Print whole section

# Self-managed super funds

A self-managed super fund (SMSF) is a way of saving for retirement. The members run it for their own benefit.

## Before you start an SMSF

What to consider when deciding if a self-managed super fund (SMSF) is right for you.

## SMSF regulation and compliance

How we regulate SMSFs and auditors, and how you can check your SMSF compliance status and report contraventions.

## Setting up an SMSF

How to set up a self-managed super fund (SMSF) correctly to comply with tax and superannuation laws.

## SMSF investing

SMSF investment requirements you must meet to ensure you comply with superannuation law.

## SMSF contributions and rollovers

How to deal with contributions, deduction notices, rollovers and

## SMSF administration and reporting

Trustee obligations include arranging an annual audit, keeping appropriate records and reporting fund's operation.

## Self-managed super fund education products

See our publications and online education modules to navigate the various stages of your SMSF lifecycles.

## Paying SMSF benefits

When and how you can pay an SMSF benefit to a member, the types of benefits and your obligations as SMSF trustee.

## Winding up a self-managed super fund

When to consider if you need to wind up your SMSF and how to wind it up.

## Help and support for SMSFs

SMSF resources, scam awareness, help and support.

## SMSF newsroom

Read the latest updates on tax, super and registry services for self-managed super funds (SMSFs) and approved auditors.

## SMSF schemes

Describes schemes targeting Australians to inappropriately use an SMSF.

QC 23300

# SMSF administration and reporting

Trustee obligations include arranging an annual audit, keeping appropriate records and reporting fund's operation.

**Last updated** 2 April 2025

**Media:** SMSF - Annual obligations
https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfshbrd (**Duration:** 1:37)

## SMSF record-keeping requirements

How self-managed super fund (SMSF) trustees can meet their responsibility to keep accurate tax and super records.

## Notify us of changes to your SMSF

How to notify us of changes to your SMSF including trustees, directors of the corporate trustee and contact details.

## Your SMSF auditor

Appoint an SMSF auditor to audit your fund each year, minimum 45 days before you need to lodge your SMSF annual return.

## How SMSFs are taxed

How self-managed super funds (SMSFs) are taxed, what is assessable income, and what are allowable deductions

## SMSF deductible expenses

The deductible expenses incurred by a complying SMSF that trustees can claim.

## Exempt current pension income

Methods for calculating exempt current pension income.

## Guide to valuing SMSF assets

What, when, how and why SMSF trustees value assets for preparing fund accounts, statements and the SMSF annual return.

## Lodge SMSF annual returns

How to lodge an SMSF annual return (SAR) once your SMSF's audit is finalised.

## When to lodge a transfer balance account report for SMSFs

Which events SMSFs must report using the transfer balance account report (TBAR).

## Commutation authorities for SMSFs

How to respond to SMSF commutation authorities and what happens after you respond.

## About Division 296 tax for SMSFs

How Division 296 tax will apply for self-managed super funds (SMSFs).

QC 23329

# SMSF record-keeping requirements

How self-managed super fund (SMSF) trustees can meet their responsibility to keep accurate tax and super records.

**Last updated** 2 April 2025

## Why keep records?

Superannuation law requires trustees to keep extensive records including financial and trustee records. Poor record keeping can make it difficult to demonstrate the fund has met its legal requirements. Having a system for organising records will also make it easier for you, and SMSF professionals to:

- complete the fund's audit each year
- lodge the SMSF annual return.

Keeping records may help reduce audit and administration costs for your fund and to meet other trustee responsibilities, such as making sound investment decisions.

You should keep accurate, organised and up-to-date records in case we ask to see them or if they're required by the courts or other government departments.

**Media:** SMSF - Record keeping in your SMSF https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfshbrt (**Duration:** 2:22)

## Financial records to keep for 5 years

You must keep the following records for a minimum of 5 years:

- accurate and accessible accounting records that explain the transactions and financial position of your SMSF
- annual operating statements and annual statements of your SMSF's financial position
- documentation showing decisions made about what benefit payment type was paid (pension, lump sum or a combination of both) and the account the payment was withdrawn from
- copies of all SMSF annual returns lodged as well as any documents used to help prepare the annual return such as evidence explaining
  - your fund's deductions, capital gains and losses
  - how your fund's income has been generated
  - how you calculated your fund's income tax liability
- copies of transfer balance account reports lodged
- copies of any other statements you are required to lodge with us or provide to other super funds
- documentation providing evidence that any early access of super met a condition of release.

## Records relating to early access to super

In very limited circumstances a member may be eligible for early access to super.

Trustees must:

- ensure the member applying for early access of their super meets all the requirements for the particular condition of release
- keep records and proof that the member met all requirements of the condition of release – you need to provide this to your auditor as evidence that the member did not illegally access their super
- ensure all trustees agree that a condition of release has been met and record this in the trustee meeting minutes.

If the member does not meet all the requirements of a condition of release, they may face heavy penalties for illegally accessing their super. The SMSF trustee may also face penalties for illegally releasing a member's super.

# Trustee records to keep for 10 years

You must keep the following records for a minimum of 10 years:

- the fund's trust deed
- minutes of trustee meetings and decisions
- details of the SMSF's investment strategy and its regular reviews, including the consideration of insurance for members of the fund
- records of all changes of SMSF members and trustees
- 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 trustees
- copies of all reports given to members
- documented decisions about storage of collectables and personal use assets.

## Take minutes of all investment decisions

You must take minutes of all investment decisions, including:

- why a particular investment was chosen
- whether all trustees agreed with the decision.

This is because if you, as one of the SMSF trustees, invest the SMSF's money in an investment that fails, the other trustees could take action against you for failing to be diligent in your duties.

However, if your investment decision is recorded in meeting minutes signed by the other trustees, you will have a record to show they agreed with your actions.

# How to keep your records

Your fund's records must be kept in English. Electronic records must be capable of verification by us and be in a format we can access and understand.

You may want to create separate files for your SMSF's more permanent records, and for records that relate to a specific financial

year. If your SMSF regularly holds trustee meetings, you could create a separate folder for them, and sort them by date.

## Signature requirements for financial statements

Under super laws, before finalising their annual audit, trustees must sign their SMSF's:

- operating statement
- statement of financial position.

Depending on the structure of the fund, these statements must be signed by a certain number of trustees or directors of the corporate trustee.

### From 1 July 2021

If the SMSF has a corporate trustee structure with:

- one or 2 directors, signatures are required from all directors
- 3 or more directors, signatures are required from at least half of the directors.

If the SMSF has an individual trustee structure with:

- 2 trustees, signatures are required from both trustees
- 3 or more trustees, signatures are required from at least half of the trustees.

### Before 1 July 2021

If the SMSF had a corporate trustee with one director, that director was required to sign. If there were multiple directors, at least 2 of the directors were required to sign.

If the SMSF had individual trustees, signatures were required from at least 2 of the trustees.

# Notify us of changes to your SMSF

How to notify us of changes to your SMSF including trustees, directors of the corporate trustee and contact details.

**Last updated** 2 April 2025

## When to notify us of changes

As a trustee of a self-managed super fund (SMSF), superannuation law requires you to notify us of any changes to your SMSF.

You must notify us within 28 days if there is a change in:

- trustees
- directors of the corporate trustee
- members
- contact details (contact person, phone, email address and fax numbers)
- address (postal, registered or address for service of fund notices)
- fund status.

Notifying us of any changes as soon as possible will enable you to receive timely fraud protective alerts used to prevent unauthorised access to your super.

### Trustee changes must comply with the definition of an SMSF

When making changes to trustees, members or trustee structure, you need to ensure trustee requirements continue to be met. All members of the fund should also be either:

- an individual trustee of the fund
- director of the corporate trustee.

If not, this means your fund won't meet the legal definition of an SMSF and you have 6 months to either:

- restructure your fund to meet the definition
- voluntarily wind up your SMSF and roll the benefits into an APRA (Australian Prudential Regulation Authority) regulated fund.

If you do nothing, our actions could include:

- making your SMSF non-complying
- disqualifying you as a trustee.

## Corporate trustee changes

If your corporate trustee is no longer eligible to be a trustee – for example, due to insolvency or because the company has been deregistered by the Australian Securities and Investments Commission (ASIC) – you need to restructure your fund. This could involve:

- re-registration of the company
- appointing a new company to operate as trustee, or
- changing the fund structure to individual trustees.

This process can be complex. Talk to ASIC to ensure assets vested with the corporate trustee can be transferred to the new entity or individuals to be held in trust for the fund.

ASIC-initiated deregistration of a company may happen if they think it has ceased trading or it has overdue fees and penalties.

## If a trustee resigns

If a trustee that is also a member resigns, their super benefits will need to be rolled over to another complying super fund if they haven't yet reached preservation age.

The resignation must be clearly documented in trustee minutes. You may also consider updating the fund's trust deed to make it clear the legal responsibilities for the resigning trustee have ceased.

If this results in your fund no longer meeting the legal definition of an SMSF, for example, you have an individual trustee structure and only one trustee remaining in the fund, your SMSF has 6 months to restructure.

The existing trustees can do one of the following:

- add another member to meet the minimum membership requirements
- change to a corporate trustee structure
- appoint an approved trustee who has a licence from APRA (that is, become a small APRA fund)
- wind up the SMSF.

## Being disqualified

A disqualified person includes those who have been convicted of dishonest offences, are bankrupt or insolvent or may be a future risk to retirement savings.

If you become a disqualified person, you must immediately:

- notify us in writing of your disqualification (unless we have disqualified you)
- cease being an individual trustee or a director of the corporate trustee.

If you are a director of a corporate trustee, you may also have obligations to inform ASIC.

### Requesting a review of disqualification

If you have been disqualified:

- because you've been convicted of a dishonesty offence, you can apply within 14 days of the conviction to have the disqualification waived
- by us, you can request a review of our decision in writing within 21 days of receiving the notice of disqualification.

Send your request to:

**AUSTRALIAN TAXATION OFFICE**
**PO BOX 3100**
**PENRITH NSW 2740**

If you're disqualified due to being insolvent under administration, you can't have your disqualification waived. Once you are no longer insolvent under administration, you will no longer be disqualified and can become a trustee or director again.

## When we review changes

We review SMSFs that add new trustees and members. This includes changes in structure from individual trustee to corporate trustee.

If a potential risk is identified, the fund's Super Fund Lookup status is changed to 'Regulation details withheld' while we conduct a further review. We aim to complete reviews within 56 days.

## How to notify us of changes

You can update changes to your SMSF:

- online through the Australian Business Register
- through a registered agent
- by phone **13 10 20** – you must be the authorised contact for your SMSF
- by lodging the paper form Change of details for superannuation entities (NAT 3036, PDF 1.01MB).

To update your fund's financial institution account details, tax refund account or electronic service address (ESA), use one of the following methods:

- through Online services for business
- by contacting your tax agent
- by contacting us.

You can also update the ESA by lodging the paper form Change of details for superannuation entities (NAT 3036, PDF 1.01MB).

You can't use the SMSF annual return to tell us about a change in the structure of your SMSF.

### SMSF alerts

When we issue SMSF email or text alerts, what you need to do and why.

QC 23334

# SMSF alerts

When we issue SMSF email or text alerts, what you need to do and why.

**Last updated** 2 April 2025

## When we issue email or text alerts

There are 2 different alerts we will issue to safeguard your retirement savings and reduce the risk of fraud. These will be sent to you by email or text.

A rollover alert will issue when:

- someone is trying to transfer or roll over your super money to a self-managed super fund (SMSF)

A change of details alert will issue when:

- you have been added as a member to a new or existing SMSF
- a change has been made to your existing SMSF's
  - bank account details
  - electronic service address (ESA)
  - authorised contact
  - members.

