building owner.

### Requirement for deductibility

An SMSF can deduct an amount for capital works in an income year if:

- the capital works have a 'construction expenditure area', and
- there is a 'pool of construction expenditure' for that area, and
- the SMSF uses the area in the income year to produce assessable income.

### No deduction until construction is complete

An SMSF cannot claim a deduction for any period before the construction of the capital works is complete even though it used them, or part of them, before completion. Additionally, the deduction cannot exceed the undeducted construction expenditure for your area.

Capital works are taken to have started when the first step in the construction phase starts – for example, the pouring of foundations or sinking of pylons for a building.

### Establishing the deduction base

You can deduct expenditure for the construction of capital works if there is a construction expenditure area for the capital works.

Whether there is such an area and how it is identified depends on:

- the type of expenditure incurred
- the time the capital works started
- the area of the capital works to be owned, leased or held by the entity that incurred the expenditure, and
- for capital works begun before 1 July 1997, the area of the capital works that was to be used in a particular manner – see section 43-90 of the ITAA 1997.

### Construction expenditure

Construction expenditure includes:

- preliminary expenses such as architect fees, engineering fees, foundation excavation expenses and costs of building permits
- costs of structural features that are an integral part of the income-producing building or income-producing structural improvements – for example, lift wells and atriums, and
- some portion of indirect costs.

For an owner-builder entitled to a deduction under Division 43 of the ITAA 1997, the value of their contributions to the works – that is, labour or expertise and any notional profit element – do not form part of construction expenditure. See *Taxation Ruling TR 97/25 – Property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements* and its addendum TR 97/25A.

Construction expenditure does not include expenditure on:

- acquiring land
- demolishing existing structures

- clearing, leveling, filling, draining or otherwise preparing the construction site before carrying out excavation work
- landscaping
- plant
- property or expenditure for which a deduction is allowable or would be allowable if the property were to be used for the purpose of producing assessable income under another specified provision of the ITAA 1936 or the ITAA 1997.

### Construction expenditure area

The construction of the capital works must be complete before the construction expenditure area is determined. A separate construction expenditure area is created each time an entity undertakes capital works construction.

For construction area expenditure before 1 July 1997, the capital works must have been constructed for a specified use at the time of completion, depending upon the time when the capital works started. The first specified use construction time was 22 August 1979 – see table 43-90 and subsection 43-75(2) of the ITAA 1997.

### Pool of construction expenditure

The pool of construction expenditure is the portion of the construction expenditure incurred by an SMSF on capital works, which is attributable to the construction expenditure area.

### Deductible use

An SMSF can only claim a deduction under Division 43 if it uses the area in a way described in table 43-140 or 43-145 of Subdivision 43-D of the ITAA 1997.

### Special rules about uses

Your area is taken to be used for a particular purpose or manner if:

- it is maintained ready for that use, is not used for another purpose and its use had not been abandoned, or
- its use has temporarily ceased because of, for example, construction or repairs or seasonal or climatic conditions.

Your area is not accepted as being used to produce assessable income if:

- it is used for exhibition or display in connection with the sale of all or part of any building – other than a hotel or apartment building – and where construction began after 17 July 1985 but before 1 July 1997. If construction started after 30 June 1997, buildings that are used for display are eligible
- it is used
  - wholly or mainly for residential accommodation, or
  - for exhibition or display in connection with the sale of all or part of any building, or the lease of all or part of the building for use wholly or mainly for or in association with residential accommodation, and the building construction began after 19 July 1982 and before 18 July 1985

- the SMSF uses it for residential accommodation – and it is not a hotel or apartment building. See subsection 43-170(2) of the ITAA 1997 for exceptions to this rule.

Your area is taken to be used as residential accommodation if it is:

- part of an individual's home – other than a hotel or apartment building, or
- used as a hotel, motel or guest house but does not satisfy the definition of a hotel building.

Special rules for hotel and apartments are contained in section 43-180 of the ITAA 1997.

### Calculation and rate of deduction

An SMSF's entitlement to a deduction begins on the date the building is first used to produce assessable income. The first and last years of use may be apportioned. The entitlement to a deduction runs for either 25 or 40 years – the limitation period – depending on the rate of deduction applicable.

