Self Managed Superannuation Fund Return Preparation Checklist 2023

# Self Managed Superannuation Fund Return Preparation Checklist 2023

This checklist for self-managed superannuation funds should be completed in conjunction with the preparation of tax reconciliation return workpapers.

The checklist also addresses issues concerning the preparation of superannuation fund returns regulated by the Australian Prudential Regulation Authority (APRA).

The checklist provides a general list of major issues that should be addressed but is not designed to be an exhaustive list of all issues that may warrant consideration.

This information is based on legislation current as at 7th June 2023.

**About the author**

This checklist was prepared by SW Accountants and Advisors on behalf of CPA Australia.

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| Superannuation Fund Return Preparation Checklist | INITIAL | DATE |

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| --- | --- | --- |
| **Preparer:** |  |  |
| **Reviewer:** |  |  |
| **Partner:** |  |  |
| **Audit report:**  You must be provided with a completed and signed independent auditor’s report before you can lodge the SMSF’s return.  You must also include the date the audit was completed at Label A of Item 6 and advise whether Part A and/or Part B of the report have been qualified at Labels B and C of Item 6.  Where Part B of the audit report was qualified it is necessary to answer whether the reported compliance breaches have been rectified or not at Label D of Item 6. |  |  |

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| FUND’S NAME |  |

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| **SECTION A** | **YES** | **NO** | **N/A** |
| **PRIOR YEAR TAX RETURN CONSIDERATIONS** | | | |
| Has last year’s tax reconciliation been checked for reversing timing differences (e.g., accruals and prepayments)? |  |  |  |
| Has last year’s tax reconciliation been checked for recurring timing differences that may need to be considered in the current year? |  |  |  |
| Has last year’s tax reconciliation been checked for losses carried forward to the current year? |  |  |  |
| Have you checked the prior year action sheet for prior year carry forward issues? |  |  |  |
| Check that there has been no change in status of the fund from last year (e.g., from complying fund to non-complying fund). |  |  |  |
| **SMSF INFORMATION** | | | |
| Have you provided the fund’s Tax File Number (TFN) at Item 1 of the return and its Australian Business Number (ABN) at Item 3?  It is not an offence if the TFN is not provided by the fund but there may be a delay in processing the fund’s annual return if it is not provided. |  |  |  |
| Have you stated the current name of the SMSF exactly as it appears on the trust deed or equivalent document at Item 2? |  |  |  |
| SMSF INFORMATION (CONTINUED) |  |  |  |
| Have you listed the fund’s current postal address at Item 4? |  |  |  |
| Have you provided the name and contact details of the SMSF auditor, including their SMSF auditor number (SAN) at Item 6? |  |  |  |
| Is this an amendment to the SMSF’s 2023 annual return?  Complete answer ‘Yes’ or ‘No’ at Label A of Item 5.  Is this the first required return for a newly registered SMSF?  Complete answer ‘Yes’ or ‘No’ at Label B of Item 5. If you have answered ‘Yes’, complete Label N Supervisory levy adjustment for new funds in Section D: Income tax calculation statement. |  |  |  |
| Have you provided the SMSFs bank account details at item 7?  A failure to provide the SMSF’s bank account details may delay the processing of any refund. Details of any financial institution account details should include the BSB number, the account number and the account name as it appears on the bank account records (which cannot exceed 64 characters). Under no circumstances should any refund be paid into a trustee’s personal bank account.  SMSFs that receive employer contributions (other than from an employer that is a related party) are required to have an electronic service address (ESA). If the SMSF has an ESA it must be provided at Label C in Item 7. |  |  |  |
| Is the fund an Australian superannuation fund? If so, Label A at item 8 should be answered ‘Yes’  The definition of an ‘Australian superannuation fund’ is set out under section 295-95 of the *Income Tax Assessment Act 1997* (*ITAA 1997*)*.* A fund will be an Australian superannuation fund if the SMSF was established in Australia (or at least one of the SMSF’s assets is located in Australia); the central management and control of the SMSF is ordinarily in Australia; and either the SMSF has no active members or it has active members who are Australian residents and who hold at least 50% of the total market value of the fund’s assets or the rights to amounts payable by the fund if they ceased to be active members. See Taxation Ruling TR 2008/9 for further details.  A fund will not be a complying SMSF if it is not an Australian superannuation fund at all times during the income year. Where this test is not met the concessional tax rate of 15% will not apply. |  |  |  |
| Is the fund an accumulation fund, a defined benefit fund or a hybrid fund being a combination of both an accumulation and defined benefit fund?  Insert codes A, D or E at Label B of Item 8, depending on which of the above categories of fund applies, noting most SMSFs are accumulation funds. |  |  |  |
| Does the fund trustee allow the SMSF to accept the government’s superannuation co-contribution or low-income superannuation contribution?  Complete answer ‘Yes’ or ‘No’ at Labe C of Item 8. |  |  |  |
| Was the fund wound up during the 2023 year?  If so, answer ‘Yes’ at item 9 and provide the date on which the fund was wound up. A fund won’t be wound up during the 2023 year unless the trustee has paid all outstanding debts, paid out or transferred all member benefits and lodged all prior year annual returns.  If an SMSF is being wound up in 2023, Label M in section D of the return concerning the Supervisory Levy adjustment for wound-up funds must be completed. Details on the requirements that must be met in winding up a fund can be found on the [ATO website](https://www.ato.gov.au/super/self-managed-super-funds/winding-up/). |  |  |  |
| Was the fund wholly in accumulation phase during the 2023 year?  If not, did the SMSF pay retirement phase superannuation income stream benefits (i.e., pensions) for the 2023 year, and what was the amount of any Exempt Current Pension Income (ECPI)?  Was the segregated assets method or the unsegregated assets method in calculating ECPI?  *If the fund did not pay retirement phase superannuation income stream benefits answer 'No' at Item 10 and go to Section B: Income. If it did, answer 'Yes' at Item 10 and answer the remaining questions regarding the amount of ECPI and whether the segregated assets method or the unsegregated assets method was used in calculating ECPI?* |  |  |  |
| Did the fund have any assessable income for the 2023 year?  If yes, section B of the return needs to be completed.  Section B of the return does not have to be completed if all of the SMSFs income in the 2023 year would be exempt under the ECPI rules. |  |  |  |
| **APRA INFORMATION** | | | |
| Fundamentally the above information also needs to be included in the fund information section of a 2023 fund income tax return for an APRA regulated fund. However, such a return requires that disclosure be made on the type of fund involved (e.g. is it a small APRA fund; approved deposit fund or pooled superannuation trust).  The provision of details regarding the SMSF auditor and the status of the SMSF do not apply but it is necessary to provide details of the fund’s trustee.  There is no section in the return of an APRA regulated fund return requiring completion of details of ECPI. |  |  |  |
| **STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)** | | | |
| Have all balance sheet items been reviewed from a tax perspective and adjustments made where required (e.g., prepayments, deferred income etc.)? |  |  |  |
| Have all movements in provisions been appropriately adjusted? |  |  |  |
| Has the sundry creditors account been reviewed for non-deductible expenses and assessable income (e.g., provisions, accruals and unearned income)? |  |  |  |
| Has the sundry debtors account been reviewed for prepayments and accrued income (e.g., interest receivable)? |  |  |  |
| STATEMENT OF FINANCIAL PERFORMANCE (PROFIT AND LOSS) | | | |
| Have expense items been reviewed for non-deductible amounts? |  |  |  |
| Have penalties (excluding the General Interest Charge (GIC)) paid to the ATO been treated as non-deductible and interest received from the ATO brought to account as assessable income? |  |  |  |
| STATEMENT OF FINANCIAL PERFORMANCE (PROFIT AND LOSS) (CONTINUED) | | | |
| Has the entity derived income which is exempt from tax (e.g., member non-concessional contributions or non-taxable roll-overs)?  If so, is there an adjustment in the reconciliation statement? |  |  |  |
| Are there any non-deductible accrued audit fees?  Refer to Income Tax Ruling IT 2625 for guidance as to when accrued audit fees may be non-deductible. |  |  |  |
| If accrued audit fees were adjusted last year has this adjustment been reversed where appropriate? |  |  |  |
| Are management fees / consultancy fees paid to related entities commercially realistic (i.e. arm’s length) and supported by appropriate documentation? |  |  |  |