If you receive an alert and you:

- requested or authorised the change, there is nothing you need to do
- did not initiate the change, you will need to take immediate action.

Our alerts will never ask you to:

- reply by text or email
- log on via a link to log into online services

- provide personal information such as your tax file number (TFN) or your personal bank account number or BSB.

Ensure your email and mobile phone details are up to date with us so you receive our alerts and help protect against potential fraud. We take the security of your personal information seriously.

## How to respond to a rollover alert

If you receive a rollover alert, someone is trying to move your super money. This means a super fund has used the SMSF verification service to verify an SMSF's details, with the intent to roll your super benefits into that SMSF. Funds may use this service multiple times for a single rollover request, so you may receive multiple alerts.

If you didn't request a rollover, contact your existing super fund immediately – rollovers through SuperStream may be processed in only 3 business days.

## How to respond to a change of details alert

If you're not aware of a new SMSF registered in your name, or changes made to your existing SMSF, you should first confirm someone hasn't made this request on your behalf. Check with:

- the other trustees or directors of the corporate trustee of your SMSF
- other representatives authorised to make changes to your SMSF, such as your tax agent.

If you're concerned an SMSF has been established or changes have been made to your existing SMSF incorrectly or without your knowledge, phone us on **13 10 20** between 8:00 am and 6:00 pm, Monday to Friday.

Before you phone us, ensure you have your TFN or Australian business number (ABN) ready to establish your identity.

# Your SMSF auditor

Appoint an SMSF auditor to audit your fund each year, minimum 45 days before you need to lodge your SMSF annual return.

**Last updated** 2 April 2025

**Media:** SMSF - The annual audit.
https://tv.ato.gov.au/ato-tv/media?v=bd1bdiub8cjgsj (**Duration:** 2:38)

## Appointing your SMSF auditor

You must appoint an approved self-managed super fund (SMSF) auditor to audit your SMSF each year, no later than 45 days before you need to lodge your SMSF annual return (SAR).

The audit must be complete before you lodge your SAR. You'll need some information from the audit report to complete the SAR.

An audit is required even if no contributions or payments are made in the financial year.

Your SMSF auditor must be:

- registered with ASIC - Search SMSF Auditor register – if they are, they will have an SMSF auditor number, which you need to provide on your SAR
- independent – they should not audit a fund in which they hold any financial interest, or where they have a close personal or business relationship with members or trustees.

Before the auditor can start the audit, you must provide them with a statement of financial position and an operating statement for the previous financial year. If they request more information, you must provide it within 14 days of the request.

## Your auditor's role

Your auditor examines your SMSF's financial statements and assesses your fund's compliance with superannuation law.

Your auditor must:

- provide you with the audit report
- advise you of any breaches of the rules
- report certain contraventions to us, even if
  - you terminated their engagement
  - they don't finish the audit.

As trustee, you should take steps to rectify any contravention as soon as possible.

If your auditor lodges an auditor contravention report (ACR) and the contravention has not been rectified, we will send you correspondence which may include asking you to rectify it.

QC 23330

# How SMSFs are taxed

How self-managed super funds (SMSFs) are taxed, what is assessable income, and what are allowable deductions.

**Last updated** 2 April 2025

## Tax on income

Self-managed super funds (SMSFs) must pay tax on their assessable income. The most common types of assessable income are:

- assessable contributions
- net capital gains
- interest
- dividends
- rent.

A complying superannuation fund that follows the laws and rules for SMSFs qualifies for a concessional tax rate of 15%.

Non-complying funds and non-arm's length income (NALI) are taxed at the highest marginal tax rate of 45%.

SMSFs can receive a tax exemption on investment income received from assets that support a retirement phase income stream. This income is exempt current pension income (ECPI).

## Determining if a contribution is assessable

Whether a contribution is assessable will depend on whether the contribution is concessional (has not yet been taxed) or non-concessional (already been taxed).

Concessional contributions made into your SMSF are included in its assessable income. These contributions are taxed in your SMSF at a concessional rate of 15%. The most common types of concessional contributions are:

- employer contributions (including contributions made under a salary sacrifice arrangement)
- personal contributions that the member has notified you they intend to claim as a tax deduction.

Generally, non-concessional contributions made into your SMSF are not included in the fund's assessable income.

The most common types of non-concessional contributions are:

- personal contributions made by the member for which no income tax deduction is claimed
- contributions made for a spouse
- contributions made for a child under 18 years old.

Excess concessional contributions for the financial year which the member does not elect to remove from the super fund after we send them an excess contributions determination, will also count towards your member's non-concessional contributions cap.

If a member's non-concessional contributions exceed the cap, the member is personally liable for this tax and the fund must release an amount of money equal to the tax.

Non-concessional contributions do not include:

- super co-contributions
- structured settlements
- orders for personal injury or capital gains tax (CGT) related payments that the member has validly elected to exclude from their non-concessional contributions
- re-contributing COVID-19 early release super withdrawals made between 1 July 2021 and 30 June 2030. Individuals can re-contribute amounts they withdrew under the COVID-19 early release of super program without them counting towards their non-concessional contributions cap.

## Transfers from foreign super funds

If your fund receives a super lump sum directly from a foreign super fund, your member may choose to have some or all of the assessable part of the lump sum treated as assessable income of your fund. To make a choice, the member must meet all of the conditions:

- They have been an Australian resident for tax purposes for more than 6 months or have terminated their foreign employment more than 6 months ago.
- They have transferred the whole of the foreign fund interest directly to a complying Australian super fund.
- They no longer have a super interest in the foreign fund.

By making the choice, your fund pays tax – on the assessable part of the lump sum – at the concessional fund tax rate of 15%, rather than the member paying tax at their marginal rate.

Your member can make this choice:

- up until the day they lodge their income tax return for the year of transfer, or
- the day they would have been required to lodge one if they don't need to lodge a tax return.

This is the case unless the governing rules of your fund provide an earlier time.

If your member makes this choice, they must complete Completing your choice to have your Australian fund pay tax on a foreign super

transfer (NAT 11724) and submit the approved form to you. Once the choice is made, it cannot be revoked or varied.

### Capital gains

Your fund's assessable income includes any net capital gains unless the asset is a segregated current pension asset.

Complying SMSFs are entitled to a capital gains tax (CGT) discount of one-third if the relevant asset had been owned for at least 12 months.

The SMSF will pay tax on net capital gains, which is calculated as:

- your total capital gains for the year
- minus any capital losses for that year and any unapplied capital losses from earlier years
- minus the CGT discount of 33.33% and any other concessions (if eligible).

A capital loss (for example, losses on the sale of commercial premises) is not an allowable deduction and is only able to be offset against capital gains. If capital losses are greater than capital gains in a financial year, they must be carried forward to be offset against future capital gains.

For general examples see Calculating your CGT.

## Non-arm's length income (NALI)

SMSFs must transact on an arm's-length basis. This means the purchase and sale price of the fund's assets should always reflect the true market value of the asset. The income from these assets should also reflect a market rate of return.

Where income is deemed to be NALI it is taxed at the highest marginal tax rate of 45%.

The fund has NALI if it has:

- an amount of ordinary or statutory income derived from a scheme where
  - parties weren't dealing with each other at arm's length, and
  - the amount of income earned by the SMSF from the scheme is more than would be expected if the parties had been dealing at

arm's length, or

- a dividend paid to an SMSF by a private company that is not consistent with an arms-length dealing
- income derived by an SMSF as a beneficiary of a trust (other than through holding a fixed entitlement to the income and the amount is consistent with an arm's length dealing).

From 1 July 2018, a fund also has NALI if:

- an amount of income is derived from a scheme where the parties weren't dealing with each other at arm's length, and
- the fund incurs expenses when deriving the income and the amount of the expenses are less than would have been expected if the parties were dealing at arm's-length (this includes where there are no expenses).

These expenses are classified as either:

- specific expenses, which are related to earning income from a particular asset of the fund (for example, maintenance expenses for a rental property)
- general expenses, which are related to all expenses incurred other than in gaining or producing income from a particular asset (for example, accountant fees).

When an SMSF incurs a:

- specific expense, all income in relation to the particular asset or assets will be NALI
- general expense, the NALI will be calculated as twice the difference between the amount of the actual expense and the expected market value of the expense.

Any NALI forms part of the non-arm's length component (NALC) of the SMSF's taxable income, which is taxed at the highest marginal tax rate.

However, the SMSF's total NALC cannot exceed the SMSF's assessable income minus deductions, excluding assessable contributions and deductions against them.

For more information on NALI, see:

- Law Companion Ruling LCR 2021/2 *Non-arm's length income – expenditure incurred under a non-arm's length arrangement*

- Practical Compliance Guideline PCG 2020/5 *Applying the non-arm's length income provisions to 'non arm's length expenditure'.*

## Deductions

A complying SMSF is allowed to deduct from its assessable income any losses or costs that are:

- incurred in gaining or producing assessable income
- necessarily incurred in running a business for the purpose of gaining or producing such income.

Losses and costs relating to exempt current pension income are generally not deductible because they are incurred in earning exempt income. If the fund has both accumulation and pension members, the expense may need to be apportioned to determine the amount that the fund can deduct.

If the fund is 100% in retirement phase, generally expenses shouldn't be deducted as they will be incurred in gaining ECPI.

Expenses aren't allowable deductions when they are incurred in gaining or producing:

- exempt income
- non-assessable, non-exempt income
- expenses of a capital, private or domestic nature.

## When a member hasn't quoted their TFN

SMSFs pay additional tax on mandated employer contributions if the member hasn't quoted their tax file number (TFN). This is even if they are complying. The additional tax rate is:

- 32% for complying SMSFs
- 2% for non-complying SMSFs.

A complying SMSF may be able to claim back the additional tax paid as a no-TFN tax offset in its SMSF annual return if its member has since provided their TFN.

You only have 3 years to claim the offset from the end of the financial year in which the additionally taxed contribution was made.

If you have debited the amount of additional tax from your member's account and you claim the tax offset in a later year, you need to credit this money to their account.

QC 23341

# SMSF deductible expenses

The deductible expenses incurred by a complying SMSF that trustees can claim.

**Last updated** 2 April 2025

## About deductible SMSF expenses

Before paying a particular expense from the fund, ensure the payment is:

- in accordance with a properly formulated investment strategy
- allowed under your trust deed and superannuation laws.

The tax deductibility of most expenses incurred by a self-managed super fund (SMSF) is determined under the general deduction provision in section 8-1 of the *Income Tax Assessment Act 1997* (ITAA 1997). These rules allow an SMSF to claim a tax deduction for expenses that are:

- either incurred to earn the fund's assessable income or necessarily incurred in running a business for the purpose of gaining or producing assessable income, and
- not related to personal or capital matters.

The general deductibility rules do not apply where a specific deduction provision applies.

You can't claim more than one deduction for the same cost. If 2 or more tax provisions allow you deductions for the same cost, you can deduct only under the most appropriate provision.

If an expense is deductible under the general deduction provisions, and the fund has both accumulation and pension phase members, the expense may need to be apportioned. This will determine the amount the fund can deduct. If an expense is deductible under one of the specific deduction provisions, then the wording of that provision will indicate whether the expense must be apportioned and on what basis.

### Specific deductions

There are some specific deductions that can be claimed in full or in part, while others will require apportionment. The following is a list of specific deduction provisions that apply to SMSFs:

- Managing the tax affairs of the SMSF or complying with an obligation imposed on the SMSF that relates to its tax affairs, for example, the SMSF Supervisory Levy (section 25-5 of the ITAA 1997).
- Death, total and permanent disability, terminal illness and income protection premiums to the extent specified in the relevant law (section 295-465 of the ITAA 1997).

## When you can claim SMSF expenses

As a general rule, the trustee can claim the fund's expenses in the year the trustee incurs them. However, deductions for the decline in value of certain depreciating assets (such as plant and equipment) are claimed over the effective life of the asset and not when the trustee incurs the expenditure.

