



SMSF annual compliance masterclass



August 2023



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SMSF Annual Compliance Masterclass

Case Study - Little Brewers Superannuation Fund

During our 2023 SMSF Day events, we introduced you to the Malthouse family and their SMSF, the Little Brewers Superannuation Fund. Once again, we welcome our craft beer brewing family to use their fund as the source of our material for our SMSF annual compliance masterclass.

The family are all members of the Little Brewers Superannuation Fund by 30 June 2023. The Little Brewers Superannuation Fund has a corporate trustee 'Brew Haha Pty Ltd'. The detail of each member is outlined below:

Existing members @ 30 June 2022



Andrew Malthouse
DOB: 15 May 1954
68 yrs @ 1 July 2022

Andrew is married to Mary Malthouse and is the founder and head brewer at Little Brewers, an independent craft brewery. Andrew has two children, Kathy (42) from his first marriage to Susan, who unfortunately died in a workplace accident, and Simon (34) from his second marriage to Mary. Despite Andrew's age he is still working in the business but has started to transition himself out.

Andrew's Superannuation balance @ 30 June 2022 was \$900,000 and the fund currently holds death and TPD insurance, \$1m of each.



Mary Malthouse
DOB: 18 November 1964
57 yrs @ 1 July 2022

Mary has a background in marketing and hospitality, and she runs the tap house and promotional elements of Little Brewers. Simon is her only child.

Superannuation balance @ 30 June 2022 was \$400,000 - death and TPD insurance in SMSF \$1m of each.

New members during the 2022-23 financial year

During the 2022/23 financial year, Andrew's two children Kathy and Simon joined the Little Brewers Superannuation Fund. They completed their applications in February 2023.



Kathy Malthouse
DOB: 1 August 1979
42 yrs @ 1 July 2022

Kathy is Andrew's child from his first marriage. Kathy has followed in her father's footsteps and will take over from Andrew as the head brewer once he retires.

Kathy rolled over \$430,000 from her industry fund on 1 March and retained \$20,000 so she could maintain her insurance in that fund.



Simon Malthouse
DOB: 28 June 1988
34 yrs @ 1 July 2022

Simon is the child of Andrew and Mary. He is married to Melissa (34) and they have twins, Gracie and Oscar (6). Simon has an accounting and business management degree and has been brought into the family business to help his mother with the management elements,

Simon is a CPA and holds a public practice certificate and tax agent's license to provide accounting and taxation services, which he provides to various Malthouse entities including the SMSF. Melissa has been a stay-at-home mum but is looking to return to work. Melissa and Kathy have a strained relationship and given she does not currently work in the business she is not currently a member of the fund).

Simon rolled over \$100,000 from his retail superannuation fund in April which resulted in his small insurance policy being cancelled, he no longer has insurance.

Superannuation and Family assets

At 30 June 2022 the Little Brewers Superannuation Fund was a two-member Fund with a balance of \$1.4m, made up of the following balance:

- Andrew Malthouse – \$900,000, includes tax-free component of \$180,000.
- May Malthouse - \$400,000, includes tax-free component of \$150,000.
- Fund reserves - \$100,000.

Andrew did not make any significant non-concessional contributions in the 2020/21 or 2021/22 Financial Years. Mary made a non-concessional contribution of \$150,000 in the 2021/22 year.

Fund Reserve

As a result of his first wife dying prematurely, Andrew took a keen interest in ways to use his superannuation to provide maximum benefits for his wife and children - this included at the time, researching, and establishing a reserve within the SMSF (taken from fund earnings) to provide for enhanced death benefits (and deductions) under the now defunct anti-detriment provisions.

Superannuation Fund Assets

At 30 June 2022 the fund held the following assets:

Investment	Units	Cost Base	30 June Valuation
Cash at bank	N/A	N/A	\$63,875
Little Brewers Pty Ltd	50,000	\$50,000	\$50,000
BHP Shares	5,000	\$99,160	\$206,250
Telstra Shares	20,000	\$56,800	\$77,800
Platinum International	50,000	\$90,200	\$101,420
Vanguard Australian Shares Index Fund	50,000	\$91,940	\$116,795
Commonwealth Bank	2,000	\$149,040	\$180,760
Artwork	1	\$20,000	\$30,000
Residential Investment Property	1	\$600,000	\$720,000
LRBA	1	\$420,000	\$363,480

Family Investments



The brewery and tap house are held on two separate titles on adjoining lots - the brewery is housed in an old warehouse and the tap house was once an old residence that was converted into a tap house/beer garden.