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| SECTION B: FUND INCOME | YES | NO | N/A |
| **CAPITAL GAINS** | | | |
| Did the fund have a Capital Gains Tax (CGT) event(s) during the 2023 year? If so, the amount of the net capital gain should be shown at Label A of Item 11.  CGT is generally an exclusive code for the taxing of assets held by a superannuation fund. A fund will be required to complete a Capital Gains Tax schedule if the total current year net capital gain or loss is greater than $10,000. A fund will also be required to complete a Capital Gains Tax schedule if the fund chose transitional CGT relief in its 2017 annual return and the fund has had a realisation event in the 2023 year. The net capital gain is the total capital gain after applying any current or prior year capital losses or any relevant CGT discount or concession. |  |  |  |
| Has the fund checked for eligibility of the one-third of CGT discount in accordance with Division 115 of the *ITAA 1997*?  The CGT discount will be available if the fund has held the asset for more than 12 months. It should be noted that the date of acquisition and the date of the CGT event are not included in satisfying the 12-month holding period (see Taxation Determination TD 2002/10).  Also, determine whether the capital gain is non-discountable because it arose in respect of a CGT event which resulted in the creation of a CGT asset as set out in section 115-25(3) of the *ITAA 1997*.  Where the particular asset was acquired by the fund prior to 21 September 1999, a comparison of the benefits of using the CGT discount or indexation of the asset’s cost base should be undertaken. |  |  |  |
| Have you reviewed the CGT calculation for correctness?  A fund may receive a share of the net income of a trust which includes a capital gain. |  |  |  |
| Where there is a capital gain from a disposal involving a related party has it been made on an arm’s length basis?  If not, is the gain more than the amount that might reasonably be expected to have been derived had those parties been dealing with each other at arm’s length?  Refer to the non-arm’s length income rules under section 295-550 of the *ITAA 1997* and Taxation Ruling TR 2006/7 which can apply to statutory income such as net capital gains which are taxed at 45% for the 2023 year. |  |  |  |
| Has a capital gain been disregarded or deferred because of a CGT exemption or rollover?  A list of potential CGT exemptions and rollovers (e.g. scrip for scrip rollover) is set out on the [ATO website (see Table 2)](https://www.ato.gov.au/forms/self-managed-superannuation-fund-annual-return-instructions-2022/?page=8#GDidYouHaveACapitalGainsTaxEventDuringTh).  Select the code for the relevant CGT exemption or rollover at Label M.  If the fund applied CGT transitional relief in the 2017 return and a realisation event occurred in the 2023 year such details must be disclosed on a Capital Gains Tax schedule for the 2023 year. |  |  |  |
| Do you have the necessary documentation to substantiate the capital gain calculation? |  |  |  |
| **RENT, LEASING AND HIRING INCOME** | | | |
| Has the gross rental income and other leasing / hiring income received by the fund from Australian sources been included as assessable income for the 2023 year? If so, return that amount at Label B.  Rental income derived from foreign sources should be disclosed at Label D1.  Rental income that is part of a distribution from a partnership should be disclosed at Label I.  Rental income that is included in a share of net income from a trust should be disclosed at Label M.  Rental income that is non-arm’s-length income should be disclosed at Label U3. |  |  |  |
| Do you have the real estate agent’s annual statement to substantiate gross rental income derived? |  |  |  |
| **INTEREST** | | | |
| Has all gross interest income received during the financial year from investments from Australian sources been included as assessable income for the 2023 year? If so, return that amount at Label C OF Item 11.  Interest income derived from foreign sources should be disclosed at Label D1.  Interest income that is part of a distribution from a partnership should be disclosed at Label I.  Interest income that is non-share dividend received from holding a non-share equity interest should be disclosed at Label J, K, and L as applicable.  Interest income that is included in a share of net income from a trust should be disclosed at Label M.  Interest income that is non-arm’s-length income should be disclosed as Label U3. |  |  |  |
| Have statements from banks and other financial institutions been obtained, including details of any fixed interest investments (e.g., term deposits) which have matured during the 2023 year? |  |  |  |
| **FORESTRY MANAGED INVESTMENT SCHEME INCOME** | | | |
| Did the fund earn gross income from a Forestry Managed Investment Scheme (FMIS)?  Further details on how to calculate gross income from a FMIS can be found on the [ATO website](https://www.ato.gov.au/forms/self-managed-superannuation-fund-annual-return-instructions-2022/?anchor=ForestryManagedInvestmentSchemes#ForestryManagedInvestmentSchemes).  Any capital gains arising in respect of a fund’s interest in an FMIS should be disclosed as a capital gain under Label A of Section B. |  |  |  |
| **DIVIDENDS** | | | |
| Have all dividends received from Australian public companies, and all imputation credits received, been included in assessable income for the 2023 year?  Foreign sourced dividend income is shown in the foreign income section at Label D1.  It should be noted that non-share dividends from Australian entities may also be frankable and both the amount of any non-share dividend and any related franking credit should be included in the fund’s assessable income.  Franking credits received as part of a distribution from a partnership or trust are respectively included under Labels I and M of item 11 of the SMSF return. Such amounts should be disclosed at Labels I and P of the fund return for APRA regulated funds. |  |  |  |
| Have dividend statements been obtained to substantiate gross dividends and imputation credits (if any) from Australian public companies? |  |  |  |
| Has the 45-day holding period rule been considered (or the 90-day rule for preference share dividends)? |  |  |  |
| Have the dividend washing provisions being considered (where applicable)?  Further details on the application of the dividend washing provisions can be found on the [ATO website](https://www.ato.gov.au/Business/Imputation/In-detail/Dividend-washing-in-detail/). |  |  |  |
| Has the fund received any private company dividends during the 2023 year?  If so, has an opinion been formed that it would be reasonable not to treat the private company dividends as being non-arm’s length income for tax purposes? If so, the amount of any franked dividend, unfranked dividend or franking credit should be respectively disclosed at Labels K, J and L.  Refer to section 295-550 of the *ITAA 1997* and Taxation Ruling TR 2006/7 for further details on the matters that the Commissioner of Taxation will take into account in determining whether a dividend from a private company constitutes non-arm’s-length income. Note that TR 2006/7 is currently being reviewed to reflect the Federal Court case of Darrelen Pty Ltd, Trustee of the Henfam Superannuation Fund v The Commissioner of Taxation, in which the fund received dividend income from a private company for the shares previously acquired at prices far below the market value. The decision was that such dividend income was considered as special income under the former s 273 ITAA36, now repealed and replaced by s 295-550 ITAA97. |  |  |  |
| If the private company dividend is regarded as non-arm’s length income, has the amount of the grossed-up dividend, net of related expenses, been included at Label U in section B of the return?  A tax rate of 45% is imposed on non-arm’s length income for the year ended 30 June 2023 under section 295-550 of the *ITAA 1997*. |  |  |  |
| **GROSS FOREIGN INCOME** | | | |