The legislation contains two calculation provisions:

- section 43-215 of the ITAA 1997 – deduction for capital works which began before 27 February 1992, and
- section 43-210 of the ITAA 1997 – deduction for capital works which began after 26 February 1992.

### Capital works begun before 27 February 1992 and used as described in table 43-140 of the ITAA 1997

Calculate the deduction separately for each part that meets the description of your area.

Multiply the construction expenditure by the applicable rate – either 4% if the capital works began after 21 August 1984 and before 16 September 1987 or 2.5% in any other case – and by the number of days in the income year in which you owned, leased or held your area and used it in a relevant way. Divide that amount by the number of days in the income year.

Apportion the amount if your area is used only partly to produce assessable income.

The amount the SMSF claims cannot exceed the undeducted construction expenditure.

### Capital works begun after 26 February 1992

Calculate the deduction separately for each part of the capital works that meets the description of your area.

There is a basic entitlement to a rate of 2.5% for parts used as described in table 43-140 Current year use. The rate increases to 4% for parts used as described in table 43-145 Use in the 4% manner.

## Undeducted construction expenditure

The undeducted construction expenditure for your area is the part of the construction expenditure that remains to write off. It is used to work out:

- the number of years in which the SMSF can deduct amounts for construction expenditure, and
- the amount that the SMSF can deduct under section 43-40 of the ITAA 1997 if your area or a part of it is destroyed.

## Balancing deduction on destruction

If a building is destroyed or damaged during an income year, you can claim a deduction for the remaining amount of undeducted construction expenditure that has not yet been deducted, less any compensation received. This applies even if the destruction or demolition is voluntary.

You can claim the deduction in the income year in which the destruction occurs.

The deduction is reduced if the capital works are used in an income year only partly for the purpose of producing assessable income.

For guidelines on these measures, see Taxation Ruling 97/25 and addendum.

## APPENDIX 2: RESPONSIBILITIES OF TRUSTEES

The following summary is only a small number of the special responsibilities trustees have in the preparation of the SMSF annual return.

- The SMSF must have a governing trust deed or a constituent document.
- The SMSF must ensure that all assets are in the name of the trustee/s of the SMSF.
- The SMSF must elect to become a regulated fund under the SISA and:
  - obtain a Tax Office notice of compliance
  - get evidence that compliance has been sought and is expected to be granted for the year, or
  - retain a notice of compliance from a previous year provided the SMSF has not since received a notice of non-compliance.
- If a CGT event has happened to a CGT asset that the SMSF acquired prior to 1 July 1988, the SMSF must keep records of the market value or the original cost used for the cost base as at 30 June 1988.
- The SMSF must keep separate records of private company dividends, certain trust distributions or other non-arm's length income.
- The SMSF must keep records of all foreign source income and calculation of foreign tax credits.
- In relation to contributions the SMSF must keep records of:
  - contributions received from employers and employees or depositors, and
  - rollover notifications to verify untaxed elements where rollovers are received.
- The SMSF must keep records of how contributions

excluded from income are determined. If pre-1 July 1988 funding credits are claimed, the SMSF must obtain a notice under section 342 of the SISA (or as formerly known an APRA section 15D notice) or keep evidence that the notice has been sought.

- The SMSF must keep records of notices received excluding member or depositor contributions. If the contributions tax liability is transferred, the SMSF must obtain evidence in writing of an agreement signed by the transferor and the transferee.
- In relation to deductions the SMSF must keep records of expenditure and to what income it relates. If a potential detriment deduction is claimed, the SMSF must keep records of how the claim was calculated and obtain the relevant actuarial certificates. It must also keep evidence that the benefit of the deduction is passed on to the dependant.
- If premiums for death and disablement cover are claimed, where relevant, the SMSF must
  - keep a copy of the policy or actuarial certificate, and
  - if a future service element deduction is claimed, keep evidence of the calculation and full details of the relevant superannuation lump sum benefit.
- In addition to the above documentation used in the preparation of this annual return, trustees also have the responsibility under the SISA for maintaining documentation after lodging the annual return.

Trustees must keep the following records for a minimum of five years:

- accurate and accessible accounting records that explain the transactions and financial position of the SMSF
- an annual operating statement and an annual statement of the SMSF's financial position, and
- copies of all annual returns lodged.

