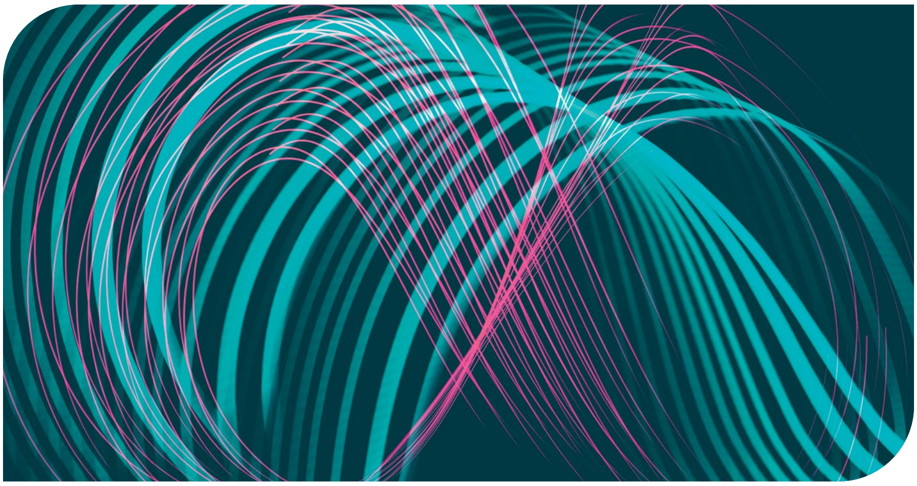
Nexia Australia

Superannuation Solutions

Edition 25



Welcome

Welcome to the latest edition of our Superannuation Solutions Newsletter.

In this edition we discuss the joint accounting bodies' submission on payday super and its implications for timely superannuation payments, the ATO's anticipated focus on ensuring accurate market valuations for SMSFs, and the importance of meeting minimum pension payment requirements to avoid tax penalties.

We hope you find this newsletter informative. Should you have any questions in relation to how these changes may impact you, please contact one of our SMSF Specialists.

Important Dates

28 July 2025
Due date to make Super Guarantee (SG) contributions for the quarter ending 30 June 2025.

25 August 2025
Due date to lodge and pay the activity statement for the quarter ending 30 June 2025, if lodging electronically.

28 August 2025
Due date to pay the Super Guarantee Charge (SGC) and lodge the SGC statement if the minimum SG contributions for the quarter ending 30 June 2025 were not made by the due date.

Joint accounting bodies submission on payday super

The Federal Government has proposed replacing the current SGC system with "payday super" (PDS). Instead of requiring contributions to be made within 28 days after the end of each quarter, they will be required to be made within 7 days of each payday. The new system is intended to operate from 1 July 2026.

A detailed submission on the proposed legislation has been released by a group of accounting bodies (the Australian Bookkeepers Association, Chartered Accountants Australia and New Zealand, CPA Australia, the Financial Advice Association of Australia, the Institute of Certified Bookkeepers, the Institute of Public Accountants, the SMSF Association and The Tax Institute).

We have summarised the major submissions of the joint bodies.

Start Date and Implementation

The proposed start date should be extended by 12 or preferably 24 months. Alternatively, there should be a grace period, in which employers would receive education and support without facing immediate penalties for non-compliance.

Due Dates

Under proposed PDS, an SG contribution must be received by the relevant super fund by the end of the seventh day (not just business days) after the day the salary is paid. The deadline should be 10 **business** days.

SMSFs

At present SMSFs are to be excluded from the obligation for super funds to report contributions to the ATO. The joint bodies recommend consultation over the role of SMSFs.

ATO able to issue binding SGC rulings

Unlike income tax rulings, currently SGC rulings issued by the ATO are not binding on the Commissioner. This means that employers and service providers have no certainty about the ATO's position on an issue. SGC public and private rulings issued by the ATO should be binding on the Commissioner.

