JUNE 30TH – DON'T LEAVE IT TO THE LAST MINUTE!

Thanks to the evolving rules and additional tests, the world of superannuation contributions continues to be confusing, 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.

The end of the financial year will be here before you know it – start planning now.

Despite the evolving rules, one fundamental concept in superannuation contributions often causes panic each financial year: timing. So, when is a contribution made?

Failing to make a contribution in the intended financial year can lead to denial of a deduction, causing substantial tax consequences or excess contributions. So, with the various contribution methods, how can you ensure a contribution is received and counted in the intended year?

Contribution timing

When planning contributions, especially toward the end of June, it is vital to understand that your fund counts a contribution after receiving the payment, not when you send it. This applies regardless of the contribution type, transfer method, or fund type. For example:

- A cash payment is considered to be made when the superannuation fund receives the cash.
- An electronic funds transfer is considered to be made when the funds reach the superannuation fund account.
- A contribution by personal cheque is considered to be made when the superannuation fund receives the cheque and promptly presents and honours the cheque.

The last example proves helpful for SMSF trustees making last-minute contributions. For the contribution to be accepted, the cheque must be dated on or before 30 June and promptly presented. However, if the funds arrive later than a few business days, it might be questionable and will not be accepted without extenuating circumstances.

What about "in-specie" contributions?

Cash contributions are not the only option; alternative assets can also be transferred into superannuation, primarily into 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
- Commercial Property
- Cash-based investments such as Bonds and Debentures

The timing of the contribution occurs when the change of beneficial ownership occurs. Generally, this happens when all the steps to facilitate the change in legal ownership are complete.

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

Get in touch

All superannuation members need 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.

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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).