



## FIXED FEE SMSF PROCESSING

During 2014/15, the game changed in relation to the administration and compliance of Self Managed Superannuation Funds with the *Superannuation Industry (Supervision) Act 1993* and *Superannuation Industry (Supervision) Regulations 1994* (combined referred to simply as "Superannuation Law").

Prior to this, when a SMSF was in breach of the Superannuation Law, the ATO only had the "big stick" available to punish SMSF's unless the ATO wished to take the matter to court - and as a result minor breaches of the Superannuation Law went unpunished. The system was deliberately designed this way because the Government wanted to take an educational approach with people who ran their own SMSF, instead of simply penalising people for making mistakes. The Government's rationale was that SMSF's were a relatively new concept for many and it takes time to learn how to effectively operate them.

In 2014/15 however, the Government's approach changed and the ATO were handed a broader spectrum of penalties that it could (or in many cases must) enforce. Ranging from education, fines, extra taxes, and disqualification, the ATO now has punishments suitable for all levels of breaches - so no longer are minor breaches safe.

In many cases, the ATO has no choice but to apply penalties for minor breaches of Superannuation Law, regardless of who is at fault or why the fault has occurred. For example, if you fail to sign a Trustee Declaration, it can cost each Trustee 10 penalty units (being approximately \$1,700). Failure to adhere to the borrowing rules would set each Trustee back 60 penalty units (\$10,200). Considering that some breaches are as minor as simply failing to sign a document correctly, there has been a definitive shift from "education" to "penalisation". *The ATO has the power to waive fines once applied, but it requires writing to the ATO and pleading your case.*

Understandably, Trustees need help from professionals to comply with the Superannuation Law. It's complex, messy, and simply confusing. While the ATO do a decent job of summarising information on its website, relying on it to avoid fines of \$10,200 may not be the wisest move. In order to give you the best chance of avoiding ATO penalties, you need constant monitoring and advice from a professional.

This is where MCA can help.

Prior to 2015, MCA, like most other accountants, simply collected your accounts sometime after 30 June and put together your accounts, assisting with missing documentation as it came up. The problem with this approach is that you are only getting help from a professional once a year - by the time you have made a mistake, it's much too late, and since the breach has been ongoing for a year, the ATO may not be so forgiving when deciding to waive the penalty.

To solve this problem, we are moving our SMSF accounting and administrative functions across to a monthly fixed fee model. We will look at your accounts EVERY MONTH and find problems before they become...a problem. We will do documentation for you and keep copies in our electronic filing system which is backed up daily to computer servers interstate. We will maintain your financials monthly and report to you quarterly so you can always see the exact position of your fund. Have you ever been to see a financial planner only to say, "I think I have \$x in my fund. I'm not sure we haven't done our tax return yet"? Now you can get relevant advice.

## Plan Summaries

Inclusions	Package	Minimal For those SMSF's that need little attention	Basic For small SMSF's that have steady, basic investments	Standard For SMSF's that are looking to grow	Premium For active SMSF's
Cost Per Annum (incl. GST)		\$1,800	\$2,280	\$2,820	\$3,840
Cost Per Month (incl. GST)		\$150	\$190	\$235	\$320
<b>Standard Inclusions</b>					
Quarterly Reporting		✓	✓	✓	✓
EOY Reporting & Tax Return		✓	✓	✓	✓
Annual Audit		✓	✓	✓	✓
SuperStream Electronic Service Address (ESA)		✓	✓	✓	✓
Statutory Record Keeping & Documentation		✓	✓	✓	✓
<b>Monthly Processing of Transactions and Investments</b>					
Bank Accounts		Limit of 2	✓	✓	✓
Term Deposits		Limit of 3	✓	✓	✓
AU Listed Shares				Combined Limit of 25	Combined Limit of 50
Wrap Accounts		Combined Limit of 5	Combined Limit of 10		
MCA Processed Entities				✓	✓
Non-MCA Processed Entities, Loans, & Other Assets		0 Extras @ \$330 each	2 Extras @ \$330 each	4 Extras @ \$220 each	8 Extras @ \$165 each
Property		0 Extras @ \$330 each	0 Extras @ \$330 each	1 Extras @ \$275 each	3 Extras @ \$275 each
Collectables		0 Extras @ \$440 each	0 Extras @ \$440 each	1 Extras @ \$385 each	3 Extras @ \$385 each
Foreign Investments		0 Extras @ \$330 each	0 Extras @ \$330 each	1 Extras @ \$275 each	3 Extras @ \$275 each
Instalment Warrants		0 Extras @ \$440 each	0 Above Limit: \$385 each	0 Extras @ \$330 each	2 Extras @ \$330 each
Fund Structure Changes		0 Extras @ \$110 each	1 Extras @ \$110 each	3 Extras @ \$55 each	5 Extras @ \$55 each
<b>Extras Only When Needed</b>					
Maintenance of Pensions		\$550	\$550	\$550	\$440
Maintenance of Reserve Accounts		\$220	\$220	✓	✓
Contravention Report		\$330	\$330	\$220	✓
ASIC Annual Company Review		\$165	\$165	\$165	✓
Deed Alterations		\$385	\$330	\$220	\$165