To claim, you should ensure:

- wherever possible, the expense is paid directly from the SMSF's bank account
- invoices and receipts are in the name of the SMSF
- you retain invoices and receipts as evidence of the fund's expenses
- the deduction is only claimed once.

## Operating expenses

Operating expenses incurred by an SMSF are mostly deductible under the general deduction provision. The following are examples of the

types of operating expenses that are typically deductible under the general deduction provision:

- management and administration fees
- audit fees
- Australian Securities & Investments Commission (ASIC) annual fee.

### Management and administration fees

These are costs associated with the daily running of the fund. For example, they might include:

- preparing trustee minutes
- stationery
- postage fees.

Expenses that are incurred in making changes to the internal organisation or day-to-day running of the fund are not considered to be capital in nature provided such changes do not result in an advantage of a lasting character.

If a super fund is running a business, it may be entitled to deduct certain capital expenses under the specific deduction provision, section 40-880 of the ITAA 1997.

### SMSF auditor fee

An SMSF is required by super laws to appoint an approved SMSF auditor each income year to audit the fund.

Any auditing costs that relate to meeting obligations under super laws are deductible. The costs must be apportioned if the SMSF gains or produces both assessable and non-assessable income.

### ASIC annual fee

For SMSFs operating with a corporate trustee structure, ASIC charges an initial registration fee and annual fee. The annual fee is deductible by the fund.

## Supervisory levy

An SMSF is liable to pay a supervisory levy under the *Superannuation (Self- Managed Superannuation Funds) Supervisory Levy Imposition*

*Act 1991*. The levy is:

- a flat amount
- deductible under section 25-5 of the ITAA 1997.

## Tax-related expenses

A specific deduction is allowable under section 25-5 of the ITAA 1997 for expenses incurred in either:

- managing a fund's tax affairs
- complying with a Commonwealth tax law obligation imposed on the trustee.

You cannot deduct capital costs under this section. An expense is not a capital expense merely because the tax affair relates to a matter that is capital in nature. For example, you may be able to deduct the cost of applying for a private ruling on whether you can depreciate an item of property under this section.

The costs incurred in preparing and lodging the SMSF's annual return, including the preparation of financial statements or actuarial costs incurred in meeting income tax obligations, are deductible. The return is an approved form covering both income tax and super law requirements. However, we don't require SMSFs to apportion between the 2 types of expenses. We allow it in full as a deduction for the expenses incurred in preparing and lodging the return.

A tax-related expense does not need to be apportioned for an SMSF deriving both non-assessable and assessable income. This is unless the cost relates to audit fees paid by the fund.

## Legal expenses

Some legal expenses are covered by specific deduction provisions. For example, legal expenses incurred in complying with income tax obligations are covered under section 25-5 of the ITAA 1997.

Legal expenses that are not covered by a specific provision are generally deductible under the general deduction provision. This is except when they are incurred in deriving non-assessable income or are capital, private or domestic in nature.

### Example: borrowing expenses that are capital in nature

Namrita's SMSF engages a legal firm to set up a trust to hold an asset. The fund intends to acquire the asset under a limited recourse borrowing arrangement (LRBA). This is required by super law.

Section 25-25 of the ITAA 1997 is a specific deduction provision. It enables the deduction of expenses incurred for borrowing money used to produce assessable income. The fund claims the following borrowing expenses:

- loan establishment fees
- obtaining relevant valuations
- costs of documenting guarantees required by the lender
- lender's mortgage insurance
- fees for property and title search fees, costs for preparing and filing mortgage documents, etc.

The fund can't claim the costs in establishing the trust for the LRBA as they are not borrowing expenses. They are incurred to establish the arrangement for borrowing, not for the borrowing itself. Therefore, the SMSF can't claim a deduction for legal expenses in setting up the trust.

Also, the fund can't claim the costs as a deduction under the general deduction provision. This is because they are capital in nature.

## Trust deed amendments

Trust deed amendments to facilitate the ongoing operations of the SMSF are generally deductible under the general deduction provision. If a fund amends a trust deed to keep it up to date with changes to super law, the expense will be deductible under the general deduction provision. This is unless the amendment results in lasting changes to the SMSF's structure or function or creates a new asset.

### Example: change of structure

Sue and Jim have a 2-member SMSF. The couple are also the individual trustees of the fund. Jim dies before either of them has retired. Sue decides to continue the SMSF with a corporate trustee as the sole director.

The fund incurs legal expenses of $1,000 to amend the trust deed so the corporate trustee can be appointed. Making changes to permit appointment of a corporate trustee relates to the structure of the SMSF. The expenses are capital in nature.

The fund can't deduct the legal expenses incurred in amending the trust deed. They are not deductible under section 8-1 of the ITAA 1997.

### Example: updating aged information

The trustees of Wong's SMSF decide that the fund's trust deed is out of date. It refers to super law provisions that have been repealed. It also gives contact addresses for the trustees that are no longer current.

The trustees decide to engage a legal firm to update the deed. The firm charges $500. The changes to the trust deed are an ordinary incident of the day-to-day running of the fund and are not capital in nature. The $500 charged by the legal firm is deductible to the fund.

### Example: changing functions

The trustees of Anna's SMSF decide to borrow money to purchase an apartment under an LRBA. This is part of a properly formulated investment strategy.

The trust deed of the SMSF, as it currently stands, does not permit the trustees to borrow money. The trustees engage a

legal firm to amend the trust deed. This will permit them to borrow money under an LRBA.

The costs incurred in engaging the law firm to change the trust deed are not deductible. This is because the addition of borrowing powers is an enduring change to the function of the SMSF.

## Investment expenses

The exact nature of the investment-related expenses is critical in determining deductibility. Examples of deductible investment-related expenses include:

- interest
- ongoing management fees or retainers paid to investment advisers
- costs of servicing and managing an investment portfolio, such as bank fees, rental property expenses, brokerage fees
- the cost of advice to change the mix of investments, whether by the original or a new investment adviser, provided any changes do not lead to the creation of a new financial plan.

If the investment-related advice covers other matters or relates in part to investments that do not produce assessable income, only a proportion of the fee is deductible.

### Example: non-deductible investment-related expenses

The trustees of Jasminka's SMSF engage a financial adviser to create a long-term financial strategy. The strategy needs to have enough liquidity to:

- pay super income stream benefits
- pay lump sum payments
- continue with investments that, in the long term, will provide super or death benefits for the members.

The trustees also pay a fee to an investment adviser to draw up an investment strategy for the fund. The fee is a capital outlay, even if some of the existing investments are maintained as part of the new plan, because the fee is for advice that relates to drawing up a new investment strategy.

### Example: ongoing investment-related expenses

The trustees of a fund decide to seek the advice of an investment adviser. They want to know what listed securities they should invest in. This is specified in the fund's investment strategy and permitted by the governing rules of the fund.

The trustees deduct the cost of the advice on listed securities to invest in. This is because the advice is part of the ongoing maintenance of the current investment strategy. It is not part of a new investment strategy or plan.

Special rules apply to collectable and personal use SMSF investment assets, such as artwork. These rules were introduced on 1 July 2011 to cover aspects such as storage and insurance.

Insurance costs for artwork and other collectables are deductible to the SMSF provided the:

- items are insured in the name of the fund within 7 days of acquisition
- fund is the owner and beneficiary of the policy.

You can't, for example, insure the item as part of a trustee's home and contents insurance.

Storage costs for artwork and collectables can only be deductible to the fund if the:

- items are stored in accordance with Regulation 13.18AA of the *Superannuation Industry (Supervision) Regulations 1994 (SISR)* obligations

- trustees make and keep records documenting the reasons for deciding where to store the item.

## Member insurance premiums

Trustees of complying super funds can claim a deduction for insurance policy premiums to provide the following death or disability benefits to their members:

- super death benefits
- terminal medical condition benefits
- disability super benefits
- benefits provided due to temporary inability to engage in gainful employment for a specified period.

The amount the fund can claim is set out in the relevant income tax laws. There is no apportionment required for expenses that relate to assessable or non-assessable income.

## Non-deductible expenses

An expense that is incurred in establishing or making lasting changes to a super fund’s structure or function is capital in nature and is not deductible under the general deduction provision. For example, the costs of establishing an SMSF are capital in nature. An expense incurred in acquiring a capital asset is also usually capital in nature.

Trust deed amendment costs incurred in establishing a trust, executing a new deed for an existing fund and amending a deed to enlarge or significantly alter the scope of the trust’s activities are generally not deductible. This is because they are capital in nature.

An SMSF can't deduct a loss or outgoing to the extent that:

- it is a loss or outgoing of capital, or of a capital nature
- it is a loss or outgoing of a private or domestic nature
- it is incurred in relation to gaining or producing income of the fund that is non-assessable income (such as exempt current pension income)
- the income tax laws prevent the fund from deducting it.

Administrative penalties that can be levied on a trustee under super laws are not deductible to the fund. They are incurred by the trustee of the fund (or director of the corporate trustee). They must not be paid or reimbursed from the assets of the SMSF.

### Example: non-deductible expenses

Sascha and John are individual trustees in a 2-member SMSF. When Sascha dies, John decides to change the SMSF to a single-member fund with a corporate trustee. He does this once the death benefit has been paid from the fund.

In addition to the usual fund expenses incurred in running the fund, John incurs the following additional expenses:

- legal expenses of $300 to amend the trust deed to change the fund to a single-member fund with corporate trustee
- ASIC fees associated with setting up the corporate trustee.

The SMSF will not be able to claim deductions on either of these amounts. This is because the:

- legal expenses of $300 are of a capital nature because they are incurred in making lasting changes to the structure of the fund
- ASIC fees incurred in setting up the corporate trustee are also capital in nature.

## Apportionment of expenses

Expenses must be apportioned if the fund earns both assessable and non-assessable income.

An expense may be incurred partly in gaining or producing assessable income and partly in gaining or producing non-assessable income, such as exempt current pension income. Where the fund can identify a distinct and severable part devoted to gaining or producing assessable income, this is the part to claim as a deduction under the general deduction provision.

### Example: apportioning expenses for assessable and non-assessable income

The trustee of Zhao's SMSF appoints a property managing company for 3 investment properties held by the fund. One is a holiday rental home and is managed by the company's regional office. It is also a segregated current pension asset of the fund. This means the income derived from this property is exempt.

The company charges the fund $2,000 for its services. However, the invoice identifies $500 as costs incurred by the regional office for managing the holiday rental home.

The amount of $500 can be distinctly identified as a cost incurred in gaining the fund's exempt income. The remaining $1,500 can be distinctly identified as a cost incurred in gaining the fund's assessable income. The fund may claim the $1,500 as a deduction. This is the amount of cost that relates to the assessable income.

Many expenses cannot be divided into distinct and severable parts. For example, this could be when paying an approved SMSF auditor to provide an annual report for the fund. This is an expense that does not relate to either the fund's assessable or non-assessable income. In this case, the fund must estimate, in a fair and reasonable way, how much of that expense was incurred in producing the fund's assessable income.

While it's not possible to prescribe a single method for apportioning costs of a super fund, Taxation Ruling TR 93/17 provides several examples. It also provides guidance on what the Commissioner of Taxation may accept as a method for producing a fair and reasonable outcome.

### Example: segregated assets

The trustee of Jane's SMSF incurs audit expenses of $1,500. This is for providing the SMSF with a report in accordance with its regulatory obligations. The fund has unsegregated assets and therefore obtains an actuarial certificate each year. This determines the exempt current pension income of the fund.

The percentage specified by the actuary in the relevant year is that:

- 70% of the value of fund assets is held to support current pension liabilities
- the remaining 30% of the value of fund assets is held to provide for assessable income in the fund.

