



Australian Government

Australian Taxation Office

Winding up a self-managed super fund

A guide to help you consider when to wind up your self-managed super fund (SMSF) and how to correctly wind up the fund

This publication was current at June 2022.

**To ensure you have the most recent information
you can check ato.gov.au/SMSFwindup**

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Have a plan for when to wind up

Even if you're not ready to wind up now, it will be much easier when the time comes if you start planning early.

When you first set up an SMSF, it's usually because it meets your needs at that time, but you may not be thinking about when you will wind up your SMSF in the future. As we know, things change and an SMSF may not continue to be right for you.

Trustees who don't have an exit plan are often unprepared and get caught by surprise when an unexpected event means they may need to wind up their SMSF.

Common situations are:

- **a change in personal circumstances** – for example, you can't effectively manage the fund due to lack of time, permanent incapacity or failing health
- **poor performing investments** – for example, if the fund's investments are incurring a significant loss, or the fund is unable to meet ongoing costs
- **all members have left the fund** – for example, you have paid out all their benefits, they have rolled over all their benefits into another fund, or they have passed away
- **disputes between trustees** – for example, relationship breakdown, differing opinions on how the fund should be run or the other trustees have acted in bad faith
- **your fund no longer meets residency rules** – for example, the trustees have moved overseas.

- ➡ It's important to regularly review your circumstances and decide whether you should continue with your SMSF or wind it up.

Consider professional advice

You may benefit from having SMSF professional advice during exit planning and winding up.

Even if you use a professional to help wind up your fund, responsibility for the fund still rests with you. All trustees share responsibility equally.

How a professional can help you wind up your fund

Professional	How they can help you
Tax agents and accountants	■ Help you prepare financial accounts, and lodge your SMSF annual return and Transfer balance account report. ■ Check your tax agent is registered at tpb.gov.au
Fund administrators	■ Help you meet your reporting and administrative obligations. ■ Provide you with services and advice, including accounting, tax and record keeping.
Legal practitioners	■ Provide advice on whether certain actions are allowed under the law. ■ Provide advice on the legal implications of issues such as divorce, estate planning or trustee disputes.
Financial advisers	■ Provide financial advice and assistance on winding up your SMSF including how existing benefits should be paid, the recommendation of superannuation products and the sale or transfer of assets. ■ Check your financial adviser is registered at moneysmart.gov.au/financial-advice
Approved SMSF auditors (mandatory)	■ Examine your fund's financial statements and assess its overall compliance with the super laws.
Actuaries	■ Provide an actuarial certificate if required where your fund is paying a pension.

Prepare your exit plan

Your exit plan is unique to your fund. You will need to consider the individual circumstances of your fund and its members, as each fund will be different.

Make sure each trustee agrees with the exit plan. Ensure the agreement with the exit plan is recorded, for example by documenting the decision in meeting minutes and having the trustees sign it.

Check if there are rules in your fund's trust deed about how to handle specific life events.

Consider the following in your exit plan:

- members' instructions to deal with their benefits upon their death, including the validity of binding death benefit nominations
- appointing an enduring power of attorney
- the estimated costs of winding up; keep this amount available when considering rollovers and payments
- the liquidity of the fund's assets for
 - making rollovers
 - paying benefits
 - final costs
- being SuperStream ready to enable any roll out of benefits
- whether all trustees can access the fund's records and electronic transaction accounts, confirm
 - who will keep the fund's records once wound up
 - whether there is a backup.

Depending on the type of record, there are different requirements for how long you must keep them, which may be for a minimum of five or ten years. For more information, visit ato.gov.au/SMSFreporting

➡ Keep your exit plan with the fund's records. Make sure it is easy to access.

Review your exit plan regularly

Just like your investment strategy, your exit plan is not a set and forget document.

Set aside some time to review your plan and make any updates. Regularly assess your fund, and each member's circumstances.

Questions to ask:

- Is an SMSF still the right option for all members' retirement savings?
- Do all trustees still have the capacity and time to manage the fund?
- Is it still cost-effective?
- Does your trust deed allow for the actions in your exit plan?

You may want to speak with an SMSF professional to help you decide if an SMSF is still right for you.

➡ Ensure you have informed us of any changes to your SMSF, visit ato.gov.au/SMSFchangenotice

How do I wind up my SMSF?

Closing an SMSF can be complex and costly if you don't get it right.

Just like starting your SMSF, there are steps you must take when winding up your fund.

It's important to wind up your fund correctly. If you don't meet all your obligations when you wind up your SMSF, you may incur penalties.

Once an SMSF is wound up you can't reactivate it.

There are some key tasks you need to perform to correctly wind up your SMSF, which are outlined in the following pages.

Check your trust deed

Read your fund's trust deed.