| Did the fund derive any foreign source assessable income during the 2023 year? If so, the gross amount of this income should be shown at Label D1.  A fund’s gross assessable foreign income includes income from foreign sources and any foreign tax paid on that income which is not reduced for any expenses which relate to the derivation of that foreign source income. Foreign source income included at label D1 includes foreign sourced dividends, rental and interest income.  Foreign sourced capital gains will be included at Label A whilst any foreign income that is non-arm’s-length income will be disclosed at Labels U. You should document the nature of that non-arm’s-length income.  Does the fund own shares in a controlled foreign company (CFC) for the 2023 year?  If so, you may need to consider the CFC rules to determine if any CFC attributable income is to be included in the assessable income of the fund. |  |  |  |
| Has the fund received a share of the net income of a trust or a partnership distribution which is from a foreign source?  If so, this amount should be included at Label D1. |  |  |  |
| Check to ensure that any foreign income included at Label D1 for the 2023 year has been grossed up for any foreign income tax offset and included as assessable income?  Details on how to calculate a foreign income tax offset are available on the [ATO website](https://www.ato.gov.au/Forms/Guide-to-foreign-income-tax-offset-rules-2022/). |  |  |  |
| Have the foreign taxes actually been paid?  Details on the written evidence required to be retained to claim a foreign income tax offset can be found on the [ATO website](https://www.ato.gov.au/Forms/Guide-to-foreign-income-tax-offset-rules-2022/). |  |  |  |
| **NET FOREIGN INCOME** | | | |
| Did the fund incur any foreign source losses in the 2023 year (other than CGT losses) and/or deductible expenses to the extent to which they relate to assessable foreign income? If so, such an amount should be applied against the gross foreign income.  The resulting foreign source income or loss should be disclosed at label D. |  |  |  |
| **CONTRIBUTIONS** | | | |
| Has the gross amount of all employer contributions (including those made under effective salary sacrifice arrangements) been included as assessable income for the 2023 year? If so, disclose that amount at Label R1.  The amount of concessional contributions which can be made in respect of each member for the year ended 30 June 2023 is capped to $27,500. Members who contribute more than this cap will include such excess contributions in their assessable income however a member may have unused carried forward concessional contributions from prior years if the member had a total super balance less than $500,000 in the preceding 30 June. |  |  |  |
| Have all employer contributions included as assessable income been received by the fund as at the end of the 2023 year? |  |  |  |
| Have any payments of a shortfall arising under the superannuation guarantee charge been included in the fund’s assessable income? Such an amount should be included at Label R1. |  |  |  |
| Has the gross amount of all personal superannuation contributions received by the fund been included in assessable income for the 2023 year? If so, such an amount should be disclosed at Label R2 where the relevant eligibility criteria are met.  The amount of concessional contributions which can be made in respect of each member for the year ended 30 June 2023 is capped to $27,500. Members who contribute more than this cap will include such excess contributions in their assessable income however a member may have unused carried forward concessional contributions from prior years if the member had a total super balance less than $500,000 in the preceding 30 June. |  |  |  |
| CONTRIBUTIONS (CONTINUED) | | | |
| Where the fund receives personal superannuation contributions from a member, has the trustee received a written notice from a member under section 290-170 of the *ITAA 1997* stating the member’s intention to claim a deduction for their contributions by the time that the fund lodges its annual return for the 2023 year? Has the fund also issued an acknowledgement that such a notice has been received by that time? Both of these conditions must be met before a deduction will be available for the personal superannuation contributions.  Both employees and self-employed persons are potentially entitled to claim a deduction for personal superannuation contributions up to the cap on concessional contributions which for the 2023 year is $27,500 and is subject to the gainfully employed test for members aged 67 and 75.  Individuals (members) aged between 67 and 74 will be required to satisfy the work test in order to claim a personal superannuation contribution deduction. The work test is an annual test and the member is required be gainfully employed for at least 40 hours during a consecutive 30-day period in the financial year in which the contributions are made.  Gainfully employed means employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation, or employment.  Unpaid work, receiving passive income such as interest, dividends, trust distributions or rent does not meet the definition of gainfully employed. |  |  |  |
| Did the fund receive employer contributions for a member that has not provided their TFN to the fund? The total of such amounts should be disclosed at Label R3 where the member’s total assessable no-TFN-contributions for the 2023 year were more than $1,000 and the member’s account was opened on or after 1 July 2007. Label R3 is mandatory and should be answered even if the answer is nil.  The amount of no-TFN-quoted contributions should not be reduced by any loss outgoing related to the making of such contributions. If a TFN has not been quoted the contributions will be subject to tax at a rate of 47%. |  |  |  |
| Has any amount transferred from a foreign superannuation fund been included in assessable income for the 2023 year? If so, the gross amount transferred should be included at Label F.  Has a member made a written choice to have the amount transferred included in the trust’s assessable income? |  |  |  |
| Did the fund receive a payment from which the payer has withheld an amount because the fund did not provide its ABN for the 2023 year? If so, the total of the amount paid to the fund and the amount that was withheld by the payer must be disclosed at Label H of section B.  A credit for any tax withheld by the payer should be claimed at Label H3 of section D concerning the calculation of the fund’s income tax liability. |  |  |  |
| Has any contribution relating to a capital gain made under the CGT small business concessions, that is above the CGT cap amount, been included in calculating the excess non-concessional contribution amount which may be taxed at 47% for the year ended 30 June 2023 if retained in the fund?  The CGT cap amount is $1,650,000 for 2023. This cap amount will increase to $1,705,000 for the 2023-24 income year. |  |  |  |
| Have all non-assessable contributions been identified by the fund including any contributions made by members that are not assessable personal contributions (i.e. non-concessional contributions); super co-contributions and low income super contributions; amounts transferred to the SMSF for a member from the member’s spouse as a result of a contribution splitting arrangement; amounts transferred to the SMSF from another super fund because of a family law obligation; spouse contributions which are not deductible to the contributor; and contributions for a person under 18 which are not made by the person’s employer?  The annual cap on non-concessional contributions for the 2023 year is $110,000. Furthermore, the amount of non-concessional contributions that a person aged under 75 can bring forward under the three-year rule is $330,000 (subject to certain transitional arrangements). |  |  |  |
| However, an individual will only be able to make additional non-concessional contributions where that person’s total superannuation balance was less than the $1.7 million general transfer balance cap as at the preceding 30 June. Please note the age limit to access the bring forward arrangement has increased from 67 to 75 from 1 July 2022. Note that the general transfer balance cap is expected to increase to $1,9 million starting from 1 July 2023. |  |  |  |