Refund of surplus super contributions

Where an employee has received an SG contribution to which they are not ultimately entitled, it should be automatically refunded by the superannuation fund to the employer.

Penalties

The penalty regime should distinguish between accidental and deliberate underpayments of contributions, and the Commissioner should have the power to remit penalties, taking into account an employer's compliance history.

Clearing Houses

Currently, contributions made to the ATO's small business clearing house (intended to be closed after 30 June 2026) are taken to be made when received by the clearing house. This is not the case with commercial clearing houses.

Contributions made through clearing houses holding an Australian financial services licence from ASIC should be treated in the same way as contributions currently made to the ATO's small business clearing house.

Nexia can provide further information on these proposed changes and on any other payroll concerns you may have.

ATO expected to focus on SMSF market value

Help us to help you meet the SMSF market valuation rules.

Super funds must value their assets at market value each year. Asset values are crucial in determining members' balances, and fund auditors are required to form an opinion on whether fund assets have been valued appropriately.

As we move into the new financial year, clients can help us by providing timely property valuations, and support for the valuation of unlisted units and shares such as financial statements and valuations of underlying assets.

In 2024 the ATO identified over 16,000 SMSFs that reported assets such as property and unlisted trusts at the same value for three consecutive years, involving over 1,000 auditors.

In March and April 2024, the ATO checked the value of the assets reported when those SMSFs lodged their next annual return.

The ATO reports that 80% of the SMSFs involved updated their property valuations, but only 48% updated the unlisted trust valuations.

The ATO commenced reviews on auditors where valuations were not updated. In all cases finalised to March 2025, they have found the auditor didn't obtain sufficient evidence to verify the market value.

The likely introduction of the Division 296 tax on total super balances over $3m will only increase the ATO's focus on market valuations in SMSFs.

Nexia can provide advice on valuation methods suitable for your SMSF.

Why is it important to make minimum pension payments?

Minimum pension withdrawals must be made each year from any account based pension in a super fund, calculated as a percentage of the opening balance of the pension account. We usually include advice of the minimum pension withdrawals required each year in our cover letter to clients.

Failure to make the minimum pension payments will result in the account ceasing to be treated as a super pension for tax purposes from the beginning of the affected year. This means that the usual income tax exemption ceases, and the payments made from the account might be treated as illegal early releases of super benefits.

In the past it has been relatively easy to simply treat the account as a pension account again from the start of the next year. However, in June 2024 the ATO issued the final version of a ruling that requires the old pension account to be closed and a new pension commenced. Practically, this might not be done until many months after the end of the relevant year. No income tax exemption will be available until the new pension has been commenced, and careful management of the member's transfer balance account might be needed.

Also, SMSFs are permitted to have only one accumulation account. The balances of taxable and tax-fee benefits in the accumulation account and any pension accounts are calculated separately, and in many cases the management of these balances is an important aspect of financial planning. The closure of the old pension account will result in a merging of the relevant tax balances, which has the potential to undo past financial planning.

All this underlines again the importance of ensuring that the required minimum pension withdrawals are made from any account based pension account.

Nexia's Superannuation Division are specialists at managing the issues of super pensions.

Nexia Australia

Who we are

At Nexia Australia, we're here to help you achieve your goals and plan for future success with bespoke solutions and personalised, practical advice. Equipped with unparalleled experience and expertise in advisory, tax, audit, business strategy, personal wealth services, and strategic thinking, we're the team you can trust to empower you to achieve your objectives and reach new heights.

We specialise in several key industries and cater to a wide range of clients, from small to medium-sized businesses to large private company groups, not-for-profit entities, subsidiaries of international companies, publicly listed companies, and high-net-worth individuals. We've had the privilege of working with market leaders in many sectors of Australian and New Zealand business, and we're here and ready to help you too.

We take pride in being responsive, progressive, and proactive in identifying and implementing the solution to your success.

Contact us

Learn how Nexia Australia can help set you and your organisation up for success. Contact your local Nexia Advisor below to get started.

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