

SMSF Death Benefit Checklist

Part One: Alternative Trustees

1 LPR APPOINTMENT

Need to review trust deed to ensure the appointment of the LPR is possible:

Check trust deed, most deeds allow for the automated appointment

LPR must accept and consent to the appointment

LPR must sign a Trustee Declaration

A fund with a corporate trustee must review the constitution of the company to determine what action needs to occur to appoint LPR as director of company

ASIC reporting & ATO notification of any new trustee/director appointment

2 LPR REMOVAL

The LPR of the deceased member must be removed as trustee of an SMSF when the death benefit commences to be paid:

Initial lump sum payment

Commencement of income stream

Attend to various ATO/ASIC reporting for the removal of the replacement trustee/director

Follow the removal of the LRP as trustee, an SMSF has 6 months to ensure it satisfies the definition of an SMSF in accordance with Section 17A of the SIS Act

Part Two: Paying Death Benefits

1 ARE THERE ANY NOMINATIONS

Binding nominations in accordance with legislative requirement (lapsing)

Binding nominations in accordance with the terms of their trust deed (non-lapsing)

Non-binding nomination gives ultimate discretion to trustee of the fund

Binding nominations must be witnessed by two independent adult witnesses

Can only nominate SIS dependant or their LPR, LPR will distribute their superannuation in accordance with their will

2 WHO ARE THE SIS DEPENDANTS

SIS determines who a death benefit can be payable to

Spouse (including de facto and same sex but excluding former spouse)

Child (any age)

Person who is financial dependent

Person in an interdependent relationship with the member

3 WHO ARE THE TAX DEPENDANTS

Tax treatment of the death benefit

Spouse (including de facto, same sex and former spouse)

Child under age of 18

Financial dependent

Interdependent relationship

4 HOW CAN A BENEFIT BE PAID

Tax dependent can receive in the form of lump sum payment and/or pension

Adult children can't receive pension unless they are under 25 and financially dependent or permanently disabled. Only in the event to permanent disability can an adult child continue to receive pension after age 25. In all other circumstances the pension must be taken as a lump sum on turning 25

Is the income reversionary? Reversionary pension can be paid as pension, lump sum or combination of both

5 PRESCRIBED PERIOD FOR DEATH BENEFIT COMMUTATIONS

The commutation of a death benefit income stream will be treated as a super death benefit in the hands of the beneficiary if the benefit is paid within the prescribed period

The commutation of a death benefit income stream will be treated as a superannuation member benefit in the hands of the beneficiary if the benefit is paid outside of the prescribed period

Prescribed period is the latest of (1) 6 months after the death of the deceased person (2) 2 months after the grant of the probate of the Will or letters of administration of estate (3) if payment is delayed because of legal action, 6 months after the legal action ceases (4) if payment is delayed because of finding recipients, 6 months after the process is completed

6 CALCULATE MINIMUM PENSION FOR THE REMAINED OF THE YEAR

On the death of a pensioner, there is no requirement to pay the minimum amount if it is commuted in a year of income

When the pensioner dies during a year of income and a lump sum or subsequent income stream commences in the next financial year, minimum amount is required to be paid in the year of death

Reversionary: remains based upon the deceased member's minimum, calculated as at 1 July that income year. Revised based upon beneficiary's age in following income year

Non-reversionary: considered to cease on the death of the pensioner, newly created pension based upon beneficiary's age at commencement of death benefit pension and pro-rated on remaining days in income year

Part Three: Tax Considerations

1 TAX ON DEATH BENEFITS

Age of deceased	Type of death benefit	Age of recipient	Taxed element	Untaxed element
Any age	Lump sum	Any age	0%	0%
60 and over	Income stream	Any age	0%	MTR less 10%
Below 60	Income stream	60 and over	0%	MTR less 10%
Below 60	Income stream	Below 60	15% less 15%	MTR no offset

2 TAX CERTAINTY ON FUND EXEMPTION POST-DEATH OF MEMBER

New measures expanding meaning of superannuation income stream. Allow for a fund to continue claiming a tax deduction for specified period

Exemption will only apply to death benefit plus fund earnings, will not apply to insurance proceeds added to member's benefit including self-insurance

3 PROPORTIONING RULE FOR NON-REVERSIONARY PENSION

Conditions: deceased was receiving a non-reversionary pension immediately prior to death; no amounts other than investment earnings or anti-detriment amount added to super death benefit; after death, a lump sum or new pension commenced from death benefit

Alternate method will apply to the death benefit lump sum or pension the same proportions of tax-free and taxable components as the original income stream

Any insurance proceeds will form part of the taxable component



In the case of a reversionary pension, the proportioning rules retains the taxable and tax free components of the original pension irrespective of whether the proceeds of an insurance policy are added to the penion balance after it has commenced

Part Four: Any other issues to be considered

Anti-detriment payment

Insurance proceeds

Is the SMSF still a viable option

Our Audit Process

Step 1: Request Audit Letters

Fill in our online form to request Audit Engagement Letter and Trustee Representation Letter. Or email us fund details.

Step 2: Prepare Audit Files

Our audit is both a financial audit and a compliance audit. Refer to our SMSF Audit Checklist to see what documents are required.

Step 3: Send Us Files

You can email or post us your files, share your DropBox folder with us, or you can upload your files on our website.

About Us

Access Super Audit is a Chartered Accountant firm specialised in SMSF audits, we work collaboratively with accounting firms and SMSF administrators, assuring the most effective and non-invasive audit service. Our audit program is developed with 350 audit checkpoints to guarantee the best quality audits. As SMSF audit specialist, we are highly responsive to your audit requests and technical queries. Our expertise in SMSF will also ensure both your clients and your firm are following the best practices in SMSF accounting, tax and administration.

Call us at 1300 371 186 or email admin@accesssuperaudit.com.au to discuss your audit requirement.

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