## What is included?

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The standard inclusions for all fixed fee plans are:

- Process your SMSF transactions monthly and where possible alert you of any issues arising (or that have already arisen) with your SMSF;
- Report to you quarterly on the status of your SMSF;
- Prepare detailed annual reports and your annual tax return;
- Complete the annual audit;
- The provision of an Electronic Service Address (ESA) which is required under the new SuperStream rules;
- Create and complete (where legally possible) documentation required by Superannuation Law to support the transactions and the direction of your SMSF (for example, if you wish to take a lump sum from your SMSF, we will prepare the request to withdraw and acceptance by your SMSF);
- Recommend any required changes to your SMSF deed;

The extra inclusions that not all funds need and under some of our plans are charged as an extra (in total or only above the set limit) are:

- Non-MCA Processed Entities - These are any trusts, companies etc that your SMSF is invested in that do not have its accounts prepared by MCA. These are separated because we need to manually obtain data and complete various checks when compared to entities that we do the accounts for.
- Property - If your SMSF contains property, we will:
  - Reconcile payments to estate agent reports (you need to forward these to us);
  - Perform title searches as required;
  - Where possible obtain valuation estimates accurate enough to satisfy Superannuation Law as and when required (possible for 95% of residential property); and
- Complete additional audit processes;
- Collectables - If your SMSF has invested in collectables (gold, coins, paintings, cars, etc):
  - Monitor compliance with the ever changing collectables rules;
  - Prepare annual declarations as required; and
  - Complete additional audit processes;
- Foreign Investments - if any investments are situated or controlled outside of Australia, it is generally harder to gain sufficient information to process, let alone any complications arising from foreign currencies.
- Installment Warrant - If your SMSF is maintaining an installment warrant:
  - Monitor compliance with the installment warrant deed;
  - Prepare associated documents as required (excluding trust deeds and other legal documents); and
  - Complete additional audit processes;
- Fund Structure Changes - Where the makeup of your SMSF changes (for example, you introduce a new member, create a new accumulation or pension account, add a contribution reserve, etc), we will:

- Prepare and lodge any required documentation; and
- Complete additional audit processes;
- Pension Phase - If your SMSF is paying a pension to one or more members, we will:
  - Maintain separate pension accounts in your SMSF as required by Superannuation Law;
  - Notify you of your maximum & minimum withdrawal requirements at least annually;
  - Obtain an actuarial certificate as required;
  - Prepare and lodge PAYG summary statements (group certificates) as required;
  - Prepare associated pension documents as required; and
  - Complete additional audit processes;
- Reserving Strategy - If your SMSF chooses to maintain an profit reserve or contribution reserve, we will:
  - Maintain separate reserve accounts in your SMSF as required by Superannuation Law;
  - Manage the allocation of amounts from the reserve accounts to members accounts; and
  - Complete additional audit processes;
- Contravention Report - If your SMSF contravenes the Superannuation Law and the auditor needs to lodge a "contravention report" with the ATO, we will:
  - Prepare the required reports and lodge them with the ATO; and
  - Forward a copy to you with recommendations on how to rectify the problem;
- Annual Company Review - If your SMSF trustee is a company, we will:
  - undertake the mandatory annual review;
  - Prepare a declaration of solvency and associated minutes; and
  - prepare and lodge any company changes with ASIC; and
- Deed Alterations - Upon request, we will engage our suppliers to provide an amendment to your SMSF deed.

