

# ESA for SMSF or DIY a tax problem

## DIY SUPER

Monica Rule



If your self-managed super fund receives superannuation contributions from non-related employers, your SMSF needs to receive these contributions in the required electronic format.

I recently spoke to Nathan Burgess, the Australian Taxation office's director of SMSF income tax and regulatory risks, who said that of the 500,000 SMSFs in Australia, about 300,000 need to be SuperStream-compliant. Mr Burgess

said that approximately 5 per cent of SMSFs had not taken the correct steps necessary to comply with the SuperStream requirements.

Under the new SuperStream system, a non-related employer must send contributions to an SMSF electronically using an electronic service address (ESA). This is an internet address and it is different to an email address.

However, in order for this to happen, an SMSF first needs to be registered with a messaging provider to obtain an ESA. An SMSF cannot simply use an ESA that belongs to another SMSF unless the SMSF is also registered with this same messaging provider.

Once an SMSF is registered with a messaging provider, the messaging provider will link the SMSF to

an ESA. Until this is done the employer cannot start sending superannuation contributions to the SMSF via this ESA.

"If it is not active, the superannuation contributions submitted by the employer will be rejected," Mr Burgess said.

"SuperStream ensures employer contributions are paid in a consistent, timely and efficient manner to members' accounts," he said. "It provides a reliable flow of information on contributions which SMSFs can use for their accounting and tax obligations."

SMSFs with non-related employers with fewer than 20 employees have until June 30 to implement the SuperStream system. An ESA can be obtained by registering with an SMSF messag-



**SUPERSTREAM ENSURES EMPLOYER CONTRIBUTIONS ARE PAID IN A CONSISTENT, TIMELY AND EFFICIENT MANNER TO MEMBERS' ACCOUNTS.**

**NATHAN BURGESS**

ing provider and paying a small fee.

Details of messaging providers are available on the tax office's website. A messaging provider will provide an ESA, receive employer contributions messages from employers and send employer contributions messages to SMSFs.

SMSF trustees must also ensure that their employers receive the SMSF's ABN, bank account details and ESA.

If employers do not receive the necessary information, they may direct their employee's superannuation contributions to their default superannuation fund instead of to the employees relevant SMSFs.

Monica Rule is an SMSF specialist and author [www.monicarule.com.au](http://www.monicarule.com.au)

## Q&A

with Nick Bruining



**Q My mother recently inherited my grandfather's home. She has no real need for it and would rather pass on to myself and my sister. I am not sure what costs are associated with this and remember reading that capital gains tax may be payable. Is this the case and are there any other issues we should consider?**

**A** Assuming that the home was your grandad's primary dwelling, no capital gains tax is payable because the property has been disposed of within two years of his death. If your mum is in receipt of Centrelink benefits, the transfer to you constitutes a "deprivation" or "gift". The full value of the home is added to her assessable assets now. After transfer to you and your sister, the full value less \$10,000 will be held on her records and assessed under the asset test and deemed under the income test for five years. That may see her lose her pension. You and your sister will be liable for stamp duty.

**Q A friend recently received a letter from their bank telling them the interest rate on their investment property loan was about to increase. With rates falling, how can banks justify the increase and what are the reasons, beyond profiteering?**

**A** Many borrowers may see similar letters over the next few months. There are a number of factors in play, including a requirement by the banking regulator to tighten up loans provided to investors. In part, this is to protect the broader economy from the damage of a bubble burst in Sydney and Melbourne. Banks are also tightening up some of the more generous lending standards that we have enjoyed for a number of years as international suppliers of funds begin to price money more in line with the underlying risk. In other words, the rates charged to our banks are higher and these are being passed onto borrowers. Investor-type loans are seen to be more risky than owner-occupier loans. As the cost of funds to banks increases with rates rising internationally, it is possible that we might see broader rate rises into the new year which are independent of what the Reserve Bank might do with official rates.

Please email your questions to our finance experts at [yourmoney@thewest.com.au](mailto:yourmoney@thewest.com.au)  
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