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G R O U P

CHARTERED ACCOUNTANTS

Superannuation Contributions Legislated To Be Added To Parental Leave

Starting 1 July 2025, new parents will benefit from superannuation contributions alongside Paid Parental Leave (PPL), marking a significant step toward equity in retirement savings.

The Government's Paid Parental Leave Amendment Bill ensures eligible parents will receive super contributions equal to 12% of their PPL payments, aligned with the Superannuation Guarantee.

This change addresses a long-standing gap in Australia's retirement savings system. With parents often stepping away from the workforce to care for their babies, superannuation contributions during this period will help close the gender retirement savings gap.

The scheme offers substantial benefits: families can receive over \$3,000 in super contributions for each birth or adoption, which will grow with compounding interest over their working lives. Payments will be

made as a lump sum at the end of the financial year and deposited directly into the parents' nominated super funds.

By 2026, Australian parents will enjoy six months of government-funded PPL, often complemented by employer-funded schemes. This policy supports parents during critical early years and bolsters their financial security in retirement. It's a step toward fairer, more inclusive workplace entitlements.

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How To Spot A Red Flag In Your Employer SG Contributions

Employer superannuation guarantee contributions are one of the most important methods through which retirement savings in super can be built.

The Tax Office recently finalised 23,600 super guarantee cases during the 2023–24 financial year, resulting in \$659 million in super guarantee charge liabilities.

In its latest report, the ATO revealed that employers currently pay 92.4 per cent of the super guarantee (SG), which they must pay without ATO intervention. This has fallen since the 2022-2023 financial year.

While most employers meet their obligations, it's essential for employees to stay alert to warning signs that something might be amiss. Spotting potential issues early can help you protect your financial future and avoid unnecessary stress.



01 IRREGULAR PAYMENTS

Super contributions should typically be made quarterly, aligned with the Australian Taxation Office (ATO) requirements. If you notice inconsistencies in your super account balance or your employer frequently misses payment deadlines, this could signal non-compliance. Always cross-check your payslips with your super fund statements to ensure payments are being made on time.



02 INCORRECT CONTRIBUTION AMOUNTS

The minimum SG contribution rate for eligible employees is 11.5% of your ordinary time earnings (as of 1 July 2024). If the amounts being deposited into your super fund seem lower than expected, it may indicate your employer is underpaying.

Ensure you understand what constitutes ordinary time earnings and whether additional payments like bonuses or overtime are included.



03 SUPER FUND MISMATCHES

If your employer is making contributions to a fund you did not nominate or one that doesn't align with your chosen fund details, this could be a sign of errors or lack of compliance.

Confirm that your employer is depositing into the fund you selected, as stipulated in the Superannuation Choice of Fund rules.



04 UNCLEAR COMMUNICATION

Employers are required to provide clear records of superannuation payments, typically through payslips or separate notifications.

A lack of transparency, such as vague payslip details or difficulty accessing payment records, should raise concerns. If your employer cannot provide clear documentation, it's worth investigating further.



05 EMPLOYER FINANCIAL DIFFICULTIES

An employer facing financial trouble might delay or forgo super payments to manage cash flow. It might be prudent to monitor your super contributions closely if there are rumours or signs of financial instability, such as late salary payments or operational cutbacks.

WHAT TO DO IF YOU SUSPECT ISSUES

If you spot any red flags, start by discussing the matter with your employer. Honest mistakes can happen, and they may resolve the issue once brought to their attention.

If the problem persists, you can report unpaid super to the ATO, which can investigate and enforce compliance.

Super is **your money** and **your future**. Stay informed and proactive to ensure your contributions are secure. If you need assistance, speak with a licensed professional.

Can An SMSF Invest In _____?

A common question encountered by many accountants from clients involved with SMSFs is, 'Can an SMSF invest in this item or that item?'

The answer is usually, **'Yes, provided that the law is complied with.'**



But what does that mean specifically for the investments made through an SMSF?