| Section 292-102 of the *ITAA 1997* allows individuals aged 60 or over to make additional non-concessional contributions of up to $300,000 per individual from the capital proceeds on the sale of the ownership interest in a main residence, which has been held for at least 10 years, by the individual (or their spouse or former spouse) from 1 July 2018 which will be excluded from the broader non-concessional contributions cap. Care should be taken to ensure that all the eligibility conditions to make a downsizer contribution are satisfied. |  |  |  |
| The amount of any contributions received which the trustee of the funds has agreed to transfer to a life insurance company or pooled superannuation trust will be included in the assessable income of the transferee entity and should therefore be included as an offsetting item at label R6. The total amount transferred by the fund cannot exceed the amount that would otherwise have been included in its assessable income.  The fund return form for an APRA regulated fund will also exclude certain contributions from being assessable where the trustee of a public sector superannuation scheme chooses not to include those amounts in assessable income or the fund chooses to reduce assessable contributions by applying pre-1 July 1988 funding credits.  Further information on these exclusions can be found on the [ATO website](https://www.ato.gov.au/forms/fund-income-tax-return-instructions-2022/?anchor=SectionBIncome#RAssessablecontributions). |  |  |  |
| **PARTNERSHIP DISTRIBUTIONS** | | | |
| Has the gross amount of the fund’s share of distributions received from a partnership been included as assessable income for the 2023 year?  Keep records of the partnership distribution including the full name and TFN of the partnership.  All distributions of partnership income or loss should be disclosed at Label I other than the fund’s share of a capital gain which should be disclosed at Label A and partnership income which is non-arm’s-length income which should be shown at Label U. |  |  |  |
| **TRUST DISTRIBUTIONS** | | | |
| Has the amount of the fund’s share of net income received from a trust been included as assessable income for the 2023 year?  Ensure that the records retained include the full name and TFN of the trust making the distribution. |  |  |  |
| Has the fund received distributions from discretionary trusts?  Refer section 295-550 of the *ITAA 1997* and Taxation Ruling TR 2006/7 to check whether such distributions may be regarded as being non-arm’s length income.  If it does constitute non-arm’s length income has that amount (net of related expenses) been included at label U of section B?  A tax rate of 45% is imposed on non-arm’s length income for the year ended 30 June 2023 under section 295-550 of the *ITAA 1997*. |  |  |  |
| Has the fund received distributions from a fixed trust in which the fund obtained its investment as part of a non-arm’s length arrangement? |  |  |  |
| If the distribution received exceeds what might otherwise have been expected had the parties been dealing with each other at arm’s length it will be regarded as non-arm’s length income subject to tax at 45% under section 295-550 of the ITAA 1997 net of related expenses for the year ended 30 June 2023.  Such an amount should be disclosed at Label U2 of Item 11 of the return |  |  |  |
| **OTHER INCOME** | | | |
| Could amounts of income recorded at ‘other income’ be more appropriately classified under another income Label of Section B?  If the SMSF has any assessable foreign exchange gains that have not been shown at any other category of income that amount should be disclosed at Label S of section B as part of ‘Other income’.  If an APRA regulated fund has an assessable exchange gain that amount should be disclosed at Label G of section B. |  |  |  |
| Do the Taxation of Financial Arrangements rules apply to the gain or loss calculations on the fund’s financial arrangements?  The TOFA gain/loss should be disclosed in the relevant TOFA section in the tax return, i.e. Item 17 for SMSFs and Item 16 for APRA regulated funds. |  |  |  |
| Has the fund derived any other ordinary or statutory income (other than private company dividends or trust distributions) as a result of a non-arm’s length transaction where the income derived (e.g., rent) is more than might reasonably be expected had the parties been dealing with each other at arm’s length?  Refer to Section 295-550 of the *ITAA 1997* and Taxation Ruling TR 2006/7for further details on the circumstances in which such non-arm’s length income may be taken to have been derived.  If so, has the income been included at Label U of section B of the return?  A rate of 45% is imposed on such non-arm’s length income for the year ended 30 June 2023 under section 295-550 of the *ITAA 1997*. |  |  |  |
| Did the fund change from a complying to non-complying fund, or from a foreign fund to an Australian superannuation fund in the 2023 year?  A change in a fund’s compliance or residency status can change its tax rate, any assessable income arising from a change in the tax status of the fund is not exempt from tax under the ECPI rules, and the availability of the CGT discount.  Further details on the tax implications arising from a change in the fund’s status can be found on the [ATO website](https://www.ato.gov.au/Forms/Fund-income-tax-return-instructions-2022/?anchor=SectionBIncome#Tassessableincomeduetochangedtaxstatusof). |  |  |  |
| EXEMPT CURRENT PENSION INCOME | | | |
| Did the fund pay retirement phase superannuation income stream benefits (e.g., pensions) to a member during the 2023 year? If so, the fund’s income may be wholly or partly exempt under the ECPI rules.  Any exempt income shown at Label Y of section B should not be reduced by any related deductions incurred in the course of deriving such exempt income. |  |  |  |
| EXEMPT CURRENT PENSION INCOME (CONTINUED) | | | |
| A transition to retirement income stream (TRIS) will not be in retirement phase unless the recipient is at least 65 years old or has met a condition of release with a nil cashing restriction (e.g. retirement, terminal medical condition or permanent incapacity).  A fund is entitled to a franking credit tax offset even where franked dividends are included as part of ECPI. |  |  |  |
| Does the fund derive both assessable and exempt income?  If the fund has derived any non-arm’s-length income under section 295-550 of the *ITAA 1997* or assessable contributions such amounts cannot constitute exempt income under the ECPI rules. |  |  |  |
| If so, has an actuarial certificate been obtained?  The actuarial certificate will be required if the fund pays any retirement phase superannuation income stream (e.g., pension) as well as other types of superannuation income streams. The actuarial certificate will show the proportion of fund assets supporting assessable income streams and retirement income streams respectively.  An actuarial certificate must be obtained before the date of lodgement of the fund’s return under section 295-390 of the *ITAA 1997*. |  |  |  |
| Has the exempt current pension income been calculated according to the actuarial certificate’s percentage and included in Label Y of the return? |  |  |  |
| If the fund only derived exempt income, has that amount been included at Label Y of Item 11?  From 1 July 2017, a general balance cap has applied to limit the amount of fund assets that can be held in the retirement phase of a taxed fund to support an aged-based pension. The cap was initially set at $1.6 million and has been indexed to $1.7 million from 1 July 2021. Each member will need to monitor their personal balance cap against the prevailing general transfer balance cap. Note that the general transfer balance cap is expected to increase to $1,9 million starting from 1 July 2023. The effect of the above measures is to reduce the amount of exempt income that can be held in the retirement phase of the fund. Advice on these changes should be sought from an appropriately qualified financial adviser as required. |  |  |  |