The trustee decides that this percentage is a fair and reasonable method for apportioning the audit expenses. The cost that can be claimed as incurred in gaining assessable income is $450 ($1,500 × 30%).

## Example: assessable and non-assessable income

The trustee of Santo's SMSF incurs audit expenses of $1,500. This is for providing the SMSF with a report in accordance with its regulatory obligations. The SMSF earns:

- $60,000 in assessable income
- $100,000 in non-assessable income.

The trustees of the fund decide that the following method is a fair and reasonable way to apportion these expenses:

- audit expense × (assessable income ÷ total income)
- = $1,500 × ($60,000 ÷ $160,000).

This results in an amount of $562 for audit expenses claimed as a deduction by the fund.

## Example: non-segregated assets

Sanchez SMSF has both pension and accumulation members. It does not segregate its assets.

The trustees obtain an actuary's certificate to determine the proportion of the fund's income that is exempt current pension income. The actuary certifies that 40% of the fund's income is exempt.

The trustees engage an accounting firm to undertake the administrative functions of the fund. The accounting firm charges a fixed upfront fee of $1,500 per annum for the following services:

- preparation of annual financial statements
- preparation and lodgment of the fund's annual return
- arranging for the annual audit of the fund
- preparing member benefits statements
- preparation of reports on the fund's investments.

The fixed fee of $1,500 is not calculated according to the cost of each particular service. The expense therefore cannot be easily divided into distinct and severable parts.

The trustees decide that it would be fair and reasonable to use the exempt income percentage as certified on the actuary's certificate. This determines the proportion of the accountant's fee that is deductible. They calculate this as follows:

- Expense × assessable income %
- = $1,500 × (100% − 40%) = $900.

This results in $900 of the $1,500 fee being able to be claimed as a deduction.

No apportionment is necessary for costs that are wholly incurred in collecting and processing contributions. For example, costs associated with obtaining an electronic service address (ESA) to meet the data standards requirements are not apportioned.

## Tax and super law requirements that govern deductions

For further detailed information on the tax and super law requirements that govern deductions, see:

- Taxation Ruling TR 93/17 *Income tax: income tax deductions available to superannuation funds*
- Taxation Ruling TR 97/11 *Income tax: am I carrying on a business of primary production?*
- Taxation Ruling TR 97/7 *Income tax: section 8-1 – meaning of 'incurred' – timing of deductions.*
- Taxation Determination TD 95/60 *Income tax: are fees paid for obtaining investment advice an allowable deduction under section 8-1 of the Income Tax Assessment Act 1997 (ITAA 1997) for taxpayers who are not carrying on an investment business?*
- Taxation Ruling TR 2011/6 *Income tax: business related capital expenditure - section 40-880 of the Income Tax Assessment Act 1997 core issues*
- Taxation Ruling TR 2012/6 *Income tax: deductibility under subsection 295-465(1) of the Income Tax Assessment Act 1997 of premiums paid by a complying superannuation fund for an insurance policy providing Total and Permanent Disability cover in respect of its members*
- Death, total and permanent disability, terminal illness and income protection premiums to the extent specified in the relevant law (section 295-465 of the ITAA 1997).

QC 53481

# Exempt current pension income

Methods for calculating exempt current pension income.

**Last updated** 16 September 2025

## What is exempt current pension income?

Exempt current pension income (ECPI) is ordinary and statutory income that a self-managed super fund (SMSF) earns from assets held

to support retirement-phase income streams. It is tax exempt.

ECPI is claimed in the SMSF annual return. Assessable contributions and non-arm's length income are excluded from ECPI. To claim ECPI, all of a fund's assets must be valued at current market value.

To be able to claim ECPI, the SMSF must meet the following minimum pension standards:

- The income stream must be paid from a super account held in the member's name (account-based pension).
- The SMSF has paid the minimum annual payment for any pension paid in the year the SMSF is claiming ECPI.
- The capital supporting the pension can't be increased using contributions or rollover amounts once the pension has started.
- You can't use the capital value of the pension or the income from it as security for borrowing.
- Minimum pension payment requirements must be met before any full or partial commutation of a pension.
- If the member dies, the pension can only be transferred to a dependant beneficiary of that member.

## Methods for calculating ECPI

The 2 methods for calculating the amount of ECPI a fund can claim are the:

- segregated method
- proportionate method.

You may be legally required to use a particular calculation method in certain circumstances.

The method used will depend on whether the fund's assets are segregated, unsegregated, a combination of both or if they're disregarded small fund assets.

Where there is no required method, the trustees can decide each year which ECPI method is appropriate for their fund.

If all of the following situations apply, your fund can use either method to calculate ECPI:

- It had some segregated current pension assets during the year.
- It isn't 100% in retirement phase (some assets are supporting accumulation interests).
- For the 2018 to 2021 financial years, it doesn't have disregarded small fund assets.

When either method can be used, the fund can choose to use the proportionate method to calculate the ECPI for the entire income year. If no choice is made, ECPI will be calculated using the segregated method for the period of segregation.

## Segregated method

Segregated current pension assets are SMSF assets:

- with the sole purpose of paying retirement phase pension benefits, and
- which the fund has documented as such assets.

Under the segregated method, all income from the fund's segregated pension assets is automatically exempt from tax.

From the 2022 financial year, if all of your fund's assets are paying retirement phase pension benefits at all times of the year, the fund's assets are regarded as segregated current pension assets. In this situation the segregated method must be used to calculate ECPI for the entire year and an actuarial certificate is not required.

For the 2018 to 2021 financial years, ECPI is calculated using the segregated method if your fund:

- was in 100% retirement phase at all times of the year, and
- didn't have disregarded small fund assets.

If your SMSF has segregated current pension assets, you should ignore any capital gains or capital losses resulting from the disposal of these assets. If the disposal of a segregated current pension asset results in a capital loss, this loss must not be offset against any other capital gain earned by the SMSF.

Usually, the value of the assets supporting retirement-phase income streams will equal the value of those income streams.

However, if the market value of the assets supporting retirement-phase income streams exceeds the sum of the account balances of those income streams, the assets can't be segregated current pension assets to the extent they exceed the account balances.

A fund using the segregated method doesn't need an actuarial certificate to claim ECPI if at all times during the income year all assets supporting retirement phase accounts were segregated. This applies even if the income streams begin part way through an income year.

## Proportionate method

When using the proportionate method to calculate ECPI, a fund doesn't set aside specific assets to support retirement-phase income streams.

Instead, the fund calculates the exempt proportion of income based on the proportion of the fund's total liabilities that are current pension liabilities.

Generally, this will be the proportion of the fund's total account balances that are retirement-phase income streams.

This exempt proportion is averaged across the period of the year the fund used the proportionate method. It's determined by an actuary who provides an actuarial certificate.

The exempt proportion is then applied to the fund's total assessable income for the period to determine the amount that is ECPI.

For the 2018 through to 2021 financial years, funds must use the proportionate method if they have disregarded small fund assets (even if the fund is 100% in retirement phase) and obtain an actuarial certificate that certifies the proportion of exempt income.

If you're using the proportionate method, you need to factor in capital gains and capital losses. Capital losses that arise aren't included when you calculate assessable income. Net capital losses can be carried forward each year until they can be offset against an assessable capital gain.

The SMSF's capital gains less any capital losses equals the net capital gain. The net capital gain is added to the SMSF's other assessable income before working out how much is tax exempt, as per the actuarial calculation for the relevant year.

Funds using the proportionate method need an actuarial certificate for each year they claim ECPI. This is regardless of the type of retirement-phase income stream that is paid.

## Disregarded small fund assets

For the 2018 through to 2021 financial years, you must consider if your fund holds disregarded small fund assets as this will affect how you calculate ECPI.

A fund is deemed to have disregarded small fund assets when:

- the fund is paying at least one retirement phase income stream during the income year
- the same fund member
  - has a total super balance over $1.6 million immediately before the start of the relevant income year, and
  - is receiving a retirement-phase income stream from any source including the small fund or another super provider.

In these circumstances, the fund can't use the segregated method to calculate ECPI.

From the 2021–22 income year, if the fund is in 100% retirement phase at **all** times of the income year, then the disregarded small assets rule does not apply.

## Changing ECPI methods

If a fund that is in 100% retirement phase receives a contribution or rollover, it stops being 100% in the retirement phase. This is because the contribution or rollover will be in an accumulation interest.

How the assets are held will determine if the fund needs to change to the proportionate method.

The segregated method allows a fund to segregate assets to support retirement-phase income streams and segregate other assets to support other interests such as accumulation accounts.

As long as the fund actively segregates its assets, such as by holding the contribution or rollover in a sub-account or separate bank account

(following Taxation Determination TD 2014/7), the fund can continue to use the segregated method.

If a fund doesn't segregate its assets, then the proportionate method should be used. The member account balances at the time of a calculation method change should be recorded. This is for the purpose of obtaining an actuarial certificate covering the period the proportionate method is used.

## Actuarial certificates when using both methods

When a combination of ECPI calculation methods is used, the fund needs an actuarial certificate for that income year.

An actuary calculates the exempt proportion for the period or periods of the income year that the fund's assets weren't segregated.

The exempt proportion can be applied to the income earned by the fund during this period or periods to make up part of the fund's total ECPI for the income year.

Only one actuarial certificate is required for the period or periods the proportionate method is used, even if a fund changes methods multiple times in an income year.

An actuarial certificate isn't required for the period or periods of the income year the segregated method is used.

QC 21546

# Guide to valuing SMSF assets

What, when, how and why SMSF trustees value assets for preparing fund accounts, statements and the SMSF annual return.

**Last updated** 15 May 2026

## Help for SMSF trustees

This guide is designed to help self-managed super fund (SMSF) trustees when valuing assets for superannuation purposes, including:

- valuing all fund assets at market value when preparing the fund's accounts and statements
- determining the market value of assets supporting members' super income streams (pensions) and accumulation accounts to calculate the members' total super balances
- how some classes of assets must be valued and reported in a specific way.

It is expected that the investment decisions you make are designed to protect and increase member benefits for retirement. You should know the value of the assets in your fund to ensure this occurs.

You should read this guide in conjunction with:

- Market valuation for tax purposes
- How SMSFs are taxed
- TR 2010/1 *Income tax: superannuation contributions* – this ruling includes the Commissioner's view on when a super provider acquires beneficial or legal ownership of an asset.

This guide is not a comprehensive handbook about valuations, nor does it remove your responsibility to manage investments prudently and in the best financial interests of all members.

Seek advice and assistance from a superannuation professional if you're unsure of your obligations and responsibilities in relation to ensuring you have the correct method of valuing the assets in your fund.

## Why you must value fund assets

Valuation of assets is required to confirm your SMSF has complied with relevant super laws when:

- valuing the fund assets for the preparation of financial accounts and statements
- acquiring assets between SMSFs and related parties
- making and maintaining investments on an arm's-length basis

- disposing of certain collectables and personal use assets to a related party of the fund
- determining the market value of an SMSF's in-house assets as a percentage of all assets in the fund to ensure they don't exceed 5%
- determining the market value of assets
  - supporting the commencement of a new retirement phase superannuation income stream (pension) which will count towards the transfer balance cap
  - supporting members' retirement phase and accumulation accounts for the purposes of calculating the members' total super balances as at 30 June each year
  - for determining the annual pension payment requirements on 1 July each year
- managing your fund’s investments in the best financial interests of fund members such as disposing of or selling other assets not previously listed.

## How assets must be valued

The market value is defined in the superannuation legislation as:

The amount that a willing buyer of the asset could reasonably be expected to pay to acquire the asset from a willing seller if all the following assumptions were made – that the:

- buyer and the seller dealt with each other at arm's length in relation to the sale
- sale occurred after proper marketing of the asset by the buyer and
- the seller acted knowledgeably and prudentially in relation to the sale.