The law provides guidelines for what can legally be done or what must be done. In some cases, it will provide information about what you can do, with some restrictions.

For example, an SMSF might ask to purchase Jarrah timber, as the trustees of the SMSF might believe that this timber would grow significantly in value.

In this instance, there is nothing in the law that says that they cannot do so (unless there is something in the actual trust deed that prohibits it). Under the relevant Trustee Act, a trustee can purchase anything deemed appropriate.

However, that isn't to say they can purchase it without care. The law must still be complied with, as there are other rules surrounding the purchase that need to be adhered to.

For example, to be compliant, the timber cannot be purchased or acquired from a related party (as that would be a breach). It must be bought for the sole purpose of providing retirement benefits.

If there were any current-day benefits (such as helping out a friend with a failing business), it would be a breach.

That timber also needs to be stored, and if storing it at home, an arm's length rent needs to be charged for the timber.

Other restrictions present in the law may not necessarily apply. For example, financial assistance cannot be provided to a member or a relative. You also cannot hold certain in-house assets over 5% of the fund's value.

What Does That Mean For Trustees?



As the trustee, you can invest in many items, but you need to be mindful of the restrictions of each investment. Simply questioning if you can invest in something is different to asking if you can buy it under particular circumstances.

Depending on the **documentation**, it could be that someone else's fund could purchase the product but not yours.



Before you decide to invest in anything outside of the usual listed shares or bank accounts, you should consider **seeking expert advice.**

Understanding the Latest Trends in Financial Complaints

The Australian Financial Complaints Authority (AFCA) recently released its report on complaints for the financial year ending 30 June 2024.

Encouragingly, the report highlights a significant drop in complaints related to investments and financial advice, reflecting positive changes in the industry.

A DROP IN COMPLAINTS

AFCA received 3,559 complaints about investments and advice, a 26% decrease from the previous year. Of these, 678 complaints specifically related to Self-Managed Superannuation Funds (SMSFs). Excluding issues tied to a single advice company, the number of complaints about investments and advice reached an all-time low of 2,709.



This decline suggests that improved education standards and higher professionalism among advisers are having a meaningful impact, fostering greater trust and fewer disputes within the industry.

KEY ISSUES STILL PERSIST



706

inappropriate advice
complaints, roughly
20% of all cases.

Despite these improvements, inappropriate advice remains a significant concern, accounting for 706 complaints—roughly 20% of all cases. This reinforces the importance of seeking tailored, ethical financial advice.

SMSFS AND CLASSIFICATION CHALLENGES

SMSFs continue to pose challenges, particularly in how some advisers classify clients as wholesale investors. Incorrect thresholds, such as \$2.5 million in net assets or \$250,000 in income, are sometimes applied instead of the correct \$10 million limit for superannuation products under the Corporations Act 2001. Misclassification can lead to unsuitable advice and increased risk for clients.

SUITABILITY OF SMSFS

Another recurring issue is advice recommending SMSFs for clients with low balances. These recommendations often fail to account for diversification across asset classes, leaving clients vulnerable to risk. As SMSFs are best suited for individuals with significant funds and the desire to actively manage their super, it's vital to ensure the structure aligns with the client's circumstances and goals.

LIFE INSURANCE ADVICE



Life insurance
advice disputes still
comprise around

5%

of all advice
complaints

Life insurance advice disputes, while smaller in number, still comprise around 5% of all advice complaints. Issues often arise around Total and Permanent Disability (TPD), Trauma, and Income Protection policies, highlighting the need for clarity and diligence in this area.

THE IMPORTANCE OF ETHICAL ADVICE

While the overall drop in complaints is encouraging, these figures serve as a reminder of the importance of working with ethical, professional advisers. Whether managing an SMSF or considering life insurance options, seeking tailored advice from someone who prioritises your best interests can make all the difference.



