L JACK & ASSOCIATES

Chartered Accountants | Business Advisory | Taxation | Superannuation | Financial Accounting | Financial Planning & Advisory | Estate Planning

End of Year 2025 Reminders & Actions

In brief

Date	Changes and actions
Pre 30 June 2025	• **Ensure that contributions are made and received by 30 June. If contributions are by EFT, ensure that the contribution is recognised in the fund's bank account as at 30 June.** • Where applicable, ensure minimum pension payments have been withdrawn from the fund's bank account by 30 June. • Review your fund's investment strategy including the appropriateness of any existing insurance held by the SMSF or the need for insurance coverage for fund members. • Rectify any outstanding compliance issues noted by your auditor. • Ensure paperwork is in place for any in-specie contributions made to the fund.
1 July 2025	• Personal income tax rates and thresholds change. • Indexation of the general transfer balance cap to $2 million • Superannuation guarantee increases to 12%
1 July 2025 or 1 July 2026	• Extra 15% tax on earnings for super balances above $3m commences*

**Subject to legislation. Not yet law.*

What's new

Deductible contributions

If your total superannuation balance allows it, and you have not used your $30,000 concessional contribution cap, you could make a one-off deductible contribution before the end of the financial year and take the higher tax deduction. The cap includes superannuation guarantee paid by your employer, amounts you have salary sacrificed into super, and any amounts you have contributed personally that will be claimed as a tax deduction.

To make a deductible contribution to your SMSF, you need to be aged under 75, lodge a notice of intent to claim a deduction in the approved form with your SMSF and get an acknowledgement from the fund before you lodge your tax return (yes, even if you are giving the paperwork to yourself in your role as trustee). For those aged between 67 and 75, you can only claim a deduction on a personal contribution to super if you meet the work test (i.e., work at least 40 hours during a consecutive 30-day period in the income year, although some special exemptions might apply).

Be aware that any concessional contributions you make are included in the threshold for the high income earner, Division 293 tax. If the total of your assessable income and your concessional contributions is above the threshold ($250,000 for 2024-25), then 15% tax is charged on the excess over the threshold or the taxable super contributions, whichever is less. If you are likely to be close to the threshold, check that any concessional contributions you are planning to make have the intended impact.

Catch-up concessional contributions

If your superannuation balance on 30 June 2024 was below $500,000, you might be able to access any unused concessional cap amounts from the last five years in 2024-25 as a personal contribution. For example, if you were $8,000 under the cap in each of the last 5 years, you could contribute an additional $40,000 and take the tax deduction in this financial year at the higher personal tax rate.

Tax offset for spousal contribution

If your spouse's assessable income is less than $40,000 and you both meet the eligibility criteria, you could contribute to their superannuation and claim a $540 tax offset.

Indexation of the General transfer balance cap

Indexation of the general transfer balance cap (TBC) will occur from 1 July 2025. The general transfer balance cap will increase by $100,000 from $1.9M to $2M. The general rate for the transfer balance cap (TBC), limits how much money you can transfer into a tax-free retirement account. The TBC is indexed by the December consumer price index (CPI) each year.

Indexation of the general transfer balance cap will impact your personal TBC. You will be entitled to an increase of the cap if you have not previously exceeded or used all your cap. Your personal transfer balance cap increase will be a proportion of the $100,000 and will depend on your unused cap space. If you are starting a pension for the first time after 1 July 2025 your personal TBC will be $2M. You can contact us for further details on your personal transfer balance cap, or you can access your personal TBC through ATO online services

Utilising the bring forward rule

The bring forward rule enables you to bring forward up to 2 years' worth of future non-concessional contributions into the year you make the contribution – this is assuming your total superannuation balance enables you to make the contribution and you are under age 75.

As a result of the indexation of the general transfer balance cap, the total superannuation balance (TSB) will increase from 1 July 2025 for the bring forward rules. This will allow members with a TSB below $2M on 30 June 2025 to make non concessional contributions

Contribution and bring-forward available to members under 75 from 1 July 2025

Total superannuation balance as at 30 June of the prior financial year	Contribution and bring-forward available
Less than $1.76 million	Access to $360,000 cap (over 3 years)
Greater than or equal to $1.76 million and less than $1.88 million	Access to $240,000 cap (over 2 years)
Greater than or equal to $1.88 million and less than $2 million	Access to $120,000 cap (no bring-forward period, general non-concessional contributions cap applies)
Greater than or equal to $2million	Nil

Superannuation Guarantee increases to 12%

The Superannuation Guarantee (SG) rate will rise from 11.5% to 12% on 1 July 2025. This is the final increase of the Superannuation Guarantee rate.

