

COVID-19 Assistance for SMSFs

As part of the Government's economic response to coronavirus new legislation will offer the following support to SMSFs and their members.

Annual Minimum Drawdown Rates Reduced

Some retirees are experiencing losses in their superannuation pension/annuity account balances due to the substantial downturn in the financial markets during the COVID-19 crisis. To compensate for this the Government has reduced the minimum annual payments required for account-based pensions/annuities, allocated pensions/annuities, and market-linked pensions/annuities. In short, for the 2019-20 and 2020-21 financial years the minimums have been reduced by 50%; see below:

Age	Default minimum drawdown rates (%)	Reduced rates by 50 per cent for the 2019-20 and 2020-21 income years (%)
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 or more	14	7

What does this mean for you?

- If you have already paid the new (reduced) minimum drawdown amount, you can cease payments until the end of the financial year.
- If you have already exceeded the new (reduced) minimum drawdown amount, the relevant member may be able to recontribute the excess (provided they can make contributions and/or are still under their contribution caps).
- If drawdowns have not been taken to date you can withdraw up to the new (reduced) minimum by the end of the financial year.

Early Release of Superannuation

SMSF members negatively affected economically by the COVID-19 crisis may, if eligible, apply for a release of up to \$10,000 of their super before 1 July 2020 and a further \$10,000 between 1 July 2020 and 24 September 2020. To apply for early release, the member must meet at least one or more of the following criteria:

- Is currently unemployed.
- Is eligible to receive a job seeker, youth allowance, or parenting payment (single or partnered), special benefit or farm household allowance.
- After 1 January 2020 either:
 - Has been made redundant
 - Has had a 20% (or more) reduction in working hours
 - As a sole trader, their business was suspended, or their turnover fell by 20% (or more).

Applications for such will be submitted through myGov from 20 April 2020. Individual members can register their interest now via logging into their [myGov account](#) and following the relevant link on their homepage. A myGov account will need to be set up if one does not exist.

Note members will not need to pay tax on the amounts withdrawn and such benefits will not affect Centrelink or Veteran's Affairs payments.

Social Security Deeming Rates Reduced

Due to the low interest rates in the current market savings income has been adversely affected. So come 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent.

For example (taken from SMSF Association),

Leslie and Brian are an age pensioner couple. They have \$550,000 worth of financial assets. They hold \$300,000 in a superannuation account with a conservative investment strategy which returned around 5 per cent last year. They have invested \$130,000 in a term deposit with an annual return of 1.5 per cent and hold the remainder in a cash transaction account earning a negligible rate of interest.

Under the former deeming rates, Leslie and Brian's Age Pension would have been reduced by \$65 each per fortnight. Under the new deeming rates, Leslie and Brian's Age Pension will only be reduced by around \$32 each per fortnight.

Rent Relief for SMSF Tenants

Some landlords are opting to provide their tenants with a reduction or waiver of rent due to the financial challenges presented by COVID-19. Whilst it has yet to be announced by the Government, the ATO has released a statement to SMSFs in anticipation for this support:

"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 during this period."

As it stands the only ATO requirement is that such an arrangement be temporary and for a rent reduction only i.e. not any other lease incentives. There is no requirement to provide the ATO with market evidence to justify the reduction amount and an SMSF can exercise such a determination at their own discretion. However, it is advisable that best practice would be to determine the reduction based on:

- an arms-length landlords' approach
- a measured/reasonable estimation of the adverse financial impacts on the tenant due to COVID-19
- the feasibility for the SMSF and exposure to future risk

The rent reduction once agreed on by the tenant and the SMSF should be appropriately documented and filed as an amendment to the lease terms.