If you have concerns about your financial advice or would like to review your current strategies, it's always a good idea to consult a qualified professional who can guide you confidently.

Are You Considered A 'Retail' Or 'Wholesale Investor'?

Accountants are often approached to complete declarations confirming that a client qualifies as a “wholesale” or “sophisticated” investor.

While this might seem straightforward, there are important considerations behind such certifications, which accountants take seriously to protect their clients and adhere to legal obligations.



WHAT IS A WHOLESALE INVESTOR?

A wholesale investor typically has substantial financial resources and investment experience, allowing access to exclusive opportunities and high-quality assets. To qualify as a wholesale investor under Australian law, individuals must meet one of the following criteria:

- **Net assets** of at least \$2.5 million, or
- **Gross income** of at least \$250,000 for each of the last two financial years or
- An intention to invest **\$500,000 or more** into a fund.

For Self-Managed Superannuation Funds (SMSFs), however, the threshold is higher—assets must total at least \$10 million to qualify as wholesale.



CONCERNS AROUND WHOLESALE INVESTOR DECLARATIONS

While these financial thresholds are clear, they don't always guarantee that an individual has the knowledge or experience to make sound financial decisions without professional advice. This has led to concerns about misuse of these certifications, particularly in cases where advisers may attempt to bypass rules requiring them to provide appropriate advice.

Some financial products can only be accessed by wholesale investors and often lack the detailed disclosure provided by a Product Disclosure Statement. In many cases, clients are introduced to such opportunities by advisers who encourage them to obtain a wholesale investor certificate from their accountant.



WHY YOUR ACCOUNTANT MAY HESITATE

Accountants must carefully evaluate more than just a client's assets or income before issuing a wholesale investor certificate. They are also obligated to assess whether the client is genuinely capable of making independent investment decisions without advice.

This responsibility carries significant legal and ethical implications. Accountants can be held liable for poor investment outcomes if they provide a certificate inappropriately. As a result, they may be cautious or decline to issue the certificate if they believe it isn't in the client's best interests.



A BALANCED APPROACH

If you're considering requesting a wholesale investor certificate, it's important to have an open conversation with your accountant. They are there to ensure your financial decisions are well-informed and to protect your interests. While their hesitation may seem inconvenient, it reflects their commitment to your financial well-being and compliance with the law.

When in doubt, seek advice from a trusted financial professional to fully understand the risks and obligations involved in such decisions.



Can Cancelling Your GST Registration Help You Avoid Charging GST on Asset Sales?

When you purchased your commercial property, you either paid GST on the purchase or claimed the going concern exemption by registering for GST.

If the rent you charge is under \$75,000 per year, you're not required to be registered for GST—but you may have registered to claim back the GST at the time of purchase. Now, as you consider selling the property, you might wonder if cancelling your GST registration will allow you to sell it GST-free.

CAN YOU CANCEL YOUR GST REGISTRATION?

The answer depends on specific GST laws designed to prevent misuse of registration cancellations. If you cancel your GST registration within certain time limits, this action itself can trigger a GST liability. In such cases, you would need to remit GST based on the property's market value, even if no sale has occurred yet.

HOW IT WORKS IN PRACTICE

Let's look at an example:

- You bought the property for \$500,000 plus GST and claimed back the GST at the time.
- The property is now worth \$1 million.
- If you sell it today, you'd need to remit \$90,909 in GST to the ATO (1/11th of the sale price).

If you cancel your GST registration instead, the following applies:

1. Less than 10 Years of Ownership

- If you've owned the property for less than 10 years, cancelling your GST registration triggers an adjustment on your next BAS, requiring you to remit GST based on the property's market value.

2. More than 10 Years of Ownership

- If you've owned the property for more than 10 years, cancelling your GST registration may allow you to sell the property GST-free, as no adjustment would be required.

For properties valued under \$500,000, this ownership period threshold drops from 10 years to 5 years.

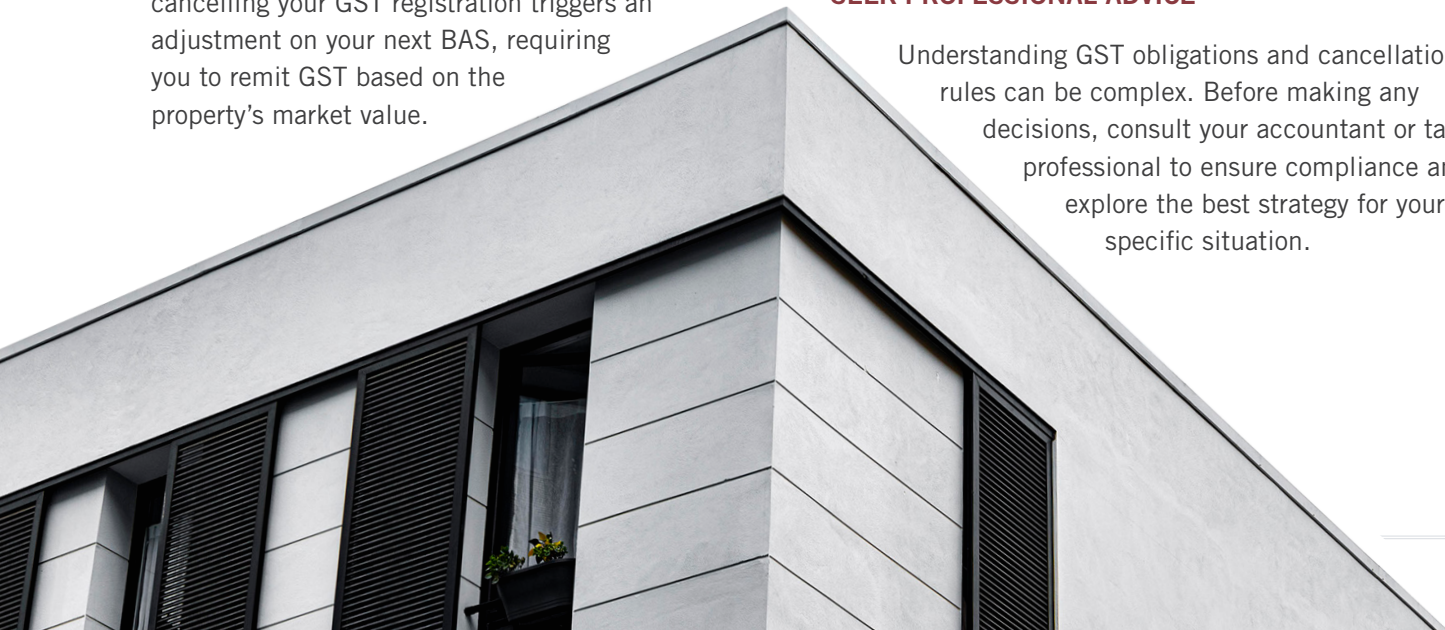
STRATEGIC CONSIDERATIONS

This strategy can be particularly useful for long-term property holders, such as Self-Managed Superannuation Funds (SMSFs), that are unlikely to sell quickly. However, remember that many buyers can claim GST on the purchase, so the benefit of cancelling your GST registration might be limited.

It's also important to note that these rules apply to any asset for which you claimed GST, including vehicles. For example, you'd typically need to hold a car for at least five years before cancelling GST registration without triggering an adjustment.

SEEK PROFESSIONAL ADVICE

Understanding GST obligations and cancellation rules can be complex. Before making any decisions, consult your accountant or tax professional to ensure compliance and explore the best strategy for your specific situation.



How To Ensure Your Super Fund Aligns With Your Values

As demand for environmentally and socially responsible investments grows, so does the challenge of ensuring superannuation funds live up to their claims.

While many Australians want their super savings to support the planet's long-term interests, understanding where your money is invested can be complicated.

In the past, the Australia Securities and Investments Commission (ASIC) has put funds on notice about “greenwashing” - making false or misleading claims about sustainability. Even major funds have faced criticism for holding shares in fossil fuel companies despite promoting their “clean energy” credentials.

So, how can you determine if your super fund reflects your values?

CHECKING FUND INVESTMENTS

Super funds are required to disclose how they invest your money through two key documents:

1. Product Disclosure Statement (PDS):

This document provides an overview of an investment product's features, risks, fees, and how the fund invests your money. Look for the section titled “How we invest your money” for a breakdown of investments across asset classes like shares, property, or cash.

2. Portfolio Holdings Disclosure (PHD):

For a detailed view, PHDs list every company and asset a fund holds, along with percentages and values. While this level of detail improves transparency, it can be overwhelming for consumers without specific knowledge of the companies or industries to avoid.

Some funds, like Future Super, simplify this by offering searchable, user-friendly formats. However, many disclosures are still dense and hard to interpret.

NAVIGATING ETHICAL INVESTMENT OPTIONS

If sustainability matters to you, consider choosing a super fund or investment option marketed as ethical or sustainable. These options often screen out specific

industries like fossil fuels, gambling, or tobacco or include top performers within traditionally problematic sectors.

However, no investment option is perfect. Even ethical funds may include holdings you don't agree with, so it's worth researching their approach to sustainability.

THE ROLE OF REGULATION AND SCRUTINY

Super funds are under increasing pressure to back their claims with evidence. ASIC's guidance warns funds against misleading or deceptive conduct, and scrutiny from environmental groups further holds them accountable.

TAKING ACTION

Switching your fund or investment option is straightforward — a form is often all it takes. Before making changes, compare fees and performance, and seek advice from a trusted financial professional to ensure the best outcome for your retirement savings and personal values.

By staying informed and proactive, you can align your superannuation with your financial goals and ethical principles.



Avoiding A Festive Financial Hangover

The festive season is a time for joy, celebration, and giving, but it can also bring financial stress if not managed wisely. Overspending on gifts, food, and social events often leads to a dreaded festive financial hangover. Here are some practical tips to help you celebrate the season without starting the new year in debt.

Encouragingly, the report highlights a significant drop in complaints related to investments and financial advice, reflecting positive changes in the industry.

1. Set a Budget

Before the holiday rush, create a realistic budget for all festive expenses, including gifts, travel, food, and entertainment. Stick to this plan, and avoid overspending on last-minute purchases.



5. Plan for Holiday Travel

If you're travelling, book flights, accommodation, or transport early to secure the best prices. Consider alternative travel options, like carpooling or public transport, to save costs.



2. Make a Gift Plan

Prepare a list of people you plan to buy for and set a spending limit for each. Consider thoughtful, cost-effective alternatives like homemade gifts, or suggest a Secret Santa arrangement to reduce the number of presents you need to buy.



6. Host Smart Gatherings

Hosting a festive event doesn't have to break the bank. Consider a potluck-style celebration where guests contribute dishes or beverages. Set a theme to keep expenses manageable and focus on enjoying time together.



3. Shop Smart

Take advantage of sales and discounts to save on gifts and festive essentials. Compare prices online and shop early to avoid paying a premium for last-minute purchases.



7. Start a Savings Tradition

Open a dedicated savings account for festive expenses early in the year. Small, regular contributions can add up, making next year's celebrations less financially stressful.



4. Use Cash or Debit

Avoid the temptation to rely on credit cards. Paying with cash or a debit card ensures you spend only what you have, preventing unnecessary debt.



8. Reflect on Priorities

Remember, the festive season is about connection and joy, not expensive gifts or lavish events. Focus on creating meaningful memories with loved ones rather than overextending your finances.



By planning ahead and staying mindful of your spending, you can enjoy the holiday season to its fullest while avoiding the financial hangover that often follows. Your future self will thank you!