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| **SECTION C: DEDUCTIONS AND NON-DEDUCTIBLE EXPENSES** | **YES** | **NO** | **N/A** |
| **GENERAL** | | | |
| If the fund derived both assessable and exempt income, have deductions been apportioned, as appropriate, in accordance with Taxation Ruling TR 93/17? |  |  |  |
| Review Taxation Ruling TR 93/17 to clarify which apportionment methods may be acceptable and see a range of illustrative case studies.  The expenses listed in Section C are apportioned between deductible and non-deductible expenses where the fund has derived both assessable income and exempt income. From a disclosure perspective, the portion that is non-deductible is specifically listed in Section C of the SMSF return whereas such amounts are excluded from the deductible expenses shown on the fund return for APRA regulated funds. |  |  |  |
| Have you calculated the exempt pension income deduction according to the exempt percentage obtained from the actuarial certificate?  Taxation Ruling TR 93/17 confirms that it may be fair and reasonable to apportion deductions based on the exempt income percentage set out in the actuary’s certificate for a fund which does not segregate its assets. |  |  |  |
| **INTEREST** | | | |
| Has the fund claimed a deduction for interest expense on funds borrowed from Australian sources to the extent that they were applied for the purpose of earning assessable income? If so, disclose at Label A1. |  |  |  |
| Has the fund claimed a deduction for interest expense on funds borrowed from overseas sources which have been borrowed for the purpose of earning assessable income? If so, disclose at Label B1. |  |  |  |
| As superannuation funds are generally prohibited from borrowing money, does the borrowing come under one of the below exceptions: |  |  |  |
| * 90 day borrowing to make a payment to a member? |  |  |  |
| * 7 day borrowing to cover settlement of securities transactions? |  |  |  |
| If YES to EITHER of the above, provided the amount of any of the above borrowings do not exceed 10% of the value of the fund’s assets, the borrowing is permitted | | | |
| If the borrowing is not permitted under the above exceptions, is the borrowing in respect of a Limited Recourse Borrowing Arrangement (LRBA) for the SMSF to purchase a single acquirable asset and the rights of the lender are limited to that asset?  The acquirable asset is held on trust by a holding trust under which the trustee acquires a beneficial interest in the acquirable asset, and the trustee of the SMSF has a right to acquire legal ownership of the acquirable asset by making at least one payment after acquiring the beneficial interest. The application of this exception under sections 67A and 67B of the *Superannuation Industry (Supervision) Act 1993* is set out in Self-Managed Superannuation Funds Ruling SMSFR 2012/1.  If YES, the borrowing is permitted.  Where an LRBA with a related party lender is established and the loan is not on commercial terms, the ATO may classify the income from the arrangement as non-arm’s length income (NALI) under section 295-550 of the *Income Tax Assessment Act* 1997 and Law Companion Ruling LCR 2021/2, which is subject to tax at 45%.  Practical Compliance Guideline PCG 2016/5 prescribes safe harbour guidelines to assist trustees of SMSFs structure effective LRBAs consistent with an arm’s length dealing. |  |  |  |
| **SALARY AND WAGES (APRA REGULATED FUNDS ONLY)** | | | |
| Has a fund which is an APRA regulated fund incurred any salary, wage and other labour costs in respect of employees employed by the trustee of the fund? If so, return that amount at Label C.  This question does not appear on the SMSF Annual return. |  |  |  |
| **CAPITAL WORKS DEDUCTIONS** | | | |
| Has the fund claimed a building allowance write-off for capital expenditure incurred on capital works under Division 43 of the *ITAA 1997* to the extent that such capital works were used to earn assessable income during the 2023 year? If so, disclose at Label D1.  Capital works includes the construction of a building, or an extension, alteration or improvement to a building, and structural improvements such as fences, retaining walls and sealed driveways. |  |  |  |
| Has the correct rate of write-off been used? |  |  |  |
| **DEDUCTIONS FOR DECLINE IN VALUE OF DEPRECIATING ASSETS** | | | |
| Has the fund claimed a deduction for the decline in value of its depreciating assets to the extent that such depreciating assets were used to earn assessable income? If so, disclose at Label E1. |  |  |  |
| Have the correct depreciation rates been used?  See Taxation Ruling TR 2022/1 if applying the ATO’s depreciation rates to depreciating assets acquired in 2023 year. |  |  |  |
| **DEATH AND DISABILITY PREMIUMS** | | | |
| Does the fund have a ‘whole of life’ insurance policy for death and disability cover? If so, has the fund claimed a deduction for 30% of the premium paid? |  |  |  |
| Does the fund have an endowment policy for death and disability cover? If so, has the fund claimed a deduction for 10% of the premium paid? |  |  |  |
| Does the fund have other insurance policies that provide death or disability superannuation benefits? If so, is any deduction claimed required to be supported by an actuary’s certificate?  Further information as to when insurance premiums paid by a complying superannuation fund to provide benefits upon the death or temporary or permanent disability of a member (or a member who has a terminal medical condition) can be found on the [ATO website](https://www.ato.gov.au/Forms/Fund-income-tax-return-instructions-2022/?page=6#FDeathordisabilitypremiums). |  |  |  |
| **SMSF AUDITOR FEES** | | | |
| Check to see if SMSF auditor fees are deductible to some extent (i.e., not deducible to the extent the fees are incurred in deriving exempt income).  This question does not appear on the fund return for APRA regulated funds. |  |  |  |
| **INVESTMENT EXPENSES** | | | |
| Have all relevant investment expenses been claimed to the extent they relate to the derivation of assessable income during the 2023 year?  Such expenses include investment advice fees, actuarial fees, accounting fees and certain legal costs and should be disclosed at Label I1. |  |  |  |
| **MANAGEMENT AND ADMINISTRATION EXPENSES** | | | |
| Has the fund incurred any expenses in relation to the management and administration of the fund including tax agent fees or the SMSF supervisory levy for the 2023 year?  Fees for setting up an SMSF, amending a trust deed to include a new member and late lodgement penalties are not deductible. Management and administration expenses are separated in the fund return for APRA regulated funds. Further details can be found on the [ATO website](https://www.ato.gov.au/forms/fund-income-tax-return-instructions-2022/?page=6#Section_C__Deductions).  The Government is considering expanding the non-arm’s length income (NALI) provisions to non-arm’s length expenditure (NALE) in LCR 2021/2.  The ATO’s view states where general expenses (where not specifically related to an asset) is not incurred or lower than what an arm’s length expense would have been, can result in NALE and further tax for the Fund. General expenses that will be scrutinised include (but not limited to):  Actuarial costs, accounting fees, audit fees, investment adviser fees, costs in connection with the calculation and payment of benefits to members, and other administrative costs incurred in managing the fund.  The ATO will not allocate compliance resources to determine whether NALI provisions apply. until 1 July 2023 under Practical Compliance Guideline PCG 2020/5. |  |  |  |
| **FORESTRY MANAGED INVESTMENT SCHEME EXPENSE** | | | |
| Did the fund incur expenses for a forestry managed investment scheme (FMIS) for the 2023 year? |  |  |  |
| **OTHER DEDUCTIONS** | | | |
| Has the fund claimed a reduction of a deductible amount of personal superannuation contributions set out in a section 290-180 notice?  Where a member has varied the amount of personal contributions claimed in a prior year the SMSF may choose not to amend the prior year return of the SMSF but rather the reduce the amount of personal contributions that were assessable in the current year which will be claimed as an offsetting deduction. |  |  |  |
| Has the fund incurred any foreign exchange losses not claimable at any other item?  Where such a loss has been incurred by a fund that is an APRA regulated fund it should be shown at Label R rather than at Label O. |  |  |  |
| Has the fund claimed a deduction for contributions that have been taxed as fringe benefits for the contributor? |  |  |  |
| If the fund has been non-complying, contributions which were deductible to the receiving entity can be returned to that entity together with the earnings on those contributions. In these circumstances, the non-complying fund can deduct the amounts returned in the income year in which the amounts are included in the assessable income of the receiving entity.  Is the fund non-complying for the 2023 year, and have contributions been returned in the 2023 year? |  |  |  |
| Has the fund ceased to hold or use a depreciating asset and is a balancing adjustment required? |  |  |  |
| Has the fund incurred any capital expenditure for the sole or dominant purpose of preventing, combating or rectifying pollution of the environment, or treating, cleaning up, removing or storing waste? |  |  |  |
| Has the fund received a Listed Investment Company capital gain amount? If so, it may be able to claim a deduction of one-third of the capital gain amount. |  |  |  |
| Has the fund claimed a deduction for certain debt-related expenses relating to certain foreign non-assessable non-exempt income?  Refer to section 25-90 of the *ITAA 1997.* |  |  |  |
| **TAX LOSSES DEDUCTED** | | | |
| Is the fund claiming a tax loss from an earlier year?  The fund’s tax losses brought forward must be first deducted against the amount of any net exempt income. |  |  |  |