You must be able to demonstrate that the valuation is from using a 'fair and reasonable' process. Generally, a valuation is considered fair and reasonable when it meets all the following:

- It is based on objective and supportable data.
- It considers all relevant factors and considerations likely to affect the value of the asset.

- It has been undertaken in good faith.
- It uses a rational and logical process.
- It is capable of explanation to a third party.

Depending on the situation, a valuation may be done by a:

- registered valuer
- professional valuation service provider
- member of a recognised professional valuation body
- person without formal valuation qualifications but who has specific experience or knowledge in a particular area.

In certain instances, the law requires valuations be done by a qualified independent valuer.

## Using a qualified independent valuer

A valuer will be qualified either through holding formal valuation qualifications or by being considered to have specific knowledge, experience and judgment by their particular professional community. This may be demonstrated by being a current member of a relevant professional body or trade association.

The valuer must also be independent. This means that the valuer shouldn't be a member of the fund or a related party of the fund, such as a relative. They should be:

- impartial
- unbiased
- not influenced or appear to be influenced by others.

We also recommend the use of a qualified independent valuer when the:

- value of the asset represents a significant proportion of the fund's value, or
- nature of the asset indicates that the valuation is likely to be complex.

## Valuing fund assets for financial accounts and statements

SMSF trustees are required to value all fund assets at market value when preparing their fund's financial accounts and statements.

The market value of assets that support members' retirement phase and accumulation accounts on 30 June each financial year is important. This allows the calculation of individual members' total super balances, which are used for a number of purposes.

Keep evidence of how the valuation is determined. This should be provided to the fund's SMSF auditor when the fund's annual audit is carried out.

For the purposes of preparing the fund's accounts and statements, you are not required to obtain a valuation by a qualified independent valuer of the fund's assets.

However, you should consider using a qualified independent valuer if the:

- value of a fund asset represents a significant proportion of the fund's value
- nature of the asset indicates that the valuation is likely to be complex or difficult.

## Obtaining independent valuations

If you choose to get a valuation by a qualified independent valuer for a fund asset, you don't need to have a valuation completed by the qualified independent valuer each year.

However, you must still consider if a previous valuation provided by a qualified independent valuer can be used to support your valuation of the asset each year.

When preparing financial statements, you need to assess the value reported for all assets.

If you are relying on a valuation from a qualified independent valuer, you should:

- assess if it is still appropriate
- document how you came to this conclusion.

If a valuation has become materially inaccurate, or the value of an asset has changed significantly since it was last valued, you should no

longer rely on it. You should get a new valuation or use other forms of evidence to support your determination of the asset's market value.

### When you need a qualified independent valuer

The super laws only require a valuation by a qualified independent valuer in the following circumstances:

- from 1 July 2011 for any collectables or personal use assets that were acquired on or after 1 July 2011 and disposed of to a related party
- from 1 July 2016 for any collectables or personal use assets that were acquired by the SMSF before 1 July 2011 and disposed of to a related party after 30 June 2016.

However, you should also consider using a qualified independent valuer if:

- the value of the asset represents a significant proportion of the fund's value, or
- the nature of the asset indicates that the valuation is likely to be complex or difficult.

In these situations, we recommend you get a new valuation or use other appropriate evidence to support your determination of the asset's market value.

An approved SMSF auditor can also seek an independent valuation of the fund's investments as part of their audit and assurance engagement.

## Trustee and SMSF auditor roles for annual asset valuations

It's the trustee's responsibility to:

- value all fund assets at market value when preparing the fund's accounts and statements
- ensure the valuation is based on objective and supportable data.

The role of your SMSF auditor is not to value fund assets, or to determine their market value.

Your SMSF auditor may request that you provide all relevant documents that demonstrate how you arrived at the valuation.

Your approved SMSF auditor is then responsible for checking the valuation of fund assets as part of the annual SMSF audit. This includes applying their professional judgment in:

- checking that assets have been valued correctly
- assessing and documenting if the basis for the valuation is appropriate given the type of asset.

Some assets must be valued in a particular way to meet regulatory requirements.

# Additional valuation requirements for specific asset classes

## Listed securities

Listed securities includes listed shares and managed units. For their market value for end of financial year reporting, use the closing price on their approved stock exchange or licensed market on 30 June.

## Real property

When valuing real property, relevant factors and considerations may include:

- the value of similar properties and recent comparable sales results
- the amount that was paid for the property in an arm's length market, if the purchase was recent and no events have materially affected its value since the purchase
- an appraisal from an independent real estate agent
- whether the property has undergone improvements since it was last valued
- net income yields for commercial properties (not sufficient evidence on their own and only appropriate where tenants are unrelated).

Unless the property has been recently purchased by the fund, you should consider a variety of sources to substantiate the market value

of real property. Generally, it is not sufficient for valuations to be based on only one item of evidence in this list.

A valuation done by a property valuation service provider, including online services or a real estate agent, are acceptable. If this is the sole source of evidence being relied upon to substantiate the real property valuation, the valuation should specify the supportable data. For example, in the case of a real estate agent appraisal or online report, the valuation should list the comparable sales it relied on.

## Related party transactions

### Acquisitions of assets from related parties

SMSF trustees and investment managers are prohibited from intentionally acquiring assets from related parties.

However, there are exceptions, such as:

- listed securities
- business real property
- certain in-house assets.

Permitted assets must be acquired at market value and, if applicable, are subject to collectables and personal use asset rules.

Consider using a qualified independent valuer if either the:

- value of the asset represents a significant proportion of the fund's value
- nature of the asset indicates that the valuation is likely to be complex or difficult.

An approved SMSF auditor can seek an independent valuation of the fund's investments as part of their audit and assurance engagement.

### Investments made and maintained on an arm's length basis

Investments by SMSFs must be made and maintained on an arm's length basis.

The purchase and sale price of assets should always reflect a true market rate of return.

The value must be based on objective and supportable data.

Consider using a qualified independent valuer if either the:

- value of the asset represents a significant proportion of the fund's value
- nature of the asset indicates that the valuation is likely to be complex.

An approved SMSF auditor can seek an independent valuation of the fund's investments as part of their audit and assurance engagement.

### Collectables and personal use assets

Valuation requirements depend on the date the asset was acquired and disposed of.

Assets should be valued at the date of the transaction.

If an SMSF is disposing of a collectable or personal use asset to a related party of the fund, and the asset was acquired on or after 1 July 2011, the transaction must be conducted at market price as determined by a qualified independent valuer.

If the collectable or personal use asset was acquired before 1 July 2011 and disposed of after 30 June 2016, the disposal must be at market price as determined by a qualified independent valuer.

However, if the asset was purchased before 1 July 2011 and transferred before 1 July 2016, the transfer should have been made at an arm's length price based on objective and supportable data. This transitional period existed to provide you with time to comply with the regulations.

## In-house assets

If the SMSF holds an in-house asset, the value of all assets needs to be determined at the end of an income year. The valuation enables you to see if the market value of in-house assets exceeds 5% of the SMSF's total assets at the end of an income year.

We expect you to know the value of the assets in your fund. This doesn't mean that an external valuation needs to be performed for all assets each year. However, an external valuation of an asset (such as real property) may be prudent if you expect the valuation is now materially inaccurate or a significant event has occurred since it was last valued.

Other assets, including cash, managed funds and listed securities are easily valued and so should be valued at the end of each financial year.

The valuation of units in widely held trusts and managed funds should be based on the published exit price from the fund or trust manager.

## Valuing assets that support a pension

The value of assets that support a member's super income stream (pension) needs to be determined on 30 June each financial year. This enables calculation of the member's total super balance, which is used for purposes including:

- carry-forward concessional contributions
- non-concessional contributions and bring forward of the non-concessional contributions cap.

The market value of the assets also needs to be determined on either:

- the start day of a pension, for
  - calculating amounts that count towards the transfer balance cap
  - determining annual pension payment amount
- for ongoing pensions, 1 July of the financial year in which the pension is paid
  - for annual pension payment amounts.

Like valuing assets for the purpose of financial reports, the valuation can be done by anyone as long as it is based on objective and supportable data. If the valuation is likely to be complex, you may also consider the use of a qualified independent valuer.

It's expected that you would know the value of the assets in your fund. This doesn't mean that an external valuation needs to be performed for all assets each year. However, an external valuation of an asset such as real property may be prudent if you expect the valuation is now materially inaccurate or a significant event has occurred since it was last valued.

Other assets including cash, managed funds and listed securities are easily valued and so should be valued at the end of each financial year.

It's accepted that a reasonable estimate of the value of the account balance can be used when:

- a pension is started part way through the year
- calculating the value of a pension for transfer balance cap purposes when the member starts a pension on 1 July, but a full valuation of the assets supporting the pension is not possible by 28 October.

For example, the assets may include private company shares or the member may start a pension part way through a year and the SMSF has an obligation to report events no later than 28 days after the end of the quarter in which the event occurred.

Although a reasonable estimate of the value of a pension can be used in these circumstances, you can't rely on this reasonable estimate when preparing the SMSF's financial accounts and calculating the SMSF's entitlement to exempt current pension income.

## Unlisted securities and unit trusts

When valuing an unlisted security, like a share in a private company or a unit in an unlisted unit trust, we expect you to consider a number of factors that may affect its value, including both the:

- value of the assets in the entity
- consideration paid on acquisition of the unlisted securities or units.

Evidence to support your valuation of an unlisted security may include:

- an independent expert valuation of assets held in the company or unit trust
- a property valuation where property is the only asset of the company or unit trust
- the date and price of the most recent sale and purchase of a share or unit between unrelated parties.

If an independent expert valuation is not available, provide:

- evidence of how the market valuation was substantiated by the directors or trustees, including objective and supportable data on which they relied
- the valuation method they used, and any assumptions made.

You should consider using a qualified independent valuer if the:

- asset indicates the valuation is likely to be complex, or

- value of the asset (or assets) represents a significant proportion of the fund's value.

Company or unit trust financial statements that are signed and audited where the assets are valued at cost are unlikely to be sufficient evidence on their own.

## Investments without a ready market

When making investment decisions on behalf of the fund, you have obligations to protect and increase a member's benefits for retirement.

It's expected that you would be aware of:

- the value of an asset at the time of acquisition
- its potential for capital growth
- its capacity to produce income.

It's unlikely that an asset with no known value or potential for capital or income growth would be considered a prudent investment to support members' retirement goals.

It's acknowledged that there may be instances where investments fail and there is neither a current value nor a ready market. This may mean the asset is held and recorded in the financial reports and statements as zero or a nominal amount.

## When significant events affect the value of an asset

Significant events can include:

- a natural disaster
- a global pandemic
- macroeconomic events
- market volatility
- changes to the character of the asset.

When there has been a significant event that affects the value of an asset, and you are preparing SMSF financial accounts and statements, you should:

- get a new valuation of that asset

- use a valuation obtained after the significant event occurred, or
- get alternative evidence to support the value of the fund asset.

Use this valuation when determining the value of the assets that support a pension or when valuing assets for the in-house asset test.

## Our approach to valuations

We'll generally accept your valuation if:

- it doesn't conflict with this guide or market valuation of assets
- there's no evidence a different value was used for the corresponding capital gains tax event
- it was based on objective and supportable data.

If we conclude the most appropriate valuation method has not been used for any of the assets:

- your valuation will not be accepted, and
- the most appropriate valuation method will be applied to determine the value.

We may review a valuation during our compliance processes. As part of this review, you may be asked to provide evidence and documentation of the valuation method used to allow us to decide whether to accept the valuation or not.

QC 26343

# Lodge SMSF annual returns

How to lodge an SMSF annual return (SAR) once your SMSF's audit is finalised.

