



SMS005
SIS Regulation and Taxation



Subject outline

SIS Regulation and Taxation

- (1) Section 1 – General information
- (2) Section 2 – Academic details

SECTION 1 — GENERAL INFORMATION

1.1 Core or elective subject

This is an elective subject for the Graduate Certificate in Self-Managed Superannuation Funds

1.2 Delivery mode

This subject is delivered online.

1.3 Prerequisite/corequisite subject

Students enrolling in this subject are assumed to have the pre-requisite knowledge in the three core subjects:

- *SMSF Best Practice* (SMS001)
- *Understanding SMSF Trustees* (SMS002)
- *SMSF Strategic Advice* (SMS003).

1.4 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.



SECTION 2 — ACADEMIC DETAILS

2.1 Subject overview

This subject analyses the unique intersection of the *Superannuation Industry (Supervision) Act 1993* (SISA), the *Superannuation Industry (Supervision) Regulations 1993* (SISR) and the *Income Taxation Assessment Acts 1936 and 1997* (ITAA). This subject offers deep technical content and focusses on examining, in detail, the array of regulations and legislation that underpin the operation of an SMSF.

To be eligible to apply for the SMSF Specialist Advisor (SSA™) designation with the SMSF Association you must successfully pass the examination for this subject.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

- 1 Research and explain the legal regulations that apply to SMSFs.
- 2 Research and critically evaluate the special taxation rules applicable to superannuation contributions, superannuation funds and superannuation benefits.
- 3 Develop and critically evaluate an SMSF strategy to deal with regulatory and tax requirements in a complex SMSF scenario.
- 4 Justify an SMSF strategy to deal with regulatory and tax requirements in a complex SMSF scenario.

2.3 Topic learning outcomes

Topic 1 — SMSF regulatory framework

On successful completion of this topic, students should be able to:

- identify the key pieces of legislation that govern the regulation of SMSFs
- provide an overview of the significant events that have occurred in the history of superannuation in Australia
- describe the purpose of superannuation
- define an SMSF
- identify who can and cannot be a trustee of an SMSF.

Topic 2 — Regulating SMSFs

On successful completion of this topic, students should be able to:

- list the key regulatory steps required to establish an SMSF
- identify the key trustee covenants and their associated regulations to ensure an SMSF meets its obligations with regards to assets and investment strategies
- describe the characteristics of an Australian superannuation fund
- ensure an SMSF continues to satisfy the definition of an Australian superannuation fund
- discuss the various penalties that may be imposed on SMSF trustees for a breach of the SIS Act.

Topic 3 — Contribution standards

On successful completion of this topic, students should be able to:

- outline when a fund can and cannot accept contributions based on a member's age
- provide an overview of the types of contributions that can be made
- highlight how contributions can be made to a fund
- calculate the amount of concessional and non-concessional contributions that will be excessive
- identify when contributions can be returned.

Topic 4 — Investing in an SMSF

On successful completion of this topic, students should be able to:

- identify the obligations associated with giving effect and formulating an investment strategy
- consider the sole purpose test with regards to making investments in an SMSF
- describe the prohibitions that an SMSF trustee is faced with in regards to investments and the exceptions to those prohibitions
- outline the assets that the trustees of an SMSF can acquire from a related party of the fund
- define a related party of the fund
- understand the rules relating specifically to collectable and personal-use assets that apply only to SMSFs
- describe the in-house asset rules and how they apply
- consider the use of reserves in an SMSF.

Topic 5 — Taxing an SMSF

On successful completion of this topic, students should be able to:

- identify which contributions are taxable
- understand how capital gains tax is calculated in an SMSF
- make an election to have the applicable fund earnings of a foreign superannuation fund taxed concessional in an SMSF
- determine what income amounts are deemed non-arm's length income
- identify which insurance premiums are deductible
- explain how the exempt current pension income deduction works.

Topic 6 — Members' interests and preservation standards

On successful completion of this topic, students should be able to:

- calculate a member's tax-free and taxable components in an interest
- describe the various preserved benefits
- identify and discuss the various conditions of release that apply
- describe the cashing restrictions that apply to certain conditions of release.

Topic 7 — Payment standards and paying a benefit

On successful completion of this topic, students should be able to:

- identify the types of benefits that can be paid from an SMSF, and when
- identify when a pension commences and ceases
- calculate the minimum pension obligations for a full or part-year pension
- discuss the requirements when a pension is commuted
- detail the different types of pension that can be paid from an SMSF.

Topic 8 — Taxing superannuation payments

On successful completion of this topic, students should be able to:

- calculate how much tax is payable on a lump sum or pension
- identify the taxation implications of paying a reversionary pension
- calculate the tax-free portion of a disability superannuation lump sum
- calculate the untaxed element of a superannuation lump sum death benefit payable to a non-tax dependant.

Topic 9 — SMSF controls — planning for life events

On successful completion of this topic, students should be able to:

- identify the different types of nominations that can be made to a superannuation fund
- differentiate between a Superannuation Industry (Supervision) Act 1993 (Cth) dependant and a tax dependant
- calculate an anti-detriment benefit and deduction
- calculate the future liability to pay a benefit deduction
- wind up an SMSF.

2.4 Assessment schedule

| Assessment | Description | Week | Topics | Weighting | Subject Learning outcomes assessed |
|------------|---------------------------------|---------|-----------|-----------|------------------------------------|
| Assignment | Short and long answer questions | Week 6 | 1-5 | 40% | All |
| Exam | Online multiple choice exam | Week 12 | All (1-9) | 60% | All |

2.5 Prescribed text

Negline, T (2017), *The Essential SMSF Guide 2017-18*, Thomson Reuters, Sydney.

2.6 Study plan

| Week(s) | Topic name | Recommended student effort |
|--------------------|---|----------------------------|
| 1 | Topic 1: SMSF regulatory framework | 8 hours |
| 2 | Topic 2: Regulating SMSFs | 8 hours |
| 3 | Topic 3: Contribution standards | 8 hours |
| 4 | Topic 4: Investing in an SMSF | 12 hours |
| 5 | Topic 5: Taxing an SMSF | 12 hours |
| 6 | Assignment (Weighting: 40%) Topic 6: Members' interest and preservation standards | 12 hours |
| 7 | Topic 7: Payment standards and paying a benefit | 8 hours |
| 8 | Topic 8: Taxing superannuation payments | 8 hours |
| 9 | Topic 9: SMSF controls – planning for life events | 8 hours |
| 10 | Study for exam | 12 hours |
| 11 | Study for exam | 12 hours |
| 12 | Examination (Weighting: 60%) | 12 hours |
| Total hours | | 120 hours |