

SMSFD 2010/1W - Self Managed Superannuation Funds: can a trustee of a self managed superannuation fund purchase a trauma insurance policy in respect of a member and still satisfy the sole purpose test in section 62 of the Superannuation Industry (Supervision) Act 1993 ?

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! There are Compendiums for this document: **SMSFD 2011/1EC** and **SMSFD 2010/1EC** .

! This document has changed over time. This is a consolidated version of the ruling which was published on *25 June 2014*



Notice of Withdrawal

Self Managed Superannuation Funds Determination

Self Managed Superannuation Funds: can a trustee of a self managed superannuation fund purchase a trauma insurance policy in respect of a member and still satisfy the sole purpose test in section 62 of the *Superannuation Industry (Supervision) Act 1993*?

Self Managed Superannuation Funds Determination SMSFD 2010/1 is withdrawn with effect from 1 July 2014.

1. SMSFD 2010/1 expresses the Commissioner's view that a trustee of a self managed superannuation fund (SMSF) can purchase a trauma insurance policy in respect of a member of that fund and still satisfy the sole purpose test in section 62 of the *Superannuation Industry (Supervision) Act 1993* (SISA) provided:

- any benefits under the policy are required to be paid to a trustee of the SMSF
- those benefits will become part of the assets of the SMSF at least until such time as the relevant member satisfies a condition of release, and
- the acquisition of the policy is not made to secure some other benefit for another person such as a member or member's relative.

2. Subregulation 4.07D(2) of the *Superannuation Industry (Supervision) Regulations 1994* (SISR) states that a trustee of a regulated superannuation fund must not provide an insured benefit in relation to a member of the fund unless the insured event is consistent with a condition of release specified in items 102 (Death), 102A (Terminal medical condition), 103 (Permanent incapacity) or 109 (Temporary incapacity) of Schedule 1 to the SISR.

3. Regulation 4.07D of the SISR applies from 1 July 2014.

4. However, subregulation 4.07D(2) of the SISR does not apply to the continued provision of an insured benefit to members who joined a fund before 1 July 2014 and were covered in respect of that insured benefit before 1 July 2014.

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5. The insured event under a trauma insurance policy, as described in SMSFD 2010/1, is not consistent with any of the conditions of release set out in subregulation 4.07D(2) of the SISR. Therefore, from 1 July 2014, a trustee of an SMSF is prohibited from providing such an insured benefit in relation to a member unless the member joined the fund before 1 July 2014, and was covered in respect of that insured benefit before 1 July 2014.

6. It is the Commissioner's view that an SMSF trustee that continues to provide a trauma insurance benefit to a member who joined the fund before 1 July 2014, and was covered in respect of that insured benefit before 1 July 2014, can purchase a trauma insurance policy to support the provision of that benefit and still satisfy the sole purpose test in section 62 of the SISA provided the conditions set out in SMSFD 2010/1 are met.

Commissioner of Taxation

25 June 2014

ATO references

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