**Last updated** 24 August 2026

## Why it's important to lodge on time

You must lodge a self-managed super fund annual return (SAR) each financial year, even if your fund does not have a tax liability.

Lodging the SAR is the most essential compliance obligation trustees must meet. The SAR covers the income tax return, regulatory information and member contribution reporting, and enables payment of the SMSF supervisory levy.

If lodgment is overdue, your Super Fund Lookup status may change to 'regulation details removed'. This can restrict your SMSF from receiving rollovers and employer contributions, penalties can be applied and SMSF tax concessions can be lost.

If you lodge using the paper form you may experience delays. As per Our service commitment it may take up to 50 days to process a paper return. If you don't lodge your paper return with enough time for processing, your fund's Super Fund Lookup status may change to 'regulation details removed'.

An SMSF completes and lodges its SAR and pays the amount it is required to pay (if any) to us. SMSFs do not receive a notice of assessment. However, we will issue a notice of amended assessment if subsequent amendments are made.

Before you lodge, you must ensure your SMSF's audit has been finalised.

## Do I need to lodge?

If your fund had no assets in the first year it was registered, you won’t need to lodge a return for that year, if you ask us to either:

- cancel the fund’s registration
- mark the SMSF's record as return not necessary (RNN).

## Include your ABN

When lodging your SAR, include your ABN to ensure the member can see the account details for the SMSF when they access ATO online services.

This will allow members to choose their SMSF account if they are completing forms online for:

- compassionate release of super

- early release of super
- excess concessional contribution election
- excess non-concessional contribution election
- electing to release super to pay Division 293 tax
- electing to release super to pay Division 296 tax.

Member's SMSF account details will then also be available on Online services for agents.

## When to lodge and pay

Your lodgment due date depends on whether:

- you lodge the SAR yourself
- you lodge through a tax agent
- your SMSF is newly registered.

Failure to lodge your SAR by the due date can result in penalties and the loss of your SMSF's tax concessions.

### Lodging the SAR yourself

Newly registered funds and those with overdue SARs for prior years (excluding deferrals), need to:

- lodge their SAR by 31 October
- pay any owing amount by 1 December.

You should lodge and pay all other SARs by 28 February unless we ask you to lodge on a different date.

#### How to lodge

You can lodge your SAR electronically through Standard Business Reporting (SBR). You'll need:

- a machine credential
- SBR-enabled business software.

You can lodge a paper SAR by downloading the SMSF annual return and SMSF annual return instructions for the relevant year.

Complete the return and post it to:

**AUSTRALIAN TAXATION OFFICE**
**GPO BOX 9845**
**[insert the name and postcode of your state's capital city]**

### When a tax agent lodges your SAR

If your SAR is lodged through a tax agent, they'll provide the due date for lodgment and payment. The super lodgment due dates are set out in the tax agent lodgment program. For your first year or the first lodgment after a 'return not necessary' (RNN), the due date is 28 February.

If your SMSF is reviewed by us at registration, your first year return due date is 31 October even if it is prepared and lodged by a tax agent. We will notify you if this is the case.

If a due date falls on a weekend or public holiday you can lodge or pay on the next business day. For more payment options, see How to pay.

## Funds without assets

An SMSF is not legally established until the fund has assets set aside for the benefit of members. If your fund had no assets in the first year it was registered, you won't need to lodge a return for that year. Instead, you must ask us to either:

- cancel the fund's registration by advising us in writing that the fund was never established
- flag the SMSF's record as return not necessary (RNN) if the SMSF confirms in writing that
  - it had no assets and did not receive contributions or rollovers in the first financial year
  - it has documentary evidence of the date it first held assets and started operating, and provides this with their request
  - it will be lodging future returns.

RNNs for subsequent years will only be granted in limited circumstances and where the fund provides documented evidence of the date assets were first held by the fund.

These requests must be made in writing.

If you're a trustee, your request can be sent to us at:

**AUSTRALIAN TAXATION OFFICE**
**GPO BOX 9990**
**[insert the name and postcode of your state's capital city]**

If you're a tax agent, you'll need to use the Online services for agents mail option. Select 'Superannuation' as the topic, and choose from the following mail subjects:

- SMSF new registrant – return not necessary (RNN) request
- SMSF cancellation of registration – where a fund has not legally established.

Make sure to include the SMSF's name, TFN or ABN in the request and include all the relevant details and documentation.

## Amending your SAR

To amend your SAR, you will need to resubmit the whole return and indicate it is an amendment assessment at the relevant question. If you amend one label, other labels will require changes too because information on the SAR is interrelated. You need to:

- complete the form in full, not just the parts you want to amend
- provide contributions information for all members, not just the member whose contributions you may need to change.

## Members with a zero account balance

If an SMSF member has a zero account balance on 30 June this may indicate issues with the running of the fund.

If this occurs, make sure:

- the fund has been set up correctly
- the member contributes to the fund
- you are complying with super and tax laws.

Members should only have a zero account balance:

- when your fund is newly established
- if the member was added to the fund just before the end of the year

- if the member has rolled over their funds out of the SMSF just before the end of the year, but may not have totally exited the fund yet
- if the SMSF has a limited recourse borrowing arrangement (LRBA)
  - that complies with super laws
  - where the loan balance exceeds the value of the asset acquired under the LRBA because of a decrease in the asset's value.

## Has the super been illegally accessed

If a member has rolled over their super into an SMSF, a zero account balance may indicate the super has been illegally accessed. All trustees must ensure members have met a condition of release before legally releasing super money.

## Reporting a member's zero account balance

If a member's account has a zero opening or closing account balance on 30 June of an income year, this needs to be reported as zero on the SAR.

## Supervisory levy

You need to pay the annual supervisory levy with your SAR. The amount payable is stated on the return.

### Continuing fund payments

If your fund is continuing, you must pay your supervisory levy in advance of the next financial year. The amount payable will depend on if you are newly registered or not. If you are:

- not a newly registered SMSF, your amount payable is $259, which goes towards the next financial year
- a newly registered SMSF, your amount payable is $518, which covers the current financial year and the next financial year.

### Winding-up fund payments

If your fund is winding up, you are not required to pay a supervisory levy if you paid it in the previous financial year.

Label **M** on the SAR will enable funds that have wound up during a financial year to adjust the levy, so they don't pay the levy for the following year.

You will be required to pay the supervisory levy of $259 if the SAR relates to the first year of operating.

New funds will also have an adjustment Label **N** on the SAR to add the levy relating to the year of establishment to the amount payable.

QC 23331

# When to lodge a transfer balance account report for SMSFs

Which events SMSFs must report using the transfer balance account report (TBAR).

**Last updated** 2 April 2025

## Events you need to report

An SMSF must report events that affect a member's transfer balance account. Use the transfer balance account report (TBAR) to advise us when a transfer balance account event occurs. Events you need to report include:

- starting a retirement phase income stream
- starting a death benefit income stream, including those paid to a reversionary beneficiary
- full or partial commutations of retirement phase income streams
- any time a member's super income stream stops being in retirement phase, for example when the super income stream fails to comply with the pension rules or standards
- limited recourse borrowing arrangement (LRBA) payments if:
  - the LRBA was entered into or refinanced from 1 July 2017, and

  - the payment increases the value of the member's interest that supports their retirement phase income stream
- responding to a commutation authority notice we have issued
- receiving personal injury (structured settlement) contributions.

These events result in a credit or debit in the member's transfer balance account. We use this information to administer the member's transfer balance cap.

Information reported in a rollover benefits statement and in your SMSF annual return are not used to administer a member's transfer balance cap.

You can also use the TBAR to correct information about a transfer balance account event you have previously reported to us. You can find more information in the Superannuation transfer balance account reporting instructions.

## Events excluded from reporting

Events an SMSF does not need to report on a TBAR include:

- pension payments
- investment earnings and losses
- when an income stream ceases because the interest has been exhausted
- superannuation contributions except for personal injury (structured settlement) contributions that occurred on or after 1 July 2017
- the death of a member and any transactions that occur with an effective date on or after the member's date of death
- information other funds will report to us such as a member's interest in an APRA fund.

There are some transfer balance events that require individuals to report directly to us using a Transfer balance event notification form (NAT 74919). Events to report include:

- family law payment splits
- debit events from fraud, dishonesty, or bankruptcy

- personal injury (structured settlement) contributions made before 1 July 2007.

## When to report

Most transfer balance account events are required to be reported quarterly. You must report the event that affects the member's transfer balance within 28 days after the end of the quarter in which the event occurs. If an SMSF does not lodge on time it may be subject to compliance action and penalties. This may adversely affect your member's transfer balance account.

We encourage you to report events before they are due because it:

- assists members in managing their transfer balance account and avoiding exceeding their personal transfer balance cap
- helps ensure our calculation of a member's personal transfer balance cap is based on full and accurate information, in particular for events that occur in the income year before indexation
- helps avoid incorrect excess transfer balance determinations being issued
- avoids the pension being counted twice when a member commutes their pension, rolls it over to another fund and starts an income stream
- allows the rollover of a member's pension account to be reported before the SMSF is wound up.

You can find more guidance in the Law Companion Ruling, LCR 2016/9 *Superannuation reform transfer balance cap*.

### Exceeding the personal transfer balance cap

If a member exceeds their personal transfer balance cap, there are different reporting requirements for:

- a voluntary member commutation of an income stream in response to an excess transfer balance determination – must be reported within 10 business days after the end of the month in which the commutation occurs
- responses to commutation authorities – must be reported within 60 days of the date the commutation authority was issued.

If an individual has exceeded their cap and we issue an excess transfer balance determination or commutation authority based on incomplete or incorrect information, you must correct the reporting as soon as possible. This enables us to revoke the determination or commutation authority.

## Reporting methods

Read the TBAR instructions prior to selecting your reporting method so you can understand what information is required when lodging. You can lodge a TBAR:

- online through Online services for business
- through bulk data exchange
- by lodging the paper form Super transfer balance account report (NAT 74923)
- through a registered agent.

## Valuing assets for TBAR reporting

Trustees may choose to use a reasonable estimate of the value of an income stream to meet the TBAR obligations in line with our valuation guidelines for SMSFs. This usually occurs when the member starts a pension part way through the year.

In some instances, it may be wise to bring valuation practices forward.

If the trustee has used a reasonable estimate and the value of that income stream significantly changes, the trustee may correct the value initially reported to us.

## Correcting a report

If you've made an error in your reporting, you'll need to cancel the original report.

To cancel the original report:

- use the additional field to indicate the form is being lodged as a cancellation of a previous form.

- lodge the rest of the form exactly as you first submitted it, including the incorrectly reported information.

This enables us to match your cancellation request to the original lodgment.

If you need to re-report, ensure you lodge the cancellation first. Then, you can lodge the second report with the correct information.

Re-reporting is monitored, and we may request evidence of relevant documents and calculations to substantiate the TBAR amendment.

If you previously cancelled a report and want to undo it, send us a new report containing the original information.

## Reporting an account as closed

When lodging a TBAR to report that a member has commuted their pension in full, it is especially important to report the account as closed when they are:

- rolling over in full to another fund
- commuting in full or part to avoid exceeding their personal transfer balance cap before the credit arising from a capped defined benefit income stream is applied to their account.

If you don't report the pension account as closed, we may send the SMSF commutation authorities for the pension account.

This will mean it will take longer before the excess and excess transfer balance tax is rectified.

## Reporting a reversionary income stream

If a member dies and the death benefit income stream payable on their death is a reversionary income stream, you:

- don't need to report the death of a member for TBAR purposes
- need to report the credit that arises in the transfer balance account of the reversionary beneficiary because they have started to receive this reversionary income stream.

When reporting the credit for the reversionary beneficiary:

- complete the member details for the reversionary beneficiary who is receiving the income stream, not the deceased member

- clearly indicate you are reporting a reversionary income stream
- report the date of death of the member as the effective date
- report the value of the income stream on the day the member died (you may be able to use a reasonable estimate to do this).