Trustees must keep the following records for a minimum of 10 years:

- minutes of trustee meetings and decisions (where matters affecting the SMSF were discussed)
- records of all changes of trustees, including all changes of directors of any corporate trustee
- 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 a trustee of the SMSF, or as director of the corporate trustee, and
- copies of all member or beneficiary reports given to members.

For more information, trustees of SMSFs should refer to our publication *Self managed superannuation funds – role and responsibilities of trustees* (NAT 11032), available on our website.

## APPENDIX 3: TAX RATES

	Rate %
The following rates of tax apply to superannuation funds, ADFs and PSTs for 2007–08.	
<p><b>Superannuation funds certified by the Tax Office or APRA as complying with superannuation fund conditions:</b></p> <ul style="list-style-type: none"> <li>■ assessed on income, including realised capital gains and taxable contributions received <span style="float: right;">15</span></li> <li>■ assessed on private company dividends (including non-share dividends) unless the amount is consistent with an arm's length dealing – see <b>Net non-arm's length private company dividends</b> on page 17 <span style="float: right;">45</span></li> </ul>	
<p><b>Superannuation funds that were a foreign superannuation fund in the prior year:</b></p> <ul style="list-style-type: none"> <li>■ assessed on income, including realised capital gains, taxable contributions and assessable income due to fund tax status change (assets less member contributions) <span style="float: right;">15</span></li> </ul>	
<p><b>Superannuation funds not certified by the Tax Office or APRA as complying with superannuation fund conditions:</b></p> <ul style="list-style-type: none"> <li>■ <b>superannuation funds that were complying in the prior year</b> assessed on income, including realised capital gains, taxable contributions received and any assessable income due to fund tax status change (assets less undeductable contributions) <span style="float: right;">45</span></li> <li>■ <b>superannuation funds that were not complying in the prior year</b> assessed on income, including realised capital gains and taxable contributions received <span style="float: right;">45</span></li> <li>■ <b>an Australian superannuation fund which was a foreign superannuation fund in the prior year</b> assessed on income, including realised capital gains, taxable contributions and assessable income due to fund tax status change (assets less member contributions) <span style="float: right;">45</span></li> </ul>	
<p><b>Superannuation funds that have not elected to be regulated under the <i>Superannuation Industry (Supervision) Act 1993</i>:</b></p> <ul style="list-style-type: none"> <li>■ assessed on income, including realised capital gains and taxable contributions received <span style="float: right;">45</span></li> </ul>	
<p><b>ADFs certified by APRA as complying with ADF conditions:</b></p> <ul style="list-style-type: none"> <li>■ assessed on income, including realised capital gains and certain rollover deposits <span style="float: right;">15</span></li> <li>■ assessed on non-arm's length income, private company dividends (including non-share dividends) unless the amount is consistent with an arm's length dealing – see <b>Net non-arm's length private company dividends</b> on page 17 <span style="float: right;">45</span></li> </ul>	
<p><b>ADFs not certified by APRA as complying with ADF conditions:</b></p> <ul style="list-style-type: none"> <li>■ assessed on income, including realised capital gains and certain rollover deposits <span style="float: right;">45</span></li> </ul>	
<p><b>Unit trusts certified by APRA as complying with conditions for PSTs:</b></p> <ul style="list-style-type: none"> <li>■ assessed on income, including realised capital gains and any liability attached to tax deductible contributions transferred from investing funds <span style="float: right;">15</span></li> <li>■ assessed on non-arm's length income, private company dividends (including non-share dividends) unless the amount is consistent with an arm's length dealing – see <b>Net non-arm's length private company dividends</b> on page 17 <span style="float: right;">45</span></li> </ul>	
<p><b>No TFN quoted contributions that are included in assessable contributions:</b></p> <ul style="list-style-type: none"> <li>■ for superannuation funds certified by APRA or the Tax Office as complying with superannuation fund conditions, an <b>additional</b> tax rate of 31.5% applies to contributions received that were for a member who has not quoted a TFN <span style="float: right;">31.5</span></li> <li>■ for superannuation funds not certified by APRA or the Tax Office as complying with superannuation fund conditions, an <b>additional</b> tax rate of 1.5% applies to contributions received that were for a member who has not quoted a TFN <span style="float: right;">1.5</span></li> </ul>	

