



Winding up a self-managed super fund

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

Reasons to wind up an SMSF

When you may need to wind up your SMSF and professional advice that may help you wind up your fund.

How to wind up an SMSF

What you need to do to wind up your SMSF, including paying member benefits and finalising your reporting obligations.

QC 23348

Reasons to wind up an SMSF

When you may need to wind up your SMSF and professional advice that may help you wind up your fund.

Published 2 April 2025

When to wind up an SMSF

It is important to regularly review your circumstances and decide whether you should continue with your self-managed super fund (SMSF) or wind it up.

There are various reasons why you may decide to wind up your SMSF. These can be due to a change in circumstances, such as:

- a change in personal circumstances – for example, you can't effectively manage the fund due to lack of time, permanent incapacity or failing health
- poor performing investments – for example, if the fund's investments are incurring a significant loss, or the fund is unable to meet ongoing costs
- all members want to leave the fund
- all members have left the fund – for example, benefits have been paid out, rolled over into another fund or there has been the **death of a member or trustee**
- disputes between trustees – for example, relationship breakdown, differing opinions on how the fund should be run or the other trustees have acted in bad faith
- your fund no longer meets residency rules – for example, the trustees have moved overseas.

If a member chooses to leave your SMSF for any reason, your SMSF may need to be restructured to continue to meet the **definition of an SMSF**.

If you have breached superannuation laws, have a contravention and are facing compliance action from the ATO, winding up your fund does not remove your responsibilities.

Winding up your fund to access your super before you are permitted is **illegal early access to super** and will result in serious penalties.

Once an SMSF is wound up, you can't reactivate it.

Media:How professionals can help when winding up
<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfshbro>

Mandatory professional involvement




It is mandatory that you engage an approved SMSF auditor to examine your fund's financial statements and compliance with super laws prior to lodging your final SMSF annual return.

You may also require an actuary to provide an actuarial certificate if your fund is paying a pension.

Consider professional advice

All trustees share equal responsibility to ensure that their SMSF is wound up correctly. This is even if you use professionals to help you wind up your fund.

Always ensure that you use registered professionals. You can check your:

- tax agent's registration at the [Tax Practitioners Board](#) 
- approved SMSF auditors at [Australian Securities & Investments Commission professional registers](#) 
- financial advisors at moneysmart's [Financial advice](#) .

How professionals can help when winding up

Tax agents and accountants can help you:

- prepare your financial accounts

- lodge any outstanding SMSF annual returns, your final annual return and any transfer balance account reporting required.

Fund administrators can help you:

- meet your reporting and administrative obligations
- provide you with services and advice, including accounting, tax and record keeping.

Legal practitioners can provide advice on:

- what is allowed under the law
- legal implications of issues such as divorce, estate planning or trustee disputes.

Financial advisors can provide advice and assistance with issues such as:

- how existing benefits should be paid
- recommendation of other superannuation products
- sale or transfer of assets.

QC 103945

How to wind up an SMSF

What you need to do to wind up your SMSF, including paying member benefits and finalising your reporting obligations.

Published 2 April 2025

Check your trust deed and exit plan

It's important for all funds to have an exit plan in place even if you're not ready to wind up now, as this will make it easier when the time does come.

Your plan should consider all the circumstances of your members and be signed off by all trustees. You should also keep this plan with the

fund's records.

When developing your exit plan you should consider:

- how to deal with member benefits upon their death
- appointing an enduring power of attorney
- estimated costs of winding up
- liquidity of fund assets
- being **SuperStream** ready to enable roll out of benefits
- who will keep copies of the fund's records and transactions.

Check your self-managed super fund's (SMSF's) trust deed and exit plan to understand any fund-specific requirements. These may include:

- if you can transfer ownership of assets to members rather than sell them
- how to deal with members' benefits.

Make sure you review your exit plan regularly, assess your fund and each member's circumstances to decide if an SMSF is still right for you. You may want to speak with an SMSF professional to help you decide.

Get written agreement

Organise a trustee meeting with all trustees to ensure everyone agrees with the decision to wind up the fund.

Document this decision in the meeting minutes and keep the document with the SMSF's records.

To avoid potential disputes, each trustee should sign the agreement to wind up. Electronic signatures are acceptable.

Dispose of assets

Sell or dispose of all the fund's assets, making sure you allow enough time to sell them. This will enable the payment of benefits to members or the rollover of benefits to another fund.

Ensure you:

- consider the liquidity of all fund assets
- deal with all assets in accordance with super laws and your fund's trust deed
- consider possible capital gains tax (CGT) and stamp duty implications from these events
- document all sale information including
 - decisions on how, when and the amount at which to sell assets
 - how they were valued
 - the buyer, date, and amount each asset was sold for.

Pay outstanding expenses and tax liabilities

You must pay any outstanding expenses and tax liabilities. These may include:

- final invoices
- expenses due to asset sales
- outstanding tax liabilities (such as PAYG instalments, **PAYG withholding** and CGT).

Log into **Online services for business** or contact us or your tax professional to:

- find out the balance of accounts we hold for your fund
- request refunds if they are due.

You can't close your fund if there are credit or debit balances remaining on the accounts.

If you receive a refund that you are not eligible to access, ensure you roll it over using **SuperStream** immediately after receiving it and before we cancel the fund's Australian business number (ABN). The **SMSF member TICK** service is available to validate a member's tax file number. Trustees can rely on the valid response from the service when they roll over member benefits.

Finalise outstanding tax and compliance obligations

You must complete all reporting and lodgment obligations before you lodge your final annual return and wind up your fund.

Each fund is unique, so what you need to report will depend on what types of payments, investments and expenses your fund has had.