## What are the exclusions?

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There are 2 main exclusions: SMSF's where we are unable to obtain the majority of the data automatically, and actions that require qualifications that we as accountants are not ordinarily able to perform.

### Manual data

One way we are able to offer increased services without increased fees is by utilising technology. Most financial institutions are able and willing to send data electronically to us (with your permission of course), however on the odd occasion they are unable to.

Some manual data entry is necessary, however when these limitations mean that a significant amount of data cannot be captured automatically, we are unable to provide the same service.

Should this occur, we will contact you to discuss what options are available to you.

Where your data can be captured automatically, but because of reasons within your control we cannot (for example you fail to sign an authorisation form), we will charge a \$200 processing fee per month until you rectify the problem.

If the failure to capture data automatically it outside both our control and yours, we will discuss what other options we have available (for example, we may need you to export data to a spreadsheet monthly).

### **Actions requiring additional qualifications**

While we aim to include everything possible, it's an unfortunately reality that there are some things we either can't do on your behalf, or are unable to fit within a standard fee structure without overcharging all of those that don't use it.

The types of things that we cannot perform as part of these services are:

- Legal Documentation - Some documentation is required to be prepared by a "legal professional" and as such we can't complete. We will notify you when this is required and liaise with you and a legal professional to ensure the matter is dealt with adequately; and
- Financial Advice - We cannot provide financial advice as part of the fixed fee package. When we believe your SMSF requires financial planning assistance, we will discuss this with you.

If a situation arises where you require either legal or financial advice, we will inform you, and offer to liaise with your choice of advisor.

### **What you need to do to help make it happen**

In order to process your SMSF monthly and keep the administration of your SMSF up to date, we need to have full access to your SMSF's transactions. In order for this to be cost-effective, we need this to be automated as much as possible.

To that end, we have partnered with software, banks, and brokers to have your information sent directly to us. To enable this, you will need to sign authorisation forms and add us as a contact on various broker platforms.

Where required we will forward instructions on how to do this, or contact you direct to inform you of the required process.

For the swift allocation of transactions, we need to be continually informed of your current situation. As we are processing your SMSF we may have questions or required documentation to explain a transaction and provide sufficient evidence for our auditors. You are required to respond to all requests in a timely manner.

Should you fail to provide us with the information we request, we will be unable to allocate those transactions and your SMSF will remain in an incomplete status until that information is provided.

As we are processing data continually, it is our expectation that we are paid in line with when work is completed. As such it is mandatory for all fixed fee packages that our fees are paid monthly via our direct debit service.

### **The fine print (other terms and conditions)**

Below is the finer detail to our packages. These are to be read in conjunction with our Standard Terms of Engagement.

#### 1) Definitions

- 1) "MCA", "us", "we", or similar wording refers to MCA Accountants Pty. Ltd. [ACN 61055221773].
- 2) "You", "your", "SMSF", "fund", or similar wording refers to the Individual Trustees or Directors of the Company Trustee acting on behalf of the Self Managed Superannuation Fund.

#### 2) Availability

- 1) Our fixed fee packages are only available to Self Managed Superannuation Funds that are Australian resident funds. This basically means that control of the fund is held by Australian residents.
- 2) Our fixed fee packages require that you allow MCA to automatically gather as much information as possible. This will include your bank transactions, share trades,

and some other information. To enable this, you may be required to sign authorisation forms, add MCA as a contact to various institutions, and arrange for documentation to be sent to MCA directly.