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| **SECTION D: INCOME TAX CALCULATION STATEMENT** | **YES** | **NO** | **N/A** |
| Include gross tax payable at Label B on the amount of taxable income shown at Label A.  A tax rate of 15% will apply to arm’s length income derived if the fund is a complying fund other than for net non-arm’s-length income which will be taxable at a rate of 45%.  Note that an extra 32% tax will apply to no-TFN-quoted contributions received by the fund during the 2023 year (which is in addition to the 15% rate that would otherwise apply). |  |  |  |
| Have all foreign income tax offsets claimable been included as a non-refundable tax offset? |  |  |  |
| Is the fund entitled to claim an ESVCLP tax offset for contributions made during the 2023 year? |  |  |  |
| Does the fund have an amount of unused ESVCLP tax offset carried forward from the 2022 year? |  |  |  |
| Is the fund entitled to claim an early-stage investor tax offset for the 2023 year? |  |  |  |
| Does the fund have an amount of unused early-stage investor tax offset carried forward from the 2022 year? |  |  |  |
| Have all franking credits tax offsets claimable by the fund been included as a refundable tax offset? |  |  |  |
| Is the fund entitled to a no-TFN tax offset? |  |  |  |
| Is the fund entitled to a National Rental Affordability Scheme (NRAS) tax offset?  The refundable tax offset is only available where the Secretary of the Department of Social Services has issued a certificate under the NRAS. |  |  |  |
| Is the fund entitled to an exploration credit tax offset? |  |  |  |
| Is the fund entitled to a credit for interest on early payments made to the ATO? |  |  |  |
| Is the fund entitled to a credit for tax withheld through foreign resident withholding in Australia (excluding capital gains)?  Include the fund’s share of foreign resident withholding credits distributed to the fund from a partnership or from a trust. |  |  |  |
| Is the fund entitled to a credit for tax withheld from payments to the fund because the fund has not quoted either an ABN or TFN?  If the payer has withheld tax from a payment to the fund because the fund did not quote its ABN or TFN the payer must give the fund a payment summary that shows how much tax was withheld. |  |  |  |
| Is the fund entitled to credits for TFN amounts withheld from payments from closely held trusts?  If a closely held trust withheld tax from a payment to the fund because the fund did not provide its TFN, the closely held trust must give the fund a payment summary that specifies how much it withheld from the payment. |  |  |  |
| Is the fund entitled to interest on a no-TFN tax offset? |  |  |  |
| Is the fund entitled to a credit for tax withheld through foreign resident capital gains withholding in Australia?  The rate of foreign resident CGT withholding tax that must be retained by a purchaser at settlement from the purchase price of a property has been 12.5% from 1 July 2017. However, such tax does not need to be retained from the purchase price of the property if the vendor obtains a clearance certificate from the ATO prior to settlement or if an exemption or variation otherwise applies. It should be noted that the foreign resident CGT withholding obligation does not arise in relation to a CGT asset if the market value of that asset is less than $750,000, and the CGT asset is either taxable Australian real property or certain indirect taxable Australian real property interests. |  |  |  |
| Have all PAYG instalments paid during the 2023 year been included as a credit at Label K? |  |  |  |
| Did the fund pay the Supervisory Levy of $259?  Was there a Supervisory Levy adjustment upon the winding up of the fund, i.e., $0, or a Supervisory Levy adjustment because it is a new fund, i.e. $518?  No such item appears on the fund return for an APRA regulated fund. |  |  |  |
| Is the 2023 return the fund’s first required return as a newly registered SMSF? Or is this return an amendment to the SMSFs 2023 return?  If an SMSF’s first annual return is being lodged or amended Label N in section D of the return concerning the Supervisory Levy adjustment for new funds must be completed. If the return is being amended the entire return must be completed and lodged, not just the changed information. |  |  |  |