We'll apply the credit to your member's transfer balance account 12 months after the death of the original member.

Between reporting the event to us and the credit being applied to your member's account, they will be able to see the value of the credit and when it will be applied in Online services for business. This will help them understand what action they may need to take to ensure they don't exceed their transfer balance cap when the credit is applied.

### Example: reversionary income stream

Alex and Robyn are spouses, and both have pensions in an SMSF.

- Alex dies on 4 February 2024.
- Alex's pension reverts to spouse Robyn.
- The value of the pension at the time of Alex's death is $1,567,000.

Robyn already has a credit in her transfer balance account of $800,000 from her life pension in the SMSF.

On 28 April 2024, the SMSF lodges a TBAR reporting:

- Robyn's details, as she is the reversionary beneficiary
- the credit of $1,567,000 will arise in Robyn's transfer balance account on 4 February 2025
- an effective date of 4 February 2024 (Alex's date of death)
- the income stream as reversionary.

Robyn will be able to view the reversionary income stream in her transfer balance account once it is reported by the fund, with the credit being included on 4 February 2025. This will help Robyn understand what she needs to do to avoid exceeding her personal transfer balance cap of $1,900,000.

On 1 February 2025, Robyn commutes $467,000 from her life pension.

If the SMSF doesn't report this to us before 4 February 2025, we'll send Robyn an excess transfer balance determination.

For more guidance on the tax and regulatory treatment of super death benefits and the treatment of death benefit income streams under the transfer balance cap provisions, see Law Companion Ruling LCR 2017/3 *Superannuation reform: Superannuation death benefits and the transfer balance cap*.

## Reporting correctly

Trustees have an obligation to ensure:

- their TBAR reporting is true and correct
- the commencement and commutation of retirement phase income streams is supported by contemporaneous fund records
- payments to members have been correctly characterised at the time the payment was requested so trustees and auditors can ensure the minimum pension payment standards have been met (this is especially important where pension payments have been made from an income stream that has also been commuted in full or in part during the year)
- their TBAR reporting for the commencement and commutation of retirement phase income streams also aligns with their ECPI claim for a year
- relevant documentation is clearly passed on to their auditor.

QC 57300

# Commutation authorities for SMSFs

How to respond to SMSF commutation authorities and what happens after you respond.

**Last updated** 2 April 2025

## Why we issue a commutation authority

We issue a commutation authority when a member has exceeded their transfer balance cap and we have sent them an excess transfer balance determination, and they have either:

- not commuted the excess amount in the determination in full by the due date
- made an election for us to send a commutation authority to their fund to have the excess amount commuted.

A commutation authority will detail the excess amount that must be commuted from the specified income stream for that SMSF member.

## How to action a commutation authority

You must respond by the due date on the commutation authority. The Commissioner doesn't have discretion to grant you an extension of time, if you can't respond in this time.

You must either:

- commute the amount stated on the commutation authority to
  - an accumulation account (unless it's a death benefit income stream), or
  - a super lump sum
- choose not to comply with the commutation authority because
  - the member is deceased, or
  - we've issued it in relation to a capped defined benefit income stream (CDBIS).

You must also:

- send us a Transfer balance account report (TBAR) reporting the details of the commutation or why you have chosen not to comply

with the commutation authority. For assistance with the TBAR, see TBAR instructions

- notify your member in writing that you have complied or not complied with a commutation authority.

## Responding to the commutation authority

Before you can commute an amount, you should make reasonable efforts to contact the member and discuss their options. They need to choose whether to retain the commuted amount in an accumulation account or take it as a super lump sum. If you can't contact the member, you should commute the amount in a way that you judge to be in the member's best interests.

If the commutation authority is for a death benefit income stream, the amount must be paid as a super lump sum.

You do not have authority from us to commute the member's income stream after the due date on the commutation authority.

### Commuting the full amount

Before you fully commute an income stream ensure the minimum pension amount has been paid. The amount paid must be at least the pro rata of the minimum annual payment amount.

When a pension is fully commuted it stops being in pension phase, which means it no longer provides the fund with exempt current pension income (ECPI). How this affects your SMSF will depend on whether it uses the aggregated or segregated method for claiming ECPI.

### Consequences of not responding to the commutation authority by the due date

If you don't commute the required amount by the due date (that is, within 60 days of the issue date of the commutation authority) or tell us why you have not done so (using a TBAR), the income stream will stop being in the retirement phase. This will affect the fund's entitlement to ECPI. You may also be liable for penalties or subject to compliance action.

There is also an administrative penalty if you do not notify your member of your response to the commutation authority within 60 days

of the issue of the commutation authority.

## Commuting a partial amount

When the amount on the commutation authority is higher than the value of the interest supporting the income stream, you must:

- commute the value of the interest
- close the account.

Before calculating the value of the interest that can be commuted, ensure you consider any pro-rata minimum pension payments that must be met.

The income stream in the commutation authority may have already ceased. This could be if the member has already exhausted the full value of the interest through pension payments. If this is the case, then you need to lodge a TBAR by the due date to tell us:

- you have complied in part
- the commutation amount is nil
- the account is closed.

### Example: commuting a partial amount

An SMSF member is receiving an income stream valued at $70,000 on 1 July 2023.

On 1 October 2023, we issue your SMSF a commutation authority for $100,000. You are required to commute the amount within 60 days of the issue date, so by 30 November 2023.

The member is receiving monthly payments of $525 so they have already received a total of $1,575 for July, August and September.

You decide to commute on 15 October 2023 so you will need to pay the minimum pension amount before you make the commutation. As the member is 86 years old, their minimum pension payment is 9% of the balance on 1 July 2023, which is $6,300.

The pro-rata amount is calculated by multiplying the annual amount by the number of days in the period, then dividing by the

number of days in the financial year. The calculation is as follows:

$6,300 (the minimum annual amount)

× 107 (number of days in the period)

÷ 366 (number of days in the 2024 financial year)

= $1,842.

$1,842 (pro-rata minimum pension amount)

- $1,575 (pension amounts already paid)

= $267

You make another minimum pension payment amount of $267 to ensure that the minimum pension payment standards will be met up to the date of the commutation.

The remaining $68,158 is commuted and retained in an accumulation account in the SMSF.

You lodge a TBAR, reporting by the due date 30 November 2023:

- that you have partly complied with the commutation authority
- a commutation value of $68,158
- the account is closed.

## What to do if the income stream identified in the commutation authority is a legacy or market-linked pension that isn't a capped defined benefit income stream

Certain legacy pensions, including market-linked pensions, are not a capped defined benefit income stream (CDBIS) if they started on or after 1 July 2017.

The pension rules that apply in these circumstances changed and commenced on 5 April 2022 to allow the commutation of specific legacy and market-linked pensions in order to comply with a commutation authority.

This is where one of the following is commuted and a new market-linked, or life expectancy pension or annuity is commenced (which is no longer a CDBIS):

- lifetime pension, regardless of the commencement date, or
- market-linked or life expectancy pension or annuity that commenced prior to 1 July 2017, and
- this CDBIS is commuted, and a new market linked, or life expectancy pension or annuity is commenced (no longer a CDBIS).

When the transfer balance account events are reported, if the member has an excess transfer balance account, then the excess can be commuted from these income streams (market-linked, or life expectancy pension or annuity). A commutation can only occur after a Commissioner's commutation authority is issued to the fund. This occurs 60 days after the member has been issued with an excess transfer balance determination if the member is still in excess.

If we issue you with a Commissioner's commutation authority in relation to one of these income streams, you must comply with the authority by commuting the income stream up to the maximum available and advise us using the TBAR.

### Example: commuting excess transfer balance from a market-linked pension

On 1 July 2018, your member purchased a market-linked pension (new credit) directly from the underlying account balance of the lump sum from the commutation of their CDBIS market-linked pension (the debit). Because their new market-linked pension commenced after 1 July 2017, it is no longer a CDBIS for transfer balance cap purposes.

The original credit for the CDBIS market-linked pension was valued on 1 July 2017 at $2.4 million. There was no excess as it was a CDBIS.

Under the updated regulations, the debit and credit for this commutation and new commencement will arise in the member's transfer balance account on 5 April 2022, when the regulation commenced. The reported effective date of these transfer balance account events is 5 April 2022.

A special value of $2.1 million is attributed to commutation of the old CDBIS (debit value). This is the original credit value less the total pension payments made before the commutation of the old

product since 1 July 2017. The underlying account balance of the lump sum when the old CDBIS was commuted was $1.8 million (the new credit).

The member will have an excess transfer balance amount of $500,000 that they would have been unable to resolve before the commencement of the regulation.

The member will receive a determination of their excess transfer balance amount which will include the excess and the deemed earnings that accrue from 5 April 2022. There will be no transfer balance credits for deemed earnings between 1 July 2018 to 5 April 2022.

A commutation authority will enable the member to commute the excess from the market-linked pension.

## The commutation authority relates to a CDBIS

You can choose not to comply with a commutation authority if it relates to a CDBIS.

You must:

- still lodge a TBAR by the due date to tell us you're choosing not to comply for this reason
- amend your initial reporting to us to advise that the income stream is a CDBIS.

This is because we won't issue a commutation authority to an SMSF in relation to an income stream you have told us is a CDBIS.

Amending your reporting may mean we need to recalculate your member's transfer balance.

### Example: commutation authority relates to a CDBIS

You reported a member has an account-based pension with a value of $2 million.

You receive a commutation authority requiring you to commute an amount from this pension.

You review your records and identify that this is a CDBIS.

You lodge 3 TBARs, which are to:

- cancel the original incorrect information
- correctly report the original pension as a CDBIS
- report that you're choosing not to comply with the commutation authority because it relates to a CDBIS.

### The account number for the pension has changed

In some instances, the reference you use to identify an income stream may have changed since the income stream was reported to us. For example, the SMSF has changed software providers and the income stream reported to us as account '123' is now referred to as account '123A'.

In these instances, we may send a commutation authority identifying the income stream that needs to be commuted, which uses the account number you initially reported to us.

You're still required to commute the identified income stream, even though the reference you use has changed.

## What you need to report on the transfer balance report (TBAR)

The TBAR must report that the SMSF has:

- complied with the commutation authority by commuting the full amount from the income stream stated in the notice, or
- complied with the commutation authority by commuting the income stream as much as possible – even if this is less than the amount in the commutation authority (this is known as the maximum available release amount), or
- chosen not to comply with the commutation authority because either:
  - the member is deceased
  - we issued the commutation authority in relation to a capped defined benefit income stream.

## Advising your member

When you comply with a commutation authority, you must notify your member in writing within 60 days of the commutation authority's issue date. If you don't, there may be an administrative penalty.

In your written notification to your member, include the following information:

- the member's name and address
- income stream account number in the commutation authority
- the issue date and due date of the commutation authority
- the amount you were required to commute
- the amount and date of any amount you commuted.

If you have chosen not to comply with the commutation authority because it was in relation to a CDBIS, you must also include a statement that explains this.

You must also sign the notice you provide your member and declare that the information it contains is 'true and correct'.

## What we will do after you've responded to the commutation authority

You must report on the TBAR whether you've either:

- complied with the commutation authority by commuting the amount in full or partly
- chosen not to comply with the commutation authority.

If you complied in full or notified us that the member is deceased, we will send your member or their estate an excess transfer balance (ETB) tax notice of assessment.

We will consider whether your member has other retirement phase income streams if you either:

- complied partly and the account is closed
- didn't comply because the stream is a capped defined benefit income stream.

If your member has other retirement phase income streams, we will then send commutation authorities to the providers of those income streams until the excess is resolved.