### 3) Billing

- 1) Fixed fee packages are billed on the 1st of each month for that month or part thereof (i.e. billed monthly in advance), and payment must be made via our Direct Debit Authority.
- 2) MCA reserves the right to cease processing your information or performing any duties under this agreement should any amounts under this agreement be outstanding.
- 3) If you fail to do all things reasonably necessary to give MCA access to your information automatically, MCA reserves the right to charge a manual processing fee of \$200 per month.

### 4) Cancellation and Variation

- 1) Should you wish to cancel or vary your subscription, you need to give us 28 days notice, and the notice must be made in writing to our registered office. Any notice period less than this will result in the following month's fee being charged.
- 2) MCA reserves the right to cancel this agreement at any time by giving you 28 days written notice (by post to your last known address, or email to your last known email address).
- 3) The prices and terms of our fixed fee packages are subject to change at any time (subject to the following clause). Should you not vary or cancel your subscription after notice being sent out, you are agreeing to the altered terms and/or price and authorise MCA to alter the Direct Debit Authority to reflect the new terms and price.
- 4) We will give a minimum 60 days notice of any changes to the price or terms of the subscription (generally annually), which gives you a minimum 32 days to consider whether you wish to cancel or vary the subscription before the 28 day notice period (as per the previous clauses).
- 5) If you cancel your subscription mid-year (based on a July to June financial year), we cannot complete your annual tax return, audit, or any annual documentation. You also agree that the fees charged for the part-year are reasonable for the work done during the part-year (i.e. MCA will not give any refunds for subscriptions cancelled mid-year).
- 6) If you fail to do all things reasonably necessary to give MCA access to your information automatically, MCA reserves the right to cancel this agreement at any time.

### 5) Ownership of Documentation

- 1) All documentation provided by MCA is owned by MCA and no permission is granted to any person or entity to copy, in whole or in part, any documentation provided by MCA under these services (with the exception of copying documents

for the provision to advisors to advise on your circumstances).

- 2) MCA may retain copies of any and all documentation provided by you (directly or indirectly) at its sole discretion. These documents will generally be held for the purpose of substantiating your accounts and our working papers.

### 6) Advice Restrictions

- 1) MCA does not provide financial planning or legal advice as part of the fixed fee packages. Any documentation drawn up is on the basis of our understanding of your current circumstances and with the sole intention of providing documentation required for the compliance with Superannuation and Tax Law. MCA recommends you seek financial planning advice in respect of your investments and investment strategy, and legal advice as to the suitability of any and all documentation you sign.

### 7) Your Responsibilities

- 1) You are responsible for the maintenance of your SMSF at all times. While MCA is engaged to assist, you acknowledge that only the Trustees of your SMSF are responsible for your SMSF's compliance with the relevant Laws.
- 2) You are required to forward (or arrange to have sent directly) any and all documentation relating to your SMSF that may have an impact on the preparation of the financial statements, tax return, audit, and administration of your SMSF. If you are unsure if a document is relevant, contact MCA, or simply send it in.
- 3) You are required to answer any and all queries from MCA in a timely manner.
- 4) You are required to inform MCA of any changes to your SMSF's structure/strategy/direction, and of any major investment decisions before the relevant event occurs (e.g. if you are going to buy a property, you need to alert MCA before you sign the contract). This is so MCA has an opportunity to advise you if the event will have a negative impact on your SMSF's ability to comply with the relevant Laws, and allows MCA time to prepare the relevant documentation before the event occurs (where relevant).
- 5) You are required to act in good faith at all times, and not deliberately perform any act that could make your SMSF non-compliant with Superannuation or Tax Law.

### 8) Our Responsibilities

- 1) When advised of a change in structure/strategy/direction, MCA will give you basic advice on whether this change is likely to cause your SMSF to cease complying with Superannuation Law. Basic advice is something that can be ascertained reasonably from 1 phone call. If more extensive advice is required, this will be charged out at our normal hourly rates.
- 2) On a monthly basis, we will code your transactions and prepare any documentation that MCA, in its sole discretion, believes is necessary for you (with the sole aim being compliance with Superannuation Law). If while coding your transactions we become aware of anything that is, or anything that may become, a

breach of Superannuation Law, we will alert you of this and provide our recommendations.