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| **SECTION E: LOSSES** | **YES** | **NO** | **N/A** |
| Does the fund have tax losses or capital losses available to carry forward to later years?  If so, it must complete a Losses Schedule if the amount of its unused revenue or unused capital losses is greater than $100,000. |  |  |  |

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| **SECTIONS F AND G: MEMBER INFORMATION FOR SMSF RETURNS** | **YES** | **NO** | **N/A** |
| Section F requires details to be provided of any person who was a member of the SMSF on 30 June 2023, even if the SMSF had paid them an income stream during the 2023 year or had not received any contributions from them during the 2023 income year.  Instructions on how to complete schedule F of the return are available on the [ATO website](https://www.ato.gov.au/forms/self-managed-superannuation-fund-annual-return-instructions-2022/?page=53#Sections_F_and_G__Member_information_and_Supplementary_member_information). |  |  |  |
| Section G requires details of any person who was a member of the SMSF at any time during the 2023 year but is not a member on 30 June 2023. This could include deceased members (even if there was money in their account on 30 June 2023); former members who left the SMSF by rolling out their benefits; and former members who left the SMSF by being paid all of their benefits as a superannuation lump sum or the final payment of an income stream.  Instructions on how to complete schedule G of the return are available on the [ATO website](https://www.ato.gov.au/forms/self-managed-superannuation-fund-annual-return-instructions-2022/?page=53#Sections_F_and_G__Member_information_and_Supplementary_member_information). |  |  |  |
| Section F of a fund return of an APRA regulated fund does not require details of members given their size and complexity. Instead, section F of the fund return requires, amongst other things, details of any attributable foreign income the fund may have derived under the CFC regime and details of any assessable contributions that have been transferred from such a fund to a life insurance company or pooled superannuation trust during the 2023 year.  It also addresses the issue of whether such funds had transactions or dealings with international related parties and requires completion of the International Related Dealings Schedule where the aggregate amount of such transactions / dealings was greater than $2 million for the 2023 year. |  |  |  |

