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RETURN NOT NECESSARY

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WHAT DOES RETURN NOT NECESSARY MEAN?

An SMSF is not legally established until the fund has assets set aside for the benefit of members.

The system will not process returns with zero assets.

The supervisory levy does not need to be paid for newly registered SMSFs that registered in the financial year and:

- were not legally established
- had no assets set aside for the benefit of members.

In such cases, SMSF need to lodge a *Return not necessary (RNN)* form, also known as a non-lodgement advice, for an SMSF.

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WHAT STEPS NEED TO BE TAKEN BY SMSF IF THERE ARE NO ASSETS DURING THE FIRST YEAR?

If the SMSF does not have assets set aside for the benefit of members in the first year it was registered, either of the below can be followed:

- cancel the fund's registration
- flag the SMSF's record as 'return not necessary' if it meets the following conditions and confirms in writing that
    - *although registered, it had no assets and did not receive contributions or rollovers in the first financial year*
    - it has provided documentary evidence of the date the SMSF first held assets and commenced operating, for example the SMSF's first bank statement
    - *it will be lodging future returns.*

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CONDITIONS TO GRANT RNN BY ATO:

- Considering RNN requests if the SMSF confirms and provides supporting evidence that it meets all the eligibility conditions.
- The written request should include the SMSF's name, TFN, ABN and documentary evidence of the date assets were first placed into the fund.
- Using Practice mail in Online services for agents, select **Superannuation** as the topic, and choose from the following mail subjects:
    - ***SMSF new registrant – Return Not Necessary request***

*** SMSF cancellation of registration where the fund has not been legally established**

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WHAT SHOULD A SMSF ACTION WHEN RNN IS NOT GRANTED?

All funds that have not yet set aside assets for the benefit of members should cancel their registration and re-register when assets are available

When an SMSF that has previously advised that an annual return was not necessary is legally established and needs to lodge an annual return for the first time, the due date of the first return lodged by a tax agent will be the new registrant due date, which is currently 28 February.

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SCENARIO 1 : WHEN BANK ACCOUNT IS SET UP

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- SMSF need to provide the associated bank statement detailing the first transaction date if the first deposit is made to your SMSF's bank account OR the associated documentation evidencing the transfer of ownership if the first deposit is made in the form of assets instead of cash.
- a notice to the ATO confirming that the SMSF is activated in the current Financial Year and does not need to lodge a tax return for the prior Financial Year and then notify you via inbox.
- it will take up to at least 28 business days for the ATO to process the "Return Not Necessary" request.
- Once the request has been approved by the ATO, the lodgement status will be changed to "Lodged" on your ESUPERFUND client portal – "Compliance" on the top navigation menu bar – "Compliance History" page. You will NOT receive a formal notification from the ATO or ESUPERUND.

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SCENARIO 2: WHEN THERE IS NO BANK ACCOUNT OR ASSETS ARE SET UP

The Fund was established on 12/06/2023 as per trust deed

The fund was established with member details and address of the fund

However, no assets including bank were purchased during FY2023 & FY2024.

The client requires to lodge the return for FY2023 & FY2024.

Advise, if the fund is required to lodge an Annual Return for FY 2023 & FY2024?

Solution: Generally, a Return not necessary form can be directly submitted to ATO as the SMSF is newly established.

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SCENARIO 2: WHEN THERE IS NO BANK ACCOUNT OR ASSETS ARE SET UP

In this scenario, since the bank is not opened, the annual return will show the validation errors

- Bank details required
- There are no assets and liabilities

The Bank details will be replaced with the Administrator's details to validate the BSB & Account no. of Bank error.

Section B is to be updated with $1 under "Other Income-code O ".

Section C also to be updated with $1 under "Other amounts L Code O".

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SCENARIO 2: WHEN THERE IS NO BANK ACCOUNT OR ASSETS ARE SET UP

Section D Supervisory Levy will be manually updated as $518 for FY2023 & $259 for FY2024

$1 is to be updated for all member under “allocated earnings or losses - O” under Section F.

Other Assets O is updated as $1 and W is also to be updated as $1of Section G.

This will allow the tax return to be validated as the Income, Expenses, Assets, Liability and member accounts agree.

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THANK YOU

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