If you are employed, what this will mean depends on the terms of your employment agreement. If your employment agreement states you are paid on a 'total remuneration' basis (base plus SG and any other allowances), then your take home pay might be reduced by 0.5%. That is, a greater percentage of your total remuneration will be directed to your superannuation fund. For those paid a rate plus superannuation, then your take home pay will remain the same, but your superannuation balance will benefit from the increase. If you are used to annual increases, the 0.5% increase might simply be absorbed into your remuneration review.

30% tax on super earnings for balances above $3m

As a result of the election, the Government is pushing ahead with the proposed additional 15% tax on superannuation fund earnings for those with a total superannuation balance (TSB) above $3m. Whilst the legislation enabling the new tax (Division 296) is scheduled to commence from 1 July 2025, at present there is no legislation drafted to introduce this tax Parliament will comment sitting from July 22 and at this point we expect the legislation to be reintroduced. Our comments are on the basis the legislation is reintroduced in line with the prior legislation that lapsed.

If you are likely to be impacted by the tax, it is very important that the valuation of your superannuation assets is correct.

The Division 296 tax will apply for the first time to the growth in earnings (realised earnings from the sale of assets and unrealised earnings from the growth in the value of assets) between 1 July 2025 and 30 June 2026, for the portion above $3m.

The ATO will perform the calculation for the tax on earnings. TSBs in excess of the $3 million cap will be tested for the first time on 30 June 2026 with the first notice of assessment expected to be issued in the 2026-27 financial year.

Individuals will have the choice of paying the tax personally or from their superannuation fund. Those with multiple accounts can nominate which fund will pay the tax.

From fund perspective, reporting will form part of the current year-end tax return process.

Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests.

If your superannuation balance is close to or above the $3m cap, it is important to seek advice on the best possible options for you.

What's not changing

Contribution Caps

The concessional contributions cap remains at $30,000 for 2025-2026. The non-concessional contributions cap remains at $120,000.

Minimum pension drawdown

The minimum pension drawdown, the amount you must draw from your pension each year, also remains the same:

Age	**Default minimum drawdown rates (%) from 1 July 2023 onwards**
Under 65	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95 or more	14

Areas of ATO concern

Market Valuations
In 2024 the ATO contacted auditors where the SMSF's they audited reported unchanged values for certain assets across several income years. In 2025 the ATO will continue to review auditors where asset values remain the same and no ACR is lodged:

Valuation fundamentals

- Each year, the assets of your SMSF must be valued at 'market value' and evidence provided to your auditor.
- If your SMSF holds collectible and personal use assets like artwork, jewellery, motor vehicles etc., a valuation must be performed by a qualified independent valuer on disposal to a related party.
- The ATO require trustees to value assets based on "objective and supportable data."
    - Commercial and residential real estate does not need to be valued by an independent valuer but an independent valuer should be considered where there have been significant changes to the property or the market, the property represents a significant proportion of the fund's value, or it is unique or difficult to value.
    - If the trustees are completing the valuation themselves, ensure that you document the valuation date and the characteristics that contribute to the valuation (i.e., a 10 year old brick four bedroom property on 640m2 of land in what suburb and any features that make it more or less attractive to a buyer, for example proximity to transport). And, the trustees should access more than one source of credible comparative sales data either on similar properties in the same suburb that have sold recently or from a property data service. Do not use the generic values on online sales sites.
    - For commercial property, net income yields are required to support the valuation. Where the tenants are related parties, for example your business leases a commercial property owned by your SMSF, you will need evidence that a comparative commercial rent is being paid, and the rent is keeping pace with the market.
    - For unlisted companies and unit trusts, the financials alone are not enough to support a valuation. Generally, the starting point is the value of the assets in the entity and/or the consideration paid for the shares/units. For widely held shares or units, this is the entry and exit price. Where property is the only asset, then the valuation principles for valuing real property are likely to apply.