# ABBREVIATIONS

AAT	Administrative Appeals Tribunal	SHA	superannuation holding accounts special account
ABN	Australian business number	SIC	shortfall interest charge
ABR	Australian Business Register	SIS	<i>Superannuation Industry (Supervision) Act 1993</i> and Superannuation Industry (Supervision) Regulations 1994
ADF	approved deposit fund	SISA	<i>Superannuation Industry (Supervision) Act 1993</i>
Annual return	self managed superannuation fund annual return	SISR	Superannuation Industry (Supervision) Regulations 1994
APRA	Australian Prudential Regulation Authority	SMSF	self managed superannuation fund
ATO	Australian Taxation Office	TAA	<i>Taxation Administration Act 1953</i>
BSB	bank sub-branch	TFN	tax file number
CFC	controlled foreign company	Trust Loss Act 1998	<i>Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998</i>
CGT	capital gains tax	UBNT	ultimate beneficiary non-disclosure tax
Commissioner	Commissioner of Taxation		
DVS	direct value shifting		
EFT	electronic funds transfer		
ELS	electronic lodgment service		
FBT	fringe benefits tax		
FMIS	forestry managed investment scheme		
FRLI	Federal Register of Legislative Instruments		
FTDT	family trust distribution tax		
FTE	family trust election		
fund	superannuation fund, approved deposit fund and pooled superannuation trust		
GIC	general interest charge		
GST	goods and services tax		
GVSR	general value shifting regime		
IEE	interposed entity election		
ITAA	Income Tax Assessment Act		
IVS	indirect value shifting		
LIC	listed investment company		
MCS	member contributions statement		
MIS	managed investment scheme		
PAYG	pay as you go		
PDF	pooled development fund		
PST	pooled superannuation trust		
RBA	running balance account		

# PUBLICATIONS, TAXATION DETERMINATIONS AND RULINGS

Publications (available at [www.ato.gov.au](http://www.ato.gov.au) unless noted)