It may contain vital information about winding up your fund. For example, your trust deed might state that you must sell all assets rather than transferring ownership to members.

Get written agreement

Make sure all trustees agree.

Organise a trustee meeting and ensure all trustees agree with the decision to wind up the fund. Document this decision in the meeting minutes and keep the document with the fund's records. To avoid potential disputes each trustee should sign the agreement to wind up. This can be an electronic signature.

Dispose of assets

Sell or dispose of your fund's assets.

When you dispose of assets, make sure you:

- consider the liquidity of assets, including the time needed to sell them
- consider possible capital gains tax (CGT) and stamp duty implications
- document decisions on how, when, and the amount at which to sell assets
- document the sale of assets, including the buyer, date, amount and how they were valued
- deal with all assets in accordance with the super laws and trust deed.

Finalise outstanding tax and compliance obligations

You must complete your reporting and lodgment obligations before you lodge your final annual return and wind up your fund.

The easiest way to report to us is through:

- Online services for business
- your registered SMSF professional
- standard business reporting (SBR) enabled software if you have it.

Otherwise, you can find paper forms on our website.

Key reporting and lodgment obligations

Report	Action required
Transfer balance account report (TBAR)	■ If you were paying any of your members an income stream (pension), you must cease it before winding up. Ensure you lodge a TBAR with us as soon as possible. ■ If an APRA fund tells us they have started a new pension before you tell us that you have stopped the pension, it will appear as though the member has two pensions. This means they will be taxed more than necessary.
PAYG payment summary ■ (superannuation lump sum) ■ (superannuation income stream)	■ If you paid benefits to members, or a lump sum to a deceased estate even if you didn't withhold any tax, you may need to issue a PAYG payment summary. ■ The earlier you provide the PAYG payment summary statement the easier it is for the member to lodge their return.
PAYG withholding payment summary statement	■ If you withheld tax from benefit payments or paid tax on benefits throughout the financial year, you also need to complete a PAYG withholding payment summary statement.
PAYG withholding payment summary annual report	■ Your PAYG withholding payment summary annual report is made up of the PAYG withholding payment summary statement and the ATO copy of the payment summaries. Sending these as soon as you provide payment summaries to the member makes it easier for them to lodge their tax returns, as we use the information to pre-fill. ■ For payments of a capped defined benefit income stream or to a deceased estate where you issued a PAYG payment summary, even if you didn't withhold tax you still need to provide us with a PAYG withholding payment summary statement.

Each fund is unique, check if you have other reporting obligations. These could include pay as you go instalments, goods and services tax (GST) and business activity statements (BAS).

- 🔔 Remember, as a trustee it is your responsibility to ensure proper and accurate tax and super records are kept. Depending on the type of records, there are different requirements for how long you must keep them, which may be for a minimum of either five or ten years. For more information, visit ato.gov.au/SMSFreporting

Pay outstanding expenses and tax liabilities

Your fund may have outstanding or final expenses that need to be paid.

These may include:

- final invoices
- expenses due to asset sales
- outstanding tax liabilities (such as PAYG instalments and PAYG withholding).

To find out the balance of any accounts we hold for your fund log in to Online services for business, or contact us or your tax professional. The fund can't be closed if there are any credit or debit balances remaining on the accounts.

Calculate and distribute member benefits

How you distribute benefits depends on if they are a member and if they meet a condition of release.

There are two ways to deal with a member's benefits, depending on a member's circumstances:

1. If the member **meets** a condition of release, they can choose if you pay out their benefits as cash or roll them over to another complying super fund. Any instructions from a member to a trustee about payment of benefits should be documented in writing.
2. If the member **does not meet** a condition of release, you must roll over their benefits to another complying super fund.

🔗 Make sure you leave enough money in the SMSF to pay any amounts outstanding after you've lodged your annual return, such as audit fees and tax expenses.

Calculate member benefits

Work out the benefits each member is entitled to before preparing the fund's final return and calculating the closing account balance.

Paying benefits to a member

To pay benefits to a member, you need to:

- ensure they have met a condition of release; common conditions are if the member has
 - reached preservation age and retired
 - stopped employment on or after the age of 60
 - reached 65 years of age (even if they haven't retired)
- ensure the SMSF has enough funds to make the payment
- factor in any capital gains tax implications if selling an asset to make the payment or transferring the asset to the member.

If you are already paying a pension to the member you need to ensure the pension payment standards are met before the pension is commuted and either paid to the member or rolled over to another fund.

For more information about conditions of release visit ato.gov.au/SMSFconditionsofrelease

For more information about minimum pension standards, visit ato.gov.au/SMSFminpensionstandards

- ❖ If a member accesses their super before they are legally entitled, significant penalties can apply to the fund and the member. The member may also have to pay tax on the super received.

