Changes in the SMSF landscape for 2013

Managing your retirement savings and controlling an investment portfolio are two responsibilities that are stressful enough without having to worry about the minefield of potential compliance mistakes that can be inadvertently made. Here we have compiled suggestions as to what self-managed superannuation funds (SMSFs) should look out for in 2013.

Remember changes to the SMSF levy

The government will bring forward payment of the SMSF levy such that it is levied and collected in the same financial year. This will ensure consistency with APRA-regulated funds, which pay the superannuation supervisory levy in the same financial year it is levied. The change in the timing of the collection of the SMSF levy will be phased in over 2013-14 and 2014-15 to give SMSFs time to adjust. Also, the SMSF levy will increase from $200 to $259 per annum from July 1, 2013 onwards.

Adhere to rules on investing in collectables and personal use assets

SMSF trustees who purchased artwork and upmarket collectables – including paintings, jewellery, antique possessions, wines or spirits, postage stamps, rare coins and manuscripts among other assets – before July 1, 2011 have until July 1, 2016 to ensure they adhere to regulations which govern the circumstances described below:

• "related-party" transactions made by an SMSF where collectables and personal use assets are leased to members of the SMSF, their partners, relatives and their respective partners, as well as trusts and companies, that are members of the fund are now outlawed

• an SMSF must not hold assets in the form of collectables and personal use assets in the private residence of a trustee or member of the fund

• the definition of "private residence" has been changed s0 that it now includes land used for private purposes and buildings on that land, such as garages and sheds

• buyers will have to have storage arranged before they add a collectable or personal use asset to their fund's holdings. A written record of the decision related to storage, and the arrangement of that storage, is mandatory and needs to be kept for 10 years

• negotiations for insurance for collectables and personal use assets should occur before purchase. Anything that is not insured within seven days will result in a breach of the new regulations

• collectables and personal use assets can only be transferred out of an SMSF at a value that is to be determined by a qualified independent valuer.

Review fund investment strategy

Effective from August 7, 2012, SMSF trustees are required to review their fund's investment strategy on a regular basis to ensure it continues to best serve the purposes of the fund and its members. Evidence of these reviews – such as meeting minutes and other documents – should be kept to show that these investment strategy reviews are carried out on a regular basis. The Tax Office also advises SMSF trustees to consider insurance as part of their fund's investment strategy.

Value the SMSF's assets at market value

As part of the same set of rules that became effective on August 7, 2012, SMSFs are required to value the fund's assets at market value for the purposes of preparing financial accounts and statements.

The first time you will need to value an SMSF asset at its market value is for the 2012-13 financial year accounts and statements, when you will need to determine the market value of the asset as of June 30, 2013. Consult this office on the valuation guidelines for SMSFs.

Separate your money and assets of the fund

Trustees have always had an obligation to keep the money and other assets of the SMSF separate from those held by them personally, but in the last suite of measures introduced on August 7, 2012, this requirement to separate these assets is now an operating standard.

This effectively means the Tax Office has the power to enforce compliance. A person who intentionally or recklessly contravenes the standard may have to pay a fine of up to $11,000, or this may result in an SMSF being declared non-compliant.

Take note of the new penalty regime

A new penalty regime – set to apply from July 1, 2013 – will give the Tax Office power to issue administrative penalties, rectification and "education" directions to individual trustees who contravene the rules governing SMSFs.

The exposure draft from the government made clear that any penalties imposed under the new administrative regime are payable personally by the person who committed the breach, and must not be paid or reimbursed from assets in the SMSF.