



## Self-managed super funds

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### Temporarily reducing superannuation minimum payment amounts

**Question:** I am retired and receive an account-based pension from my SMSF. My account-based pension balance has been badly affected by the losses in the financial market because of the COVID-19 crisis. I would like to reduce my pension payments. Does the SMSF still need to pay me the minimum amount that was calculated based on my account balance at 1 July 2019?

**Answer:** Certain superannuation pensions and annuities are subject to rules about minimum and maximum amounts paid in a financial year. To assist retirees, the government has reduced the minimum annual payment required for account-based pensions and annuities, allocated pensions and annuities and market-linked pensions and annuities by 50% in the 2019–20 and the 2020–21 financial years.

#### See also:

- [Minimum annual payments for super income streams \(/Rates/Key-superannuation-rates-and-thresholds/?anchor=Minimumannualpaymentsforsuperincomestrea\)](#)

### Temporarily reducing rent

**Question:** My SMSF owns real property and wants to give my tenant – who is a related party – a reduction in rent because of the financial impacts of the COVID-19. Charging a related party a price that is less than market value is usually a contravention. Given the impacts of the COVID-19, will the ATO take action if I do this?

**Answer:** Some landlords are giving their tenants a rent reduction or waiver because of the financial impacts of the COVID-19 and we understand that you may wish to do so as well. Our compliance approach for the 2019–20 and 2020–21 financial years is that we will not take action where an SMSF gives a tenant – who is also a related party – a temporary rent reduction or waiver during this period.

Where there are temporary changes to the terms of the lease agreement in response to COVID-19 it is important that the parties to the agreement document the changes and the reasons for the change. This could be by way of a minute or a renewed lease agreement or other contemporaneous documentation.

## SMSF residency

**Question:** After temporarily residing overseas for less than two years, we were about to return to Australia but became stranded overseas because of the COVID-19 health crisis. This forced absence means we will be out of Australia for more than two years. What will this mean for our SMSF?

**Answer:** An SMSF must be an Australian super fund to be a complying fund and receive concessional tax treatment.

To be an Australian super fund an SMSF must meet three residency conditions, see [Check your fund is an Australian super fund \(/super/self-managed-super-funds/setting-up/check-your-fund-is-an-australian-super-fund/?anchor=\\_blank#\\_blank\)](#). The second and third conditions are relevant in this case.

The COVID-19 health crisis has resulted in many countries imposing travel bans and restrictions and a high degree of uncertainty generally around international travel.

If the individual trustees of an SMSF or directors of its corporate trustee are stranded overseas due to COVID-19, in the absence of any other changes in the SMSF or the trustees' circumstances affecting the other conditions, we will not apply compliance resources to determine whether the SMSF meets the relevant residency conditions..

### See also:

- [Carrying on a business in a SMSF \(/Super/Self-managed-super-funds/Investing/Carrying-on-a-business-in-an-SMSF/\)](#).

## In-house asset restrictions

**Question:** The downturn in the share market may result in the fund's in-house assets being more than 5% of the fund's total assets. The in-house asset rules would be breached. What do I need to do?

**Answer:** If, at the end of a financial year, the level of in-house assets of a SMSF exceeds 5% of a fund's total assets, the trustees must prepare a written plan to reduce the market ratio of in-house assets to 5% or below. This plan must be prepared before the end of the next following year of income. If an SMSF exceeds the 5% in-house asset threshold as at 30 June 2020, a plan must be prepared and implemented on or before 30 June 2021. However, we will not undertake compliance activity if the rectification plan was unable to be executed because the market has not recovered or it was unnecessary to implement the plan as the market had recovered.

### See also:

- [In-house assets \(/super/self-managed-super-funds/investing/restrictions-on-investments/in-house-assets/\)](#).

## Super balance losses

**Question:** My super balance has been affected by downturns in the global economy. Can I claim this loss?

**Answer:** We understand that downturns in the global economy may impact on your super balance. Realised losses arising in a super fund may be available to the fund to deduct against realised gains in future years, however these losses are not available to you to deduct in your own personal tax return. As you don't return any profit made in your super fund as assessable income in your personal tax return,

similarly you can't claim a deduction for the loss in your super balance. However if you made personal super contributions during the financial year to a complying super fund, you may be able to claim a deduction for those contributions.

**See also:**

- [Personal super contributions \(/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Personal-super-contributions\)](#).

## Investment strategies

**Question:** The downturn in the market has impacted on my SMSF's investment strategy. What do I need to do?

**Answer:** Trustees must prepare and implement an investment strategy for their SMSF, which they must then give effect to and review regularly. The strategy should be reviewed at least annually, and you should document that you've undertaken this review and any decisions arising from the review. Certain significant events, such as a market correction, should also prompt a review of your strategy and may require updating your investment strategy.

Where the assets of an SMSF or the level of investment in those assets fall outside of the scope of your investment strategy, you should take action to address that situation, which could involve adjustments to investments or updating your investment strategy. We don't consider that short term variations to your articulated investment approach, including to specified asset allocations whilst you adjust your investments, constitute a variation from your investment strategy.

All investment decisions must be made in accordance with the investment strategy of the fund. If in doubt, trustees should seek investment advice.

**See also:**

- [Your self-managed super fund investment strategy \(/super/self-managed-super-funds/investing/your-investment-strategy/?anchor=HowoftendolneedtoreviewmySMSFsinvestment#HowoftendolneedtoreviewmySMSFsinvestment\)](#).

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- [COVID-19 frequently asked questions \(?anchor=COVID19frequentlyaskedquestions#COVID19frequentlyaskedquestions\)](#).

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Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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