- *Amendments to Australian Auditing Standards* (available at [www.auasb.gov.au](http://www.auasb.gov.au))
- *Application for ABN registration for superannuation entities* (NAT 2944)
- *A New Tax System (Australian Business Number) Act 1999*
- *Cancellation of registration – application* (NAT 2955)
- *Capital allowances schedule 2008* (NAT 3424)
- *Capital allowances schedule instructions 2008* (NAT 4089)
- *Capital gains tax (CGT) schedule 2008* (NAT 3423)
- *Change of details for superannuation entities* (NAT 3036)
- *Code of Ethics for Professional Accountants* (available at [www.apesb.org.au](http://www.apesb.org.au))
- *Contributions for personal injury* (NAT 71162)
- *Debt and equity tests: guide to the debt and equity tests*
- *Family trust election, revocation or variation 2008* (NAT 2787)
- *Family trusts – details of the amendments to increase flexibility for family trusts*
- *Foreign exchange (forex) – general information on average rates* (NAT13434)
- *Foreign exchange (forex) – the general translation rule* (NAT 9339)
- *Foreign income return form guide* (NAT 1840)
- *Foreign investment funds guide* (NAT 2130)
- *Fund income tax return 2008* (NAT 71287)
- *General value shifting regime: who it affects*
- *Guide to capital gains tax 2008* (NAT 4151)
- *Guide to depreciating assets 2008* (NAT 1996)
- *Guide to the general value shifting regime* (NAT 8366)
- *How to claim a foreign tax credit 2008* (NAT 2338)
- *How to complete a rollover benefits statement* (NAT 70945)
- *How to complete the Superannuation member contribution statement (MCS)* (NAT 2603)
- *Income Tax Assessment Act 1936*
- *Income Tax Assessment Act 1997*
- *Income Tax Regulations 1936*
- *Income Tax Assessment Regulations 1997*
- *Income tax (Transitional Provisions ) Act 1997*
- *Instructions for completing an auditor/actuary contravention report* (NAT 11299)
- *Interposed entity election or revocation 2008* (NAT 2788)
- *Legislative Instrument registered on the Federal Register of Legislative Instruments* (available at [www.frli.gov.au](http://www.frli.gov.au))
- *Losses schedule 2008* (NAT 3425)
- *Losses schedule instructions 2008* (NAT 4088)
- *New Business Tax System (Taxation of Financial Arrangements) Act (No.1) 2003*
- *New International Tax Arrangements (Managed Funds and Other Measures) Act 2005*
- *New International Tax Arrangements (Foreign Owned Branches and Other Measures) Act 2005*
- *Non-individual PAYG payment summary schedule 2008* (NAT 3422)
- *PAYG payment summary – withholding where ABN not quoted* (NAT 3283)
- *PAYG withholding from foreign residents – payment summary*
- *Rollover benefits statement* (NAT 70944)
- *Schedule 25A 2008* (NAT 1125)
- *Schedule 25A instructions 2008* (NAT 2639)
- *Self managed superannuation fund annual return 2008* (NAT 71226)
- *Self managed superannuation funds audit report* (NAT 11466)
- *Self managed superannuation funds – Role and responsibilities of approved auditors* (NAT 11375)
- *Self managed superannuation funds – Role and responsibilities of trustees* (NAT 11032)
- *Simpler super – employment termination payments – transitional arrangements* (NAT 70644)
- *Small Superannuation Accounts Act 1995*
- *Superannuation contributions splitting* (NAT 14969)
- *Superannuation funds, retirement savings accounts and tax file numbers*
- *Superannuation Guarantee (Administration) Act 1992*
- *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*
- *Superannuation Industry (Supervision) Act 1993*
- *Superannuation Industry (Supervision) Regulations 1994*
- *Superannuation Legislation Amendment Act (No. 4) 1999*
- *Super contributions – too much super can mean extra tax*
- *Taxation Administration Act 1953*
- *Taxation Administration Regulations 1976*
- *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998*
- *Tax file numbers and superannuation* (NAT 70641)
- *Trans-Tasman imputation: How to claim Australian franking credits attached to New Zealand dividends* (NAT 10851)
- *Trustee declaration* (NAT 71089)
- **Taxation determinations and taxation rulings**
  - *Taxation Ruling IT 2624 – Income tax: company self-assessment; elections and other notifications; additional (penalty) tax; false or misleading statement*
  - *Taxation Determination TD 1999/6 – Income tax: what is the purpose of sections 279E and 289A of the Income Tax Assessment Act 1936 (ITAA 1936)?*
  - *Taxation Determination TD 2007/2 – Income Tax: should a taxpayer who has incurred a loss or made a net capital loss for an income year retain records relevant to the ascertainment of that loss only for the record retention period prescribed under income tax law?*



- *Taxation Determination TD 2007/3 – Income tax: is a deduction allowable to complying superannuation funds, under section 279 of the Income Tax Assessment Act 1936, for insurance premiums attributable to the provision of benefits for members in the event of temporary disability longer than two years?*
- *Taxation Ruling TR 96/7 – Income tax: record keeping – section 262A – general principles*
- *Taxation Ruling TR 97/25 – Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements*
- *Taxation Ruling TR 2005/9 – Income tax: record keeping – electronic records*
- *Taxation Ruling TR 2006/7 – Income tax: special income derived by a complying superannuation fund, a complying approved deposit fund or a pooled superannuation trust in relation to the year of income*
- *Taxation Ruling TR 2007/3 – Income tax: effective life of depreciating assets (applicable from 1 July 2007)*
- *Draft Ruling SMSFR 2007/D2 – Superannuation: giving financial assistance using the resources of a self managed superannuation fund 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*
- *Self Managed Superannuation Funds Determination SMSFD 2008/2 – Self Managed Superannuation Funds: when calculating the market value ratio of in-house assets for the purposes of section 75 of the Superannuation Industry (Supervision) Act 1993 is it permissible for a self managed superannuation fund to value units held in a related unit trust at historical cost (purchase price)?*
- *Self Managed Superannuation Funds Determination SMSFD 2007/1 – 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?*
- *Self Managed Superannuation Fund Determination SMSFD 2008/1 – Self Managed Superannuation Funds: how does the happening of an event in subregulation 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?*
- *Draft Self Managed Superannuation Funds Determination SMSF 2008/D1 Self Managed Superannuation Funds: application of the Superannuation Industry (Supervision) Act 1993 to unpaid trust distributions payable to a Self Managed Superannuation Fund*
- *Draft Self Managed Superannuation Funds Ruling SMSFR 2008/D2 Self Managed Superannuation Funds: the application of subsection 66(1) of the Superannuation Industry (Supervision) Act 1993 to contributions of assets to a self managed superannuation fund by a related party of that fund.*
- *Draft Self Managed Superannuation Funds Ruling SMSFR 2008/D3 Self Managed Superannuation Funds: business real property for the purposes of the Superannuation Industry (Supervision) Act 1993.*
- *Law Administration Practice Statement PS LA 2004/1 (GA) – Lodgment opportunity for family trust and interposed entity elections*