- 3) On a quarterly basis, and only once the entire quarter's information has been processed, we will forward a concise set of financial reports to you in an electronic format. The reports will generally comprise of an profit / loss statement, balance sheet, and investment summary. We may forward a Minute of Meeting (or equivalent) seeking confirmation that the financials represent your understanding of how your SMSF has performed over the quarter.
  - 4) On an annual basis, and only once the entire year's information has been processed, we will prepare your annual financial statements and tax returns, along with any other documentation required. These are required to be signed and returned to our office before we can commence the audit.
  - 5) If your SMSF is paying one or more pensions we will advise you of the maximum and minimum amounts you can withdraw at least annually, and the amount of payments made will be reported in the quarterly financial statements to assist you in keeping track of your requirements.
  - 6) At all times we will report any matters that MCA in its sole discretion believes is necessary for your compliance with Superannuation Law.
- 9) Provision of an Electronic Service Address (ESA)
- 1) We will use our software provider and Australia Post to provide you with an ESA if you do not advise us of your ESA.
  - 2) If you do not wish to use Australia Post as your ESA provider, you must notify us in writing.
- 10) Factors Limiting Our Responsibilities
- 1) If you do not perform your responsibilities under these terms, they will effect that capacity to which we can perform ours. For example, we can only process your information, code your transactions, and prepare any necessary documentation if MCA is forwarded all relevant information. While we will endeavor to inform you of what information is required for us to perform our duties, failure to provide sufficient information means that we will not be responsible for any work not carried out, any transactions not coded (or coded incorrectly), or any documentation not created (or created incorrectly).
  - 2) MCA is not able to perform any action that constitutes financial planning advice or legal work. This includes the giving of verbal or written advice, supply or preparation of documentation, or any other service. Where you are required something (such as a document) to comply with Superannuation Law that is reasonably expected to be covered under this agreement, you accept that MCA is not able to provide it without consequence to MCA. MCA will advise you of any circumstances that exist under this clause, and we will provide

reasonable assistance to you (at no charge) in obtaining what is required (e.g. if you require an investment strategy that requires financial planning advice within it, we will liaise with your financial planner at no cost).

- 3) You agree to indemnify MCA against any loss, claim, or liability suffered or incurred by MCA as a result of any action or non-action based on the information you have provided (or not provided) to MCA.
  - 4) MCA is not responsible for any investment decisions, or other decisions you choose to undertake, whether or not based on the reports provided by MCA.
  - 5) MCA is not responsible for reminding you of your duties under Superannuation Law or any other Law. Nor is MCA responsible for ensuring you physically pay any amounts due, or perform any other duties required by you, as the Trustee (or Director of the Company Trustee) of your SMSF.
  - 6) Should any claim be made against MCA by you for non-performance of our duties, your claim is limited to the amounts of fees received by MCA during the financial year in which the claim originates. This is not to be read as MCA accepting any claim without sufficient proof of non-performance.
  - 7) MCA is not responsible for any delay in the performance of its duties that beyond MCA's reasonable control, or was not foreseen at the time of entering the agreement.
- 11) Items Not Included In Your Fixed Fee Plan
- 1) Where you request MCA to perform any function or provide any good or service that is not included in the fixed fee plans, you agree that MCA will charge its normal rates for these items.
- 12) Items Above The Limit In Your Fixed Fee Plan (Extras)
- 1) Each plan has limits on various things, which is to ensure we can provide a quality, cost-effective service to our clients. Where you go above a limit, you agree that MCA can automatically charge you for that extra service.
  - 2) Where it is cheaper for you to go into a higher plan (as opposed to being charged extras on a lower plan), we will automatically move you into the higher plan to keep your costs to a minimum.
- 13) Supply Of Information To Other Parties
- 1) MCA may, at its own discretion, provide information to its affiliates or professional partners at its discretion. In deciding to use our discretion, we will consider what information is required, and what the potential benefits to you are. For example, it may be appropriate for us to provide investment breakdowns (without disclosing any names, addresses, etc) in answering surveys undertaken by our professional bodies.
  - 2) If you specifically require MCA to send information to a third-party, you need to advise us of this in writing.