Paying benefits to someone other than a member

To pay benefits to someone other than a member, for example in the event of a member's death, you need to:

- ensure they are entitled to receive the payment under the trust deed and super law
- check if there are any obligations to withhold tax from the superannuation benefit when you pay it, this could apply if you make the payment to
 - a non-dependant in the event of another person's death
 - a dependant, and they receive a death benefit that is a capped defined benefit income stream.

For more information about death benefits, visit ato.gov.au/SMSFdeathbenefit

Rolling over benefits

You will need to use SuperStream to roll over super to, or from, your SMSF.

To roll member benefits out of your SMSF to another super fund, follow these steps:

- where you have not successfully validated the member's tax file number (TFN) in the past, validate the member's TFN using [SMSFmemberTICK](#)
- when rolling over to another SMSF, verify the fund and member details using the [SMSF Verification Service](#)
- when rolling over to an APRA regulated fund, obtain the fund details using the [Fund Validation Service](#)

To make a rollover you will need to have a rollover capable electronic service address (ESA) provider. A list of ESA providers that offer contribution or rollover capabilities, is available at ato.gov.au/esaprovider

If the rollover is a death benefit rollover and the recipient is a dependent child beneficiary:

- process the rollover in SuperStream
- complete the [death benefit rollover statement](#) (DBRS) and send this to the receiving fund as soon as practicable, see [SuperStream death benefit rollovers](#) for more information.

All member contributions received during the year need to be reported in the SMSF annual return, even if they were rolled out to another fund later.

Rollovers and Transfer balance account reporting

If the member is rolling over a pension, you will need to lodge a Transfer balance account report (TBAR) reporting the commutation of each pension just before it is rolled over.

It is better for your member if you notify us of the commutation before the receiving fund notifies us of the new pension.

If a fund reports the new pension to us before you report the commutation, this could result in your member exceeding their transfer balance cap and we may issue an excess transfer balance (ETB) determination. If we issue the member an excess transfer balance determination, you need to lodge a TBAR reporting the commutation to us as soon as possible.

For more information about rollovers, visit ato.gov.au/SMSFrollovers

For more information about event-based reporting for SMSFs, visit ato.gov.au/EBR

Complete a final audit

Check your fund has been audited every year since its establishment.

If there are any outstanding audits ensure an approved SMSF auditor completes these, as well as the audit for the final income year.

You must do this before you can lodge your final SMSF annual return.

Lodge your final SMSF annual return (SAR)

Lodge all outstanding annual returns as well as the fund's final return.

In your final SAR, complete all points relevant to the fund's wind up. This lets us know it will be your final return and we will adjust your SMSF supervisory levy.

You will need to complete the following:

- Was the fund wound up during the income year? (**Section A**)
 - If yes, on what date did the fund wind up?
 - Have all tax lodgment and payment obligations been met?
- Supervisory levy adjustment for wound up funds (**Section D**).

Lodging your final SAR will notify us of your intention to wind up. Once processed we will then confirm your fund has been wound up by sending you a letter stating we have:

- cancelled your SMSF's Australian business number (ABN)
- closed your SMSF records on our system.

🔔 **Do not cancel** your ABN. We will do this for you.

Notify third parties

Consider who you need to advise when you wind up your fund.

Make sure you notify:

- any employers making contributions to your fund
- your fund's SMSF professionals – for example, your tax agent, auditor, and financial adviser.

If your fund has a corporate trustee structure and the corporate trustee was only set up for the purposes of the SMSF, you will need to notify ASIC that the company needs to be deregistered.



Close your SMSF bank account

It is important to close your fund's bank account last. If you close it too early this can delay the wind-up process.

Only close your SMSF bank account or accounts after you have:

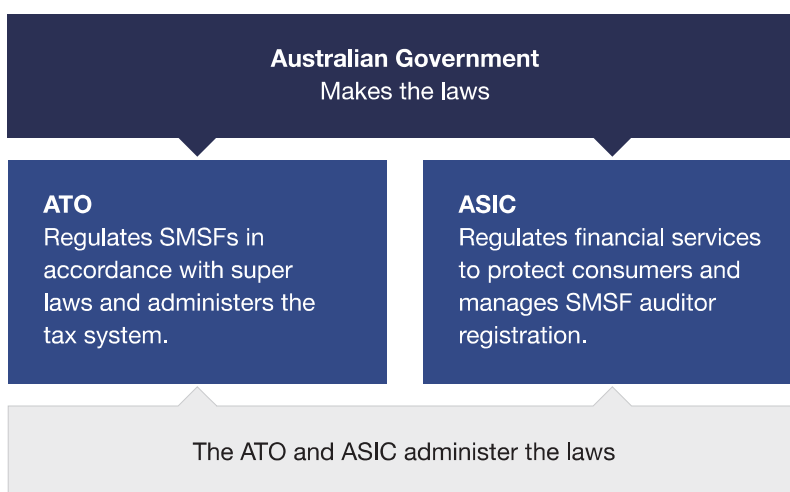
- paid all final liabilities
- received all final refunds from us – make sure we have the fund's correct bank account details
- completed rollovers using SuperStream
- received confirmation from us that your fund has been wound up.

