

DIY SUPER

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Understanding the rules of superannuation contributions and benefits can save self-managed superannuation fund trustees many headaches.

Not understanding the nature and timing of contributions or the rules relating to benefits can cause headaches under superannuation and tax laws.

At its most basic, a contribution increases the capital of your SMSF, while a benefit should reduce it.

But beyond this important premise rests a whole series of complexities when it comes to issues related to transferring assets into DIY super funds and to renovating properties.

There are grey areas of the law where contributions could be made unintentionally and a benefit might not be considered paid when intended.

When a member transfers an asset into their SMSF without receiving payment for that asset, it is treated as a contribution.

And if a member pays their SMSF's expenses without being reimbursed, the payment could be treated as a contribution.

This is because paying the fund's expenses extinguishes the liability of the SMSF and increases the capital of the fund.

Members also need to be careful when making renovations on properties owned by their SMSF.

It is not just the cost of building materials paid for by the member that is treated as a contribution.

The increase in the value of the property resulting from the renovation is also treated as a contribution.

The timing of when a contribution is made is also important as it will determine which financial year the member can claim a tax deduction on their contribution, as well as whether the member has exceeded their contributions caps in a financial year.

Under taxation ruling 2010/1, a contribution is made when the cap-



Reduce SMSF pains

ital of an SMSF is increased. The capital of the SMSF is increased when:

- an amount is received;
- ownership of an asset is obtained; or
- the SMSF otherwise obtains the benefit of an amount.

It's quite easy to determine that a cash contribution is made when the amount is received by the SMSF trustee.

However, when it comes to an asset transfer, a contribution is sometimes made when the SMSF becomes the beneficial owner of the asset rather than the legal owner.

Take, for example, a member transferring land to their fund.

The relevant transfer form is signed and given to their SMSF trustee on June 30.

The SMSF trustee lodges the form with the State Revenue Office on July 15 and seeks a transfer of title via Landgate once duty is paid.

It may take several weeks for legal title to officially change.

But with the trustee having held

everything she needed to perfect the fund's title as at June 30, a contribution is considered to be made on that date.

This is provided the trustee retains sufficient evidence of the transactions and events to identify when the change of beneficial ownership occurred.

Just as there are some grey areas in making superannuation contributions, there are grey areas when paying superannuation benefits.

For example, an SMSF can pay a lump sum benefit by transferring an asset to the member; whereas, an SMSF cannot pay a pension benefit using assets unless the pension is either partially or fully commuted to a lump sum.

Not all pensions can be partially commuted — for example, a transition to retirement pension can only be partially commuted if it has any unrestricted non-preserved component.

A lump sum superannuation benefit can be paid in any number of instalments, whereas a lump sum death benefit can only be paid

in one or two instalments to the deceased's beneficiaries.

It might be the case that superannuation contributions can be made with journal entries where the member and the SMSF trustee have a present liability or legal obligation to each other and they offset the liabilities against each other using a journal entry in the SMSF's books.

A journal entry will not suffice when it comes to a superannuation benefit.

The payment must reduce a member's benefit in the SMSF.

The tax office said in interpretive decision 2015/23 that a death benefit, for example, must actually be paid to the late member's beneficiaries by transfer of cash and/or the ownership of an SMSF's asset.

A transfer to the deceased's beneficiaries simply by way of journal entries in the books of the SMSF would not satisfy the requirement of the superannuation law that a superannuation benefit has been made.



THERE ARE GREY AREAS OF THE LAW WHERE CONTRIBUTIONS COULD BE MADE UNINTENTIONALLY.

Retail Food inspires more than pad buns and froth

Dough play could be heading for a rise as punters sweeten on Michel

YIELDHUNTER

with Patrick Taylor

Our appetite for quality income stocks knows no limit but, even so, we believe we can still find satisfaction with this pick.

With Retail Food Group (RFG), we expect to savour the sweet taste of success with this selection and if you have a little dough, we think RFG is a great prospect to make it rise (*Editor note: Stop Patrick! Shun more puns on buns, please.*)

Founded in 1989 and based in Southport, Queensland, Retail Food is Australia's largest multi-brand food franchiser and home to favourites including Donut King, Michel's Patisserie, Gloria Jeans and the Coffee Guy.

These operations make up about two-thirds of Retail Food's business, with their wholesale coffee-roasting business cutting a slightly smaller slice of the action.

With the business seeing hearty growth in sales, profits and income it is easy to understand why they are not just our cup of tea but a company with the potential to truly become the crema of the cup.

Loading up your plate with a tasty dividend of 4.7 per cent is really just the cherry on top of this company that also shows good growth potential within a sector laden with some real pie in blue sky (*Editor note: I give up.*)

We do have to note, however, that we have a gap of 4 per cent required to meet out total return target. Consensus analysts' targets show current value exceeding target values — but we do not believe we will be left eating humble pie and we are not bitter, but rather expect those analysts willing be coming latte to the party.

The price history of Retail Food Group shows a tantalising long-term uptrend running from a base of \$2.50 in early 2012 to return a 300

per cent-plus profit by early 2015. These kinds of strong runs tend to get frothy at the top and are almost inevitably met with a pull-back of equal weight with Retail Food being pulled down from their peak of \$8 to reach lows of \$4 within a 12-month consolidation before rising once again.

Early in 2016 they began to work through resistance layers and had soon broken through that crust to emerge once again in an early uptrend, which is where we find them now, just starting to heat up again.

Giving us food for thought is the secondary signalling coming through in the past few weeks indicating the uptrend is starting to settle in. Hence, we have been licking our lips in anticipation.

With excellent fundamentals and growth forecasts backing up a strongly increasing yield profile we have little to hold us back, and with a technical picture beckoning us to dig in, we plan to do just that.

If you have a taste for growth and income you should consider a bite at Retail Food — though it could be fattening for your wallet.

RETAIL FOOD GROUP (RFG)

Classification: Consumer cyclicals

Current price: \$5.76

Market capitalisation: \$962M

Forecast EPS growth: 14%

Gross yield: 4.7%

Consensus price target: \$5.58

Covering analysts: 5

Premium at current price: 3.2%

Price target trend: Flat

Signal time frame: Quarterly Weekly

Trend bias: Up Flat Medium Short

INDICATORS:

Short-term: Neutral negative

Medium-term: Positive

Long-term: Positive neutral

RECOMMENDATION: BUY

SET UP NOTES:

■ After a massive run between 2011 and 2015 RFG bled through a 50% consolidation over 12 months.

■ Recently breaking this secular downtrend at the start of 2016 the price has jumped above resistance and more recently moved back for a successful retest of support between \$5.00 and \$5.50.

■ Some short-term resistance remains at \$6.00 with \$7.00 being the next structural resistance afterwards - good momentum across most signal timeframes, especially strong in the longer-term.