At 30 June 2022 the properties were held via the family trust and the rental proceeds from the properties have historically been distributed to Andrew and Mary.

The value of the properties, as listed in the Family Trust Financial Statements at 30 June 2022 are as follows:

Investment	Cost Base	30 June Valuation	Comments
Brewery	\$1,800,000	\$3,000,000	Inclusive of \$500,000 of brewing equipment
Tap house	\$800,000	\$1,200,000	

At 30 June 2022 there was a debt outstanding of \$1.0m on the brewery facility which incorporated the original loan on the building plus extensive fit out work undertaken to increase brewing capacity. The family would like to extinguish this debt prior to Andrew's full retirement.

The original brewery land, building and tap house were purchased in 2010.

Personal Assets @ 30 June 2022

Andrew and Mary have a family home, valued at \$1.8 million, which they are considering selling.

Andrew and Mary have a smaller residential investment property, in which Simon and Melissa are living in whilst they save for their own home.

2022/23 Activity:

During the 2022/23 Financial Year the following events took place:

- Kathy and Simon joined the SMSF on 20 February 2023
- Kathy's rollover of \$430,000 was received in the Fund on 1 March 2023
- Simon's rollover of \$100,000 was received in the Fund on 3 April 2023
- Andrew and Mary sold their family home on 1 November 2022 for \$1.8 million, the property settled on 3 January 2023.
- Andrew commenced an account-based pension with his entire balance on 31 March 2023, the value of his interest on that date was \$950,000.
- Andrew made a personal contribution of \$300,000 on 3 April 2023 and Mary made a personal contribution of \$300,000 on 1 May 2023.
- The SMSF purchased the Tap house from the Family trust on 1 May 2023 for \$1.2 million

Activity 2:

Limited Recourse Borrowing Arrangements

The Little Brewers Superannuation Fund purchased an investment property for \$600,000 on 1 July 2019 via a related party LRBA. Up until now they have been following the requirements of PCG 2016/5 with reference to loan repayments. The terms of the loan were:

- Loan amount = \$420,000
- LVR = 70%
- Term of loan = 15 years
- Interest rate = variable

Determine whether the fund has met its compliance obligations for the 2022/23 year and review what obligations the fund has for the 2023/24 year. What other considerations do the trustees have with regards to the LRBA?

Total repayments:

- 2019/20 - \$40,776
- 2020/21 - \$40,452
- 2021/22 - \$40,452
- 2022/23 - \$40,452

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Activity 5:

Property acquisition

Shortly after Andrew and Mary sold their house, they transferred the Tap House from the Family Trust to the SMSF on 1 May 2023. The value of the Tap House was \$1.2 million based on the most recent valuation. To acquire the property within the SMSF they undertook the following actions:

Action 1 - Andrew segregated all the listed shares to his newly established pension account and then sold them to help fund the acquisition, the shares were sold on 17 April for the following proceeds:

Investment	Units	Price @ 17/4	30 June Valuation
BHP Shares	5,000	\$46.25	\$231,250
Telstra Shares	20,000	\$4.30	\$86,000
Commonwealth Bank	2,000	\$100.00	\$200,000

Action 2 - Rather than use all the cash in the fund the Trustees decided that the property purchase would be part purchase, part contribution, which would be made up as follows:

- Andrew = \$27,500 Concessional
- Mary = \$27,500 Concessional
- Kathy = \$27,500 Concessional
- Andrew = \$110,000 Non-concessional
- Kathy = \$110,000 Non-concessional
- Simon = \$110,000 Non-concessional

Annual rent on the Taphouse is \$84,000 per annum, (\$7000 per month). The Fund agrees to charge the same amount although no rent is received for May and June.

What are the compliance considerations of these transactions and for the property transfer in general?

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