Check if you have other reporting obligations like:

- pay as you go instalments
- goods and services tax (GST)
- business activity statements (BAS).

As a trustee, it's your responsibility to keep proper and accurate tax and super records. There are different **record-keeping requirements** for how long you must keep different records.

You can complete all reporting and lodgment obligations using:

- Online services for business
- your registered SMSF professional
- Standard Business Reporting (SBR) enabled software
- paper forms available on our website.

Transfer balance account reporting

If you were paying any of your members an income stream (pension), you must end it before winding up and consider if you have any transfer balance account reporting obligations.

All SMSFs must report events that affect their members' **transfer balance account**. Your member's account is debited when they fully or partially commute a retirement phase income stream. This lump sum can be paid out of the super system, or it can be transferred to another fund.

If your member is rolling over their income stream to another fund, we strongly encourage you to report this commutation to us as early as possible.

For example, if an SMSF member rolls their super benefit into an APRA-regulated fund and starts an income stream there – and it is not

reported to us by the SMSF at the time it happens – a double-counting of the member's income streams will occur. This means they will be taxed more than necessary because there will be a mismatch in timing of the reporting done by the APRA-regulated fund and the SMSF.

Ensure you lodge a **Transfer balance account report** with us as soon as possible to avoid this happening to fund members.

PAYG withholding reporting

Your obligations for **PAYG withholding reporting** will depend on what benefits you paid to members.

You may need to issue a PAYG payment summary to your members if you paid:

- retirement benefits to members such as an income stream (pension) or lump sum benefits
- a lump sum to a deceased estate, even if you didn't withhold any tax.

If the benefits paid are not assessable income and not exempt income, neither of the following are required:

- withholding tax
- a payment summary.

You must provide us with a **PAYG withholding payment summary statement** for payments:

- of a capped defined benefit income stream
- to a deceased estate where you issued a PAYG payment summary.

This is even if you didn't withhold tax.

You also need to complete a **PAYG withholding payment summary statement** and then follow up with a **PAYG withholding payment summary annual report** if you:

- withheld tax from benefit payments, or
- paid tax on benefits throughout the financial year.

Your PAYG withholding payment summary annual report is made up of the:

- PAYG withholding payment summary statement

- ATO copy of the payment summaries.

Sending these as soon as you provide payment summaries to the member makes it easier for them to lodge their tax returns. This is because we use the information to pre-fill individual income tax returns.

Calculate and distribute member benefits

You must work out the benefits each member is entitled to before:

- preparing the fund's final return
- calculating a member's closing account balance.

Your SMSF professionals can assist with this.

If you are selling or transferring any assets, address any CGT to ensure that your SMSF has enough funds to make the payments.

Any instructions from a member to a trustee about payment of benefits should be:

- documented in writing
- retained with the fund's records.

With the **death of a member**, you can pay benefits to someone other than the member. This is after ensuring they are entitled to receive the payment under your fund's trust deed and super law.

If you are already paying a pension to the member, ensure the **pension payment standards** are met before the pension is commuted and either:

- paid to the member
- rolled over to another fund.

Paying member benefits provides more details on what administration you need to complete to make these payments.

Ensure you leave enough money in the SMSF to pay amounts outstanding after lodgment of your annual return, such as any SMSF professional and audit fees and tax expenses.

Conditions of release

Allowing members to access their super before they are legally entitled can result in significant penalties to trustees, the SMSF and the member. The member may also have to pay tax on the super received.

How you distribute benefits will depend on if your fund members meet a condition of release.

If the member meets a condition of release, they can choose from either:

- paying benefits as cash
- rolling benefits over to another complying super fund.

If they are a member and do not meet a condition of release, you must roll over their benefits to another complying super fund.

Complete final SMSF audit

Prior to lodging all outstanding SMSF annual returns (SARs):

- check your fund has been audited every year since its establishment by an approved SMSF auditor
- ensure any outstanding audits as well as the audit for the final income year are completed by an approved SMSF auditor.

Lodge final SMSF annual returns

Lodge all outstanding annual returns.

Also complete and lodge the fund's final return, answering:

- in **section A, question 9**: Was the fund wound up during the income year?
 - include the date the fund was wound up and that you have met all your tax lodgement and payment obligations
- in **section D, question M**: Supervisory levy adjustment for wound up funds
 - check the Supervisory levy table in the relevant SAR year instructions as this shows what category your fund fits and the SMSF supervisory levy that is applicable.

Confirmation your SMSF has been wound up

By completing and lodging your final SMSF annual return, you have informed us that your fund is winding up. You don't have to write to us to wind up your SMSF or cancel the fund's ABN.

Once we have processed your final annual return, we'll send you a letter stating that we have:

- cancelled your SMSF's ABN
- closed your SMSF's record on our systems.

Once a fund is wound up, it can't be reactivated.


It is also your responsibility to ensure proper and accurate tax and super records are kept for the appropriate timeframe even when your fund has been wound up.

Notify third parties

Consider who you need to advise when you wind up your fund.

Make sure you notify any:

- employers making contributions to your fund
- SMSF professionals such as your tax agent, auditor and financial adviser.

If your fund has a corporate trustee structure and the corporate trustee was only set up for the purposes of the SMSF, notify [Australian Securities & Investment Commission](#)  that the company needs to be deregistered.

Close your SMSF bank account

Make sure you close your fund's bank account last.

If you close it too early:

- it can delay the wind-up process
- we may not be able to issue any refunds.

Only close your fund's bank account after ensuring you have:

- paid all final liabilities
- received all final refunds from us – make sure we have the fund's correct bank account details
- completed rollovers using SuperStream
- received confirmation from us that your fund has been wound up.

QC 103946

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.

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