Fund 'housekeeping'

SMSF compliance status removed if annual returns late

If your SMSF's annual return is more than two weeks overdue and you have not requested a deferral, the ATO will move your fund's status on Super Fund Lookup from 'Complying' to 'Regulation details removed'. The result is that your fund may not be able to accept contributions from employers or rollovers from APRA regulated funds.

If you are having trouble paying your tax liability, please let us know as soon as possible so we can negotiate a deferral or payment plan with the ATO on your behalf.

Contributions must be received by 30 June

To claim a tax deduction for super contributions (as an employer or as an individual), the payment needs to be received by the fund no later than 30 June. Merely incurring a liability is not enough. To claim a tax deduction for a personal contribution you need to lodge a notice of intent with the SMSF, advise the amount you intend to claim as a deduction, receive the confirmation from the fund of the tax deductibility of the contribution, and physically make the contribution.

Review and rectify any outstanding compliance issues

If your auditor has highlighted any breaches or issues in previous year fund audits, you should review and rectify these issues by 30 June.

Review the fund's investment strategy

Trustees are required to 'regularly review' the fund's investment strategy. We recommend that trustees review the strategy, and document the review, at least annually or when the circumstances of the fund change.

Review insurance inside your SMSF

SMSF trustees need to consider the need for insurance cover for the fund members when formulating and reviewing the fund's investment strategy.

SMSFs are only able to offer or take out new insurance cover where the definitions are consistent with the death, terminal illness, permanent incapacity and temporary incapacity conditions of release under the *Superannuation Industry Supervision Act*.

It's important that you review insurance inside your SMSF, not just for compliance with the law, but also effectiveness. An important issue to consider is how any insurance inside your fund should be structured; that is, from where the premiums are paid from the fund and what account any policy proceeds will be paid to inside the fund.

Correctly structuring insurance inside your fund can be complex. We recommend that SMSF Trustees seek the advice of their financial adviser to achieve the most tax effective outcomes for insurance proceeds, especially for ageing or unwell members.

Contributions you didn't know you made

Trustees are often surprised by what is considered to be a contribution. Beyond money, these can include personally paying fund expenses, obtaining goods and services for less than market value, and some discretionary trust distributions. For example:

- **In-specie transfer -** If an asset is transferred or acquired from a related party for less than fair market value, the difference may be treated as a contribution.
- **Capital improvements -** Capital improvements to existing fund assets for no consideration or less than arm's length consideration may be treated as a contribution.
- **Debt forgiveness -** A contribution is made if a loan, entered into by the fund is forgiven by the lender (related party). The contribution is made when the deed of release is executed that then relieves the fund from the obligation of repaying the debt.
- **Guarantor arrangements -** A contribution occurs if a guarantor to a debt of the fund (trustees in their own right) satisfies a loan obligation of the fund and then forgoes the right of redemption against the fund (trustees) itself.

What we need from you

This is a general list of what we need to complete your fund's tax and accounting requirements.

- Bank statements (including any new accounts including term deposits) from 1 July 2023 to 30 June 2025.
- Pensions:
    - Documentation supporting any pensions commenced during the 2023-24 financial year.
- Investments:
    - Portfolio valuation as at 30 June 2025 and transaction history reports (if applicable)
    - All documentation from your portfolio or wrap provider including year end tax statements
    - All dividend & tax statements
    - Buy & sell contracts for shares sold or purchased
    - Any other documentation received during the year that relates to takeovers, restructures, bonus shares, consolidations etc., for shares held by the fund. Usually, these documents advise you to retain them for taxation purposes
    - Any other document relating to an investment held within the fund which has not been covered above
- Property:
    - Agent statements (either monthly or annual) if using an agent to manage property, otherwise, all invoices and rent receipts for the year ending 30 June 2025
    - A copy of the current lease/rental agreement (if not already provided)
    - Documents for property bought or sold, including the date you entered the contract and the date the asset was first used or installed ready for use
    - Rental appraisal & market valuation from an agent (if you are using one to manage your property)
    - Invoices for expenses paid
- Rollovers:
    - Copy of any Rollover Benefits Statements for money rolled into the fund during the period 1 July 2023 to 30 June 2025
- Insurance:
    - Copy of life insurance policy annual renewal documentation form (the ownership of the policy should always be in the name of the superannuation fund)
    - Copy of documentation relating to any new insurance policies from 1 July 2023.
- Other:
    - If you have transactions in your fund that do not fall into the above categories, please ensure that you provide us with full details