## LODGMET

The only postal address for lodgment of the *Self managed superannuation fund annual return 2008* is:

**Australian Taxation Office  
GPO Box 9845  
IN YOUR CAPITAL CITY**

The address must appear as shown above.

**Do not post payments to this address;** for payment information see **PAYMENT** on page 62.

If you wish to write to the Tax Office send your correspondence to:

**Australian Taxation Office  
PO Box 3100  
PENRITH NSW 2740**

# PAYMENT

## Payment slip

Use the payment slip we provide to pay the actual amount of tax payable (which includes the supervisory levy for SMSFs). This will be issued to you after the annual return form is processed and will advise the date any outstanding amounts are due.

## How to pay

There are a range of payment options both in Australia and overseas.



## BPAY®

Make a payment directly from your cheque or savings account to the Tax Office using your financial institution's phone or internet banking service.

### Details you need

Billers code: 75556

Reference: Your EFT code

Your payment needs to reach us on or before the due date. Please check your financial institution's processing deadlines to avoid making a late payment.

BPAY payments made out of hours, on a weekend or public holiday will not reach us until the next working day.

## What is my electronic funds transfer (EFT) code?

Your EFT code is the reference number. It is printed directly above the barcode on your payment slip.

Your EFT code is also provided on the 'Payment options – details' screen (for business and tax agent portal users) or immediately below the Biller code and titled EFT code, on the details screen of your ECI e-BAS (where access is available).

A receipt number is issued at the time the payment is made. Please record it for future reference.

### If you need more information:

- phone **1800 815 886** 8am to 5pm, Monday to Friday AEST
- email [payment@ato.gov.au](mailto:payment@ato.gov.au)

## Direct credit

Transfer your payment to us online from your cheque or savings account.

### Details you need

**Bank:** Reserve Bank of Australia

**BSB:** 093 003

**Account number:** 316 385

**Account name:** ATO direct credit account

**Reference:** Your EFT code

Your payment needs to reach us on or before its due date. Please check your financial institution's processing deadlines to avoid making a late payment. Direct credit payments made out of hours, on a weekend or public holiday will not reach us until the next working day.

## Direct debit

Have your payment automatically deducted from a cheque or savings account.

Please allow at least seven (7) working days for your direct debit to be activated to ensure your payment reaches us on or before its due date.

## Mail

Mail your cheque or money order to us. Do not send cash.

Cheques and money orders should be for amounts in Australian dollars and payable to the 'Deputy Commissioner of Taxation'. Cheques should be crossed 'Not Negotiable' and must not be post dated.

You should also include your payment slip or a note that states your:

- full name
- address and telephone number
- account identifier: tax file number (TFN), Australian business number (ABN), client identification number etc
- payment type: BAS payment, income tax, HELP etc.

Mail your payment and payment slip or note to:

NSW, ACT or QLD residents

**Australian Taxation Office**

**Locked Bag 1793**

**PENRITH NSW 1793**

WA, SA, NT, TAS or VIC residents

**Australian Taxation Office**

**Locked Bag 1936**

**ALBURY NSW 1936**

Do not use pins, staples, paper clips or adhesive tape.

Please allow sufficient time for your payment to reach us on or before the due date.

If you need more information:

- phone **1800 815 886**, 8am to 6pm, Monday to Friday
- email [payment@ato.gov.au](mailto:payment@ato.gov.au)

## In person – at a post office

If you have a pre-printed payment slip with a barcode, you can pay in person at any Australia Post outlet. Photocopies of payment slips are not accepted.

A \$3,000 limit applies to cash payments. EFTPOS payments are subject to daily withdrawal limits.

Cheques or money orders should be for amounts in Australian dollars and payable to 'Deputy Commissioner of Taxation'. Cheques should be crossed 'Not Negotiable' and must not be post dated.

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