If these providers don't resolve the excess, we will send your member a *Notice of non-commutable excess transfer balance*. If we send your member this notice, they will receive a debit in their transfer balance account to resolve their excess transfer balance. Once your member is no longer in excess, we will send them an ETB tax notice of assessment.

## Disagreeing with the commutation authority

You cannot object to a commutation authority and your member can't direct you not to comply with it.

If you think the amount on the commutation authority doesn't take into account a commutation by the member, then this may be because:

- your member commuted their income stream after the due date on the excess transfer balance determination, or
- there was a delay in reporting the commutation to us.

You should provide any missing information or correct any reporting as soon as possible in time for us to revoke the commutation authority before its due date.

If your member disagrees with the way we calculated their excess, they can seek an extension of time to lodge an objection to the ETB determination. However, this doesn't remove your obligation to comply with the commutation authority by the due date once it's issued.

If an objection is lodged to the ETB determination and we allow the objection in full, then we will revoke or amend the commutation authority, if we are able to do this, by the due date. Otherwise, you'll still need to action the commutation authority by the due date.

### Vary or revoke a commutation authority

In limited circumstances, we may be able to vary or revoke a commutation authority once we receive and process any outstanding information. For example, if you think the amount on the commutation

authority doesn't take into account a commutation by the member then this may be because:

- your member commuted their income stream after the due date on the ETB determination, or
- there was a delay in reporting the commutation to us.

However, varying your commutation authority does not give you more time to comply. For example, if we issued a commutation authority with a due date of 30 November and receive information that allows us to vary it on 1 November, you still only have until 30 November to action the varied commutation authority.

QC 57302

# About Division 296 tax for SMSFs

How Division 296 tax will apply for self-managed super funds (SMSFs).

**Last updated** 29 June 2026

## Division 296 tax from 1 July 2026

From 1 July 2026, Division 296 tax will reduce the tax concessions available to individuals through their super. Division 296 tax can generally be paid from the individual's super fund(s).

It applies at a rate of 15% to an individual's taxable super earnings. Broadly, this is a portion of the earnings on all your super interests determined by the extent that your total super balance (TSB) exceeds the large super balance threshold (LSBT).

An additional rate of 10% will also apply to an individual's very large super balance earnings component. Broadly, this is a portion of the earnings on all your super interests, determined by the extent that your TSB exceeds the very large super balance threshold (VLSBT).

For the 2026–27 income year, the LSBT is $3 million and the VLSBT is $10 million. Both thresholds may increase due to indexation in future years.

For the 2026–27 income year, for Division 296 tax to apply, it is the TSB at the end of the income year that must be greater than the LSBT or VLSBT. For subsequent income years, it will apply if either the TSB just before the start of the income year or at the end of the year exceeds these thresholds.

Limited recourse borrowing arrangement (LRBA) amounts are disregarded when determining a member's TSB for Division 296 tax purposes.

For more information, refer to Division 296 tax.

## Self-managed super funds (SMSFs) and Division 296

Although Division 296 tax is assessed to the individual, SMSF trustees will need to provide information to us on their members that have a TSB exceeding the LSBT (in-scope members) for this to occur. The SMSF calculates its Division 296 fund earnings for the income year, which is an adjusted amount of fund taxable income. A portion of that amount is then attributed to the in-scope member's interests in the SMSF as the member's relevant super earnings and reported to us. The way that attribution occurs will depend on whether the member's interest in the SMSF is an accumulation interest or defined benefit pension. Subject to some exceptions, for example where Division 296 fund earnings are nil, an actuary will need to be engaged to work out the amount attributable.

You should report your in-scope member's relevant super earnings in the Self-managed superannuation fund annual return from the 2026–27 income year onwards. You will know your member is impacted by Division 296 if the TSB value of the member's interest in the SMSF exceeds the LSBT.

If you do not report your member's relevant super earnings on the SMSF annual return, we will notify you of your in-scope members and you will need to amend the SMSF annual return to report this to us. If you have a tax agent, the notification will go to them via Online services for agents. Otherwise, we will issue correspondence to your mailing address.

# Capital gains tax (CGT) adjustment for Division 296 tax

To calculate Division 296 fund earnings, an SMSF can elect to make a CGT adjustment to the cost base or reduced cost base of its CGT assets to the market value of those assets as at the end of 30 June 2026. This recognises the level of accrued value prior to the commencement of the Division 296 tax.

The CGT adjustment election applies to all CGT assets held by the SMSF at the end of 30 June 2026. Generally, it is only available to assets the SMSF holds or owns directly, and not to those held indirectly, other than through a custodian or tax look-through (for example, LRBA trust) arrangement.

The CGT adjustment election only applies for the purpose of working out Division 296 fund earnings for the SMSF for a year, to the extent that it is affected by the cost base or reduced cost base of the CGT asset.

The election:

- must be in the approved form (an approved form will be provided in due course)
- must be made by the due date of the SMSFs annual return for the 2026–27 income year
- cannot be revoked.

The election does not need to be provided to the ATO.

SMSFs must keep a record of the choice:

- for each CGT asset to which the election applies, records of each element of its cost base and reduced cost base (as affected by the choice)
- in plain English or be readily accessible and convertible into English
- for 5 years after it becomes certain that there can be no further CGT events occur in relation to any of the CGT assets to which the election applies.

SMSFs that apply the CGT adjustment will adjust the cost base of all its CGT assets (for Division 296 tax purposes) as follows:

- The first element of the cost base or reduced cost base is taken to be the asset's market value as at the end of 30 June 2026.
- Each other element of the cost base or reduced cost base is taken to have been adjusted to nil at the end of 30 June 2026 (such that any amounts that formed part of the cost base or reduced cost base on or before that day are disregarded).

## Further guidance

We are currently drafting a law companion ruling that will support funds with calculating their Division 296 fund earnings and member's relevant super earnings, including content on the CGT adjustment. For more information, refer to the regulations and the following relevant legislation:

- Superannuation (Building a Stronger and Fairer Super System) Imposition Act 2026 – Federal Register of Legislation
- Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026 – Federal Register of Legislation

QC 107628

# Self-managed super fund education products

See our publications and online education modules to navigate the various stages of your SMSF lifecycles.

**Last updated** 2 April 2025

## Education for SMSF trustees

Our publications and online education modules contain key points on what you need to know when starting, running or winding up your self-managed super fund (SMSF). They form a suite of education products aimed at supporting you, as a SMSF trustee, with your regulatory and reporting obligations.

We strongly recommend you take the opportunity to improve your understanding of your SMSF trustee obligations. We have developed these lifecycle publications and online education modules to help you achieve this.

You can use our publications as a reference tool while our online education modules are interactive and provide an excellent opportunity for you to build your knowledge.

With the education modules you can create an account and set up a personalised learning pathway, which will also record course completion.

## Starting a self-managed super fund

The Starting a self-managed super fund (PDF, NAT 75397, 1,643KB) publication and the Setting up a self-managed super fund online education module helps you consider if an SMSF is right for you.

The modules include:

- what is an SMSF
- choosing a structure
- an outline of your obligations
- registering your SMSF
- getting professional advice.

You can also find this content in:

- Thinking about self-managed super
- Setting up

## Running a self-managed super fund

The Running a self-managed super fund (PDF, NAT 75612, 2.12MB) publication and the Running a self-managed super fund online education module helps you understand your role and obligations to help you manage your fund effectively.

The modules include:

- accepting contributions and rollovers

- managing your fund's investments
- paying super benefits
- reporting and administration.

You can also find this content in:

- Contributions and rollovers
- Investing
- Paying benefits
- Administering and reporting

## Winding up a self-managed super fund

The Winding up a self-managed super fund (PDF, NAT 75417, 860KB) publication and Winding up a self-managed super fund education module helps you prepare for when you decide to wind up your SMSF.

The modules include:

- common situations where you may consider winding up
- preparing your exit plan
- how to correctly wind up your SMSF
- getting professional advice.

You can also find this content in Winding up

### Small business education portal

You can also easily access our SMSF online education modules from our Small business education portal.

QC 67369

# Help and support for SMSFs

SMSF resources, scam awareness, help and support.

**Last updated** 7 November 2025

## Resources to help you run your SMSF

Running a self-managed super fund (SMSF) takes time and effort. There is a lot to manage, record and report whether in accumulation phase or receiving a pension (income stream) from your SMSF.

We provide a range of resources to help trustees understand and comply with the SMSF laws and obligations, including:

- lifecycle publications, which you can use as a reference tool
- online education modules, which are interactive and enable you to build your knowledge
- information on how your SMSF is regulated
- information on how we respond to SMSF non-compliance
- instructional videos throughout our web content and on ATOtv
- our newsletter and alerts
- the SMSF newsroom
- ATO Community, our online peer-to-peer forum to discuss your SMSF and general super questions with other trustees and professionals in the sector.

## General advice

If you have checked the above resources and require further assistance, you can request general advice from us. Before contacting us, be aware that we can't provide financial or investment advice.

For general help with your SMSF obligations:

- **phone** us on **13 10 20** between 8:00 am and 6:00 pm, Monday to Friday
- write to us at

  **AUSTRALIAN TAXATION OFFICE**
  **PO Box 3100**

**PENRITH NSW 2740**

# SMSF specific advice

SMSF specific advice is a written explanation of our view of how super laws may apply to your SMSF for a specific transaction or arrangement, including its investments or payment of benefits.

We can only give SMSF specific advice if you provide sufficient details and supporting evidence. If your request is not about investment rules or payment of benefits, you can request general advice.

We don't:

- offer financial and investment advice
- recommend SMSF professionals or auditors
- advise on resolving trustee disputes.

To submit a request for specific advice, see Request for self-managed superannuation fund specific advice.

# SMSF early engagement and voluntary disclosure service

If you are an SMSF trustee or professional, you can use our SMSF voluntary disclosure service. This service allows you to engage early with us about regulatory contraventions that have not been rectified.

# Scam and fraud support

Fraudsters and scammers encourage people to:

- invest in fake superannuation and SMSF investments
- illegally access their superannuation early.

To help keep your SMSF safe, you can check:

- how to protect your information
- our scam alerts page, which we regularly update with information about the latest tax and super-related ATO impersonation scams

- schemes targeting SMSFs for information about illegal early release and tax avoidance schemes.

Before working with a tax or super professional, you should ensure they have the appropriate registrations. You can check the:

- Australian Securities & Investment Commission's (ASIC) professional registers for registered financial advisers or approved auditors
- Tax Practitioners Board for registered tax professionals or BAS agents.

## How to report scams or fraud

If you receive an SMS, email or letter from the ATO about an SMSF that **you did not establish**, contact us on **13 10 20** immediately.

If you suspect fraudulent activity but are not the victim, you can:

- confidentially report schemes and promoters to us
- call the Tax Integrity Centre hotline on **1800 060 062**
- complete the online tip-off form. The form is also available in the 'Contact' us section of the ATO app.

If you suspect the wrongdoing involves a tax practitioner, you can also lodge a complaint with the Tax Practitioners Board.

ASIC has more information about how to recognise and report super scams.

## If you are the victim of a scam or fraud

We offer general assistance if you are a victim of tax fraud.

If your SMSF has been the victim of fraud, you should also email the SMSF Strategic Campaigns mailbox. In your email, include the following information:

- your name and contact details
- the name and ABN of the SMSF
- the circumstances of the fraudulent activity, including names of alleged fraudsters
- whether the matter is being investigated and by whom

- what assistance you require.

We can assist you with:

- lodgment deferrals
- paying outstanding tax debts
- amending annual returns
- winding up your SMSF.

If you need advice on claiming damages or compensation, you should seek independent professional advice. In some circumstances the Australian Financial Complaints Authority (AFCA) can make orders for compensation against financial planning firms and other organisations. If you require information on making such claims, you should contact AFCA.

QC 59267

## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

## Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).