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| **SECTION H: ASSETS AND LIABILITIES** | **YES** | **NO** | **N/A** |
| Section H of the return covers the assets and liabilities of the SMSF. The relevant assets and liabilities cover Australian managed investments; Australian direct investments; overseas direct investment; in-house assets; limited recourse borrowing arrangements; and liabilities and investments in crypto-currency.  Instructions on how to complete schedule H of the return are available on the [ATO website](https://www.ato.gov.au/forms/self-managed-superannuation-fund-annual-return-instructions-2022/?page=73#Section_H__Assets_and_liabilities).  Section H does not appear in the fund return for APRA regulated funds.  Section H also required SMSF to disclose the total value of the in-house assets on 30 June 2023. As the previous LI 2022/3 titled *Superannuation Industry (Supervision) Self-Managed Superannuation Funds (COVID-19 Rental Income Deferrals – In-House Asset Exclusion) Determination 2022* ended on 30 June 2022, a rental deferral provided by the fund due to COVID-19 might be subject to the in-house asset rules for SMSF assets in the 2023 income year satisfying certain conditions. |  |  |  |

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| **SECTION I: TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)** | **YES** | **NO** | **N/A** |
| Have you considered the application of the Taxation of Financial Arrangements (TOFA) rules to the SMSF, and whether there has been a TOFA gain or loss?  The TOFA rules only apply to an SMSF with the value of the SMSFs assets of $100 million or more if the SMSF has elected to have the TOFA rules apply to it.  This question is included in section F of the fund return for APRA regulated funds. |  |  |  |

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| **SECTION J: OTHER INFORMATION** | **YES** | **NO** | **N/A** |
| Have the trustees of the SMSF made, or are they making, a family trust election?  Are the trustees of the SMSF revoking or varying a family trust election?  Have the trustees of the SMSF made, or are they making, an interposed entity election?  Are the trustees of the SMSF revoking an interposed entity election?  Section J does not appear in the fund return for APRA regulated funds. |  |  |  |
| **ADMINISTRATION AND SUBSTANTIATION** | | | |
| Do you have all bank statements / passbooks to hand? |  |  |  |
| Do you have all cheque butts to hand? |  |  |  |
| Do you have all deposit books to hand? |  |  |  |
| Have cash book and bank balances been reconciled? |  |  |  |
| Has all income been banked in a bank account? |  |  |  |
| Do you have evidence of the holding of investments as at year end and are all investments held under the name of, or as the trustee for, the superannuation fund? |  |  |  |
| Do you have all purchase documentation for new investments acquired? |  |  |  |
| Do you have all rollover documentation to hand? |  |  |  |
| Has the audit of the SMSF been completed? |  |  |  |
| Are all investments valued at market? If not, obtain a third party valuer to assist with valuation of assets. |  |  |  |
| Do you have evidence of the holding of investments as at year end and are all investments held under the name of, or as the trustee for, the superannuation fund? |  |  |  |
| Does the fund invest in collectable and personal use assets? If so, have all the rules specified in Regulation 13.18AA(1) been satisfied?  The requirements imposed under Regulation 13.18AA(1) apply to collectable and personal use assets acquired before 1 July 2011 from 1 July 2016 onwards. | | | |
| NOTES | | | |
| Please note the previousCOVID-19 relief for SMSFs, including concessions relating to rental relief, loan repayment relief, in-house asset relief and SMSF residency relief, have all ended on 30 June 2022 and will not apply in 2022-23 and later income years. |  |  |  |