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Welcome to the glasshouse

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Expect more scrutiny of self-managed super funds in the new financial year, writes John Wasiliev.

From July 1, the taxman will be much more of a stickybeak when it comes to the investments and strategies of do-it-yourself super funds. Superannuation Minister Nick Sherry has also indicated he's interested in what exactly is held within DIY funds.

The Australian Taxation Office, for example, will want to know not only if your fund invested in artwork, collectables, gold and jewellery, but also the total value of these assets. The same goes for derivatives, instalment warrants and residential and non-residential real estate. The latter include property the fund might own overseas. If the fund has borrowed any money for any reason, this must be disclosed.

Naturally any interests in the traditional investments of self-managed funds, such as shares, term deposits and managed investments, must also be valued.

According to financial planner Peter Hogan, of Avenue Capital Management, the new requirements should not be a major problem for funds which keep to traditional investments.

Ernst & Young's Noelle Kelleher has not heard from anyone in super complaining about the extra disclosure requirements. That's probably because the ATO did extensive research and sought feedback from industry professionals, she suggests.

One initiative the ATO has already made is to encourage those who fill out the annual return to read the instructions and take care they complete the return correctly, as any identified mistakes will result in the return being rejected.

Where a return is lodged late and rejected, fund trustees could find themselves facing either a "please explain" notice or, worse still, a late lodgement penalty.

Kelleher says all questions must be completed, especially those that require a "yes" or "no" answer. Leaving an answer blank will also result in the return being rejected. Where returns are not accepted because they are incomplete, funds will face late lodgement penalties. And where the questions are not answered or are answered inaccurately, trustees could face new penalties of \$2200.

Penalties will also apply for breaches such as failing to keep fund records and failing to notify the regulator if there have been any major changes to the fund, including any change of trustee.

