CONTRIBUTIONS, WHEN ARE THEY MADE?

Thanks to the evolving rules and additional tests, the world of superannuation contributions continue to be a source of confusion, resulting in misunderstandings and genuine errors. Whether it's the work-test, work-test exemption, downsizer rule, bring-forward rule, or carry-forward rule the area is a never-ending array of snappy titles that are hard to differentiate.

Irrespective of the evolving rules, there continues to be one fundamental superannuation contribution concept that often causes a panic at the end of each financial year, and that is contribution timing. So when is a contribution made?

If a contribution is not made in the intended financial year, it may result in the denial of a deduction, which often results in substantial tax consequences or excess contributions. So, with the various contribution methods, how do you ensure a contribution is received and counts in the intended year?

Contribution timing

When planning contributions, particularly during the later stages of June, it is vital to understand that a contribution is counted when the payment is received by your fund, not when the payment is sent. This applies regardless of the type of contribution, how the funds are transferred and the type of fund, for example:

- A cash payment is deemed to have been made when the cash is received by the superannuation fund
- An electronic funds transfer is deemed to have been made when the funds reach the superannuation fund account
- A contribution by personal cheque is deemed to be made when the cheque is received by the superannuation fund, and promptly presented and honoured.

The last example is particularly useful for SMSF trustees attempting to make a last minute contribution. The contribution can be accepted as long as the cheque is dated on or before 30 June and is presented promptly. If the funds arrive later than a few business days it would be questionable and would not be accepted without extenuating circumstances.

What about "in-specie" contributions?

In addition to making contributions as cash, it is possible to transfer alternative assets into superannuation, primarily an SMSF. These are called "in-specie" contributions. The only assets that can be transferred into superannuation by a member are as follows:

- ASX Listed Securities
- Widely held Managed Funds
- Business or Commercial Property
- Cash based investments such as Bonds and Debentures.

The timing of the contribution will occur when the change of beneficial ownership occurs. Broadly, this is when everything needed to facilitate the change in legal ownership has been completed.

For example, a superannuation fund will have acquired beneficial ownership of shares when the fund obtains a properly executed off-market share transfer that is in registrable form.

It is important for all superannuation members to understand contributions and when they are deemed to be received by a fund. If you would like to discuss this further, please contact your Bell Potter adviser.

Jeremy Tyzack
Head of Technical Financial Advice
Bell Potter Securities

Bell Potter's technical financial advice team can put together a strategy designed to help you achieve your retirement objectives.

Working with you and your Bell Potter Adviser, we can help with most financial aspects of retirement, including:

- Identifying your financial goals
- Structuring your existing assets appropriately
- Identifying your approach to investment and your appetite for risk, and
- Reviewing your current superannuation arrangements.

To create a tailored investment plan based on your needs and objectives call your adviser or 1300 0 BELLS (1300 0 23357).