

WHY USE HEFFRON'S ADMINISTRATION SERVICE?

In our administration business, we maintain a key distinction between the actual processing and reviewing functions. Processing is a relatively simple task and with the right training it can be done by anyone. The review and sign off by our administration management team, however, is an entirely different and unique service to advisers.

It occurs before the fund is sent for audit and is far more comprehensive than an audit review. This is because SMSF auditors are not required to look at all area of SIS, nor are they required to consider matters that are crucial for the client and adviser but not SIS breaches (for example, contribution cap issues, whether pension payments have been divided between various pensions in the optimal way etc).

Even where our review does reveal issues that would ultimately be identified in an audit, our early warning gives the adviser and trustees an opportunity to proactively rectify problems. The ATO will generally take no action under these circumstances.

We have outlined just one example below where our proactive review process prevented a significant excess contribution penalty.

- When carrying out our pre-audit review of the 30 June 2008 accounts, we noticed a member had made salary sacrifice contributions of \$110,000 and a \$150,000 non-concessional contribution during 2007/08.
- We notified the adviser that an extra 31.5% tax would be levied on the excess \$10,000 concessional contributions. (The adviser was aware of this but not greatly concerned as the client was a top marginal tax rate payer in any case.)
- However, we also highlighted that the member would now have \$160,000 (\$150,000 + \$10,000) counted against his *non-concessional contributions cap* for 2007/08. While this would not result in an excess it did mean that the member had triggered the "bring forward provisions" (ie, the special rules that allow members to contribute up to three years' worth of non-concessional contributions). As a result, the client had effectively 'locked in' a three year period from 1 July 2007 – 30 June 2010 during which up to \$450,000 non-concessional contributions could be made without penalty.
- We asked the adviser about his future plans for non-concessional contributions. The adviser confirmed that in fact \$450,000 non-concessional contributions had been paid to the fund during 2008/09 but these had not yet been allocated. Had they been allocated to this particular member, the excess non-concessional contributions would have been \$160,000 – ie, \$610,000 (\$150,000 + \$10,000 + \$450,000) compared to the limit of \$450,000. In the normal course of events this would not have been discovered until the 2008/09 return had been lodged.

Our early warning to the adviser allowed him to take action to rectify the problem before it resulted in a significant excess. Our administration managers who conduct the review are SMSF experts in their own right and advisers place enormous confidence in their review function for their clients.

For further information on Heffron' SMSF administration service please call 1300 172 247 or refer to our website at www.heffron.com.au.