

+ May 2020 Superannuation Update

Minimum account-based pensions reduced by 50% for 2020 and 2021

A major requirement for a super pension to be complying, and therefore enable earnings of the super fund to be tax-free, is that the minimum annual pension payment is made each financial year. This minimum annual pension is calculated by multiplying the member's pension account balance at the start of the financial year by a minimum percentage (which increases the older one gets).

To reduce the need for pension members to crystallise investment losses due to the current market dynamics the government has halved the minimum pension percentage for the years ended 30 June 2020 and 2021. This applies to account-based pensions and annuities (known as allocated pensions until 2017) and market-linked pensions and annuities (aka term allocated pensions which apply for a fixed term):

Pension member's age at the start of the financial year	Normal minimum pension drawdown rate (%)	Reduced rates available for 2020 and 2021 (%)
Under 65	4	2
65 - 74	5	2.5
75 - 79	6	3
80 - 84	7	3.5
85 - 89	9	4.5
90 - 94	11	5.5
95+	14	7

Should the normal minimum pension have already been taken for the current financial year, no adjustment is required, ie. the pension member

may not re-contribute any pension taken in excess of the 50% reduced amount unless they are eligible to make additional superannuation contributions (subject to any other rules or limits such as contribution caps).

Rent relief where landlord is an SMSF

The ATO have confirmed that SMSFs can provide 'a temporary rent reduction' to tenants, including a tenant:

- who is a related party or related trust; and/or
- where a member, relative or a member or related party/trust has an underlying economic interest in the tenant.

Although this would normally trigger a range of SIS Act compliance breaches, the ATO has indicated that it will not take compliance action for either the 2020 or 2021 financial years.

As a result, an SMSF can provide a temporary rent reduction immediately without fear of the ATO taking adverse action.

It appears that so long as the rent reduction is temporary in nature, SMSFs are free to determine the amount of rent reduction and the rent reduction period and market evidence is not required to support those numbers. However, it's important to note that the current ATO concession does not apply to other lease incentives or relief which are not a 'temporary rent reduction'.

The guidelines make no distinction between commercial and residential leases – it appears that both are within the scope of the ATO concession.

Commercial leases Mandatory Code of Conduct

Additionally, the government has introduced a Mandatory Code of Conduct which applies to commercial leases where the lessee experiences

financial stress or hardship (lessee's who become eligible for the JobKeeper payment are automatically subject to the Code).

The Code sets out several 'good faith' leasing principles which have been ratified by the relevant State or Territory governments.

A major requirement is that the lease payment is to be adjusted where the lessee's turnover has reduced by 30% or more as compared to the same period in the previous financial year.

This adjustment requires at least half of the proportionate decrease in turnover to result in forgiven/free rent with the balance of the proportionate decrease being deferred lease payment; delayed until the pandemic period has finished and repayable over a period of the greater of the remaining lease term or 2 years. This Code does not apply where/if parties to a lease have agreed to alternative terms.

Early Release/Access to Super

Eligible Australian and New Zealand citizens and permanent residents can apply to access up to:

- \$10,000 of their super until 30 June 2020; and
- a further \$10,000 from 1 July 2020 until 24 September 2020.

To apply for early release, you must satisfy one or more of the following requirements:

1. you are unemployed.
2. you are eligible to receive a Job Seeker payment, youth allowance for parenting payment (which includes the single and partnered payments), special benefit or farm household allowance.
3. On or after 1 January 2020:

- as an employee, you were made redundant or your working hours were reduced by 20% or more; or
- if you were a sole trader, your business was suspended or there was a reduction in your turnover of 20% or more.

Applications for early release of super will not be required to submit evidence of eligibility, however such records are required to be retained and available if requested.

It should be noted that an early release of super may affect a member's personal insurances (income protection and/or life/TPD cover) and the retirement balance of the member.

Scammers also target SMSFs

A reminder to protect your and your super fund's financial information. Be protective of tax file numbers. Exercise caution when clicking links or downloading attachments in suspicious emails, text messages or social media posts, even if they appear to be from someone you know. Monitor your super accounts for unusual activity or transactions and immediately contact your bank, accountant, and the Tax Office if you notice anything unusual or incorrect. Maintain strong, and don't share, passwords. Obtain up to date security on your devices.

Please contact our office with any accounting or taxation questions.