➡ Make sure you close your fund's bank account last. If you close it too early this can delay the wind-up process and we may not be able to issue any refunds.

Help and more information

How your SMSF is regulated

The ATO and ASIC are co-regulators of the SMSF sector.



ATO

The Australian Taxation Office is a key regulator for SMSFs. We are responsible for administering the super and tax laws and ensuring compliance. We will make it as easy as possible for you to comply with your obligations and protect the future benefits of fund members.

For information on how we can help you, visit ato.gov.au/SMSF

Our compliance approach

The majority of SMSF trustees do the right thing but sometimes things just go wrong. When that happens, our primary focus is to guide and support trustees who want to get themselves back on track and willingly comply with the super laws. But there are occasions when strong enforcement responses are necessary.

We may take these responses in conjunction with other enforcement options, for example in instances where there are severe breaches of the law, we can also move to prosecute the trustees.

For more information about how we deal with non-compliance, visit ato.gov.au/SMSFcompliance

ASIC

The Australian Securities & Investments Commission is the consumer protection regulator for financial services, including:

- investing
- super
- deposits
- insurance
- financial advice.

It regulates and enforces laws that promote honesty and fairness in financial products, services and markets, as well as Australian companies.

ASIC also:

- licenses financial advisers
- registers SMSF auditors.

There will be three guides in this set

Read our guides to help you understand each stage throughout the life of your SMSF.



Information and learning resources

As a key regulator for SMSFs, we can help you understand your duties and legal responsibilities as a trustee.

We provide information through various channels, refer to our:

- website – ato.gov.au/SMSFwindup
- videos – ato.gov.au/SMSFvideos
- webinars – ato.gov.au/SMSFwebinars
- news and alerts – ato.gov.au/SMSFnews
- other resources including Q&As, case studies, checklists, and more – ato.gov.au/SMSFresources

For definitions or explanations of terms, visit ato.gov.au/definitions

SMSF support services

If you are having difficulties or think you have made a mistake, contact us as soon as possible through our early engagement and voluntary disclosure service. Visit ato.gov.au/SMSFdisclosure

You can request specific advice on how the super laws apply to a specific SMSF transaction or arrangement, visit ato.gov.au/SMSFspecificadvice

You can also visit our online peer-to-peer forum to discuss your SMSF and general super questions with other trustees and professionals in the sector, visit community.ato.gov.au

If you need to phone us

Phone our superannuation line on **13 10 20** from 8am – 6pm Monday to Friday.

For help in other languages, phone the translating and interpreting service on **13 14 50** or **+61 392 688 332** if calling from overseas.

If you are deaf or have a hearing or speech impairment, phone us through the National Relay Service (NRS) using the below numbers and ask for the ATO number you need:

- TTY users, phone **13 36 77**
- Speak and listen (speech-to-speech relay) users, phone **1300 555 727**
- internet relay users, connect to the NRS at relayservice.com.au

Checklist

Check your trust deed

- ☐ Read your fund's trust deed to check whether you have a plan for how to wind up

Get written agreement

- ☐ Organise a trustee meeting and ensure all trustees agree on the decision to wind up
- ☐ Document the decision in meeting minutes and keep it with the fund's records
- ☐ Have all trustees sign the agreement to wind up

Dispose of assets

- ☐ Consider how much time it may take to sell assets
- ☐ Document decisions on how, when, and the amount at which to sell assets
- ☐ Document the sale of assets, including the buyer, date, amount and how they were valued
- ☐ Work out the benefits each member is entitled to

Finalise outstanding tax and compliance obligations

Finalise all your reporting and lodgment obligations, possible reports include:

- ☐ Transfer balance account report (TBAR)
- ☐ PAYG payment summary – superannuation lump sum
- ☐ PAYG payment summary – superannuation income stream
- ☐ PAYG withholding payment summary statement
- ☐ PAYG withholding payment summary annual report

Pay outstanding expenses and tax liabilities

Check if your fund has outstanding or final expenses to be paid, including any:

- ☐ Final invoices
- ☐ Audit fees
- ☐ Expenses due to asset sales
- ☐ Outstanding tax liabilities (PAYG and PAYGW)

Calculate and distribute member benefits

Calculate member benefits

- