Top 10 tips SMSF wind-up

Have you found yourself in a position where you want or need to wind up your SMSF?

Winding up an SMSF may occur for a number of reasons:

- as a member/trustee you have tired of the responsibility and administrative burden of managing your SMSF
- the failing health of a key member/trustee may result in an inability to run the fund in the future
- the fund's assets have reduced to a level such that it is no longer cost effective to run the fund
- a key member/trustee has become a non-resident for Australian taxation purposes.

Considerations when winding up

Winding up your SMSF will require careful management of a number of tasks. If your SMSF is not wound up correctly it is possible it will remain open, which may lead to additional payments for required financial statements, fund audits and the lodgement of the annual return.

These tips outline some of the key considerations and tasks involved in winding up an SMSF. Please note this is not a comprehensive list and professional advice should be sought to cater for your personal situation.

1. Check the trust deed

The first place to turn should be the SMSF trust deed, as this may contain certain requirements regarding the wind up process.

2. Obtain written agreement

To ensure all parties are properly informed and to avoid unnecessary complications, each trustee/member should sign an agreement to close the fund. In the case of a corporate trustee, the directors must decide whether the company should remain running or be wound up.

3. Verify with members how they would like existing benefits paid

Each member must notify how and where they want their benefits to be paid, specifically whether they want their benefits to be rolled over to another super fund or paid out (as a lump sum).

4. Prior year's tax and compliance obligations

Ensure all prior year financial statements, tax returns and other tax and compliance obligations have been finalised.

5. Preparation of draft financial statements

Trustees should have draft financial statements prepared. The draft financial statements will determine the value of each member's benefit. The draft financial statements should include all income and expenses to date. In addition, they should factor in both actual and estimated future expenses.

6. Sale or transfer of assets

The trustees may need to arrange the sale of assets to facilitate the transfer of benefits from the SMSF. Alternatively the assets in some cases may be transferred in-specie either to the member (in the case of a lump sum member benefit) or to the receiving fund (in the case of a rollover).

7. Final annual return

The fund should lodge its final annual return with the ATO ensuring they complete the relevant section of the annual return that indicates that the fund is being wound up during the income year.

8. Informing the ATO

Once the SMSF is wound up, the SMSF must notify the ATO in writing within 28 days.

9. Post wind up expenses

Certain expenses may not fall due until after the SMSF is due to be wound up. Rather than keep the SMSF running and delaying the wind up process, the SMSF can be closed and the necessary cash can be retained on trust by the former trustees until the liability is paid.

10. Post wind up tax refund

In some cases the SMSF will be entitled to receive a tax refund from the ATO upon completion of their final annual return. In this situation a bank account should be kept open to receive this refund.

More information

Our 'Self Managed Super Funds: from set up to wind up' booklet has further information on the above steps to help wind-up your SMSF. To view this booklet, go to: Macquarie.com.au

Please consult your financial adviser if you would like further support on the best approach for you.

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