SUPERCENTRAL

Actuarial certificate requirements burden reduced slightly

The compliance and cost burden for SMSFs which are entirely in retirement phase during a financial year may now be reduced as they will no longer be required to obtain an actuarial certificate to determine their "exempt current pension income".

These SMSFs will be permitted to determine their "exempt current pension income" using the segregated method as all the funds will be "segregated current pension assets".

While this change has been achieved by a very short 3-line amendment (!), the technical background to the amendment is rather more complex. However, before we get to the exciting technical bit, possibly some more details need to be provided as well as the practical implications of this amendment should be noted.

The headline

Not being required to have an actuarial certificate to determine the percentage of an SMSF's income is exempt will save the SMSF from having to incur the cost of the certificate (possibly, avoiding $150 to $250 each year).

The details

Unfortunately, this cost saving may not be as generous as it seems as the circumstances when the cost saving will apply are fairly limited and other expenses may have to be incurred. Essentially, the amendment will only benefit SMSFs which are entirely in pension phase for the entire year where the pension liabilities arise exclusively from account-based (including allocated pensions) or from market linked pensions.

If the SMSF was in accumulation phase until say, Day 185 of the financial year, and then entirely in retirement phase by reason of the issue of one or more account-based pensions on Day 186 of the financial year then under the amendment, the SMSF will no longer be required to obtain an actuarial certificate for the period from Day 186 until the end of the financial year. However, accounting work will be required to identify the income (and expenses) of the SMSF which relate to the first part of the financial year: namely from Day 1 to Day 185. The problem is that the cost of the additional accounting work may exceed the saving arising from not having to obtain an actuarial certificate.

In short, this amendment will only benefit SMSFs which would have been prevented from using the segregated method to determine the exempt current pension income by reason only that the assets of the SMSF were disregarded small fund assets.

The legal stuff

The amendment has been made by Schedule 3 of the *Treasury Laws Amendment (2021 Measures No 6) Act 2021* (Act No 111 of 2021) and applies to the 2021/22 and subsequent financial years.

For more information on any aspect covered in this article, please call SUPERCentral on 02 8296 6266 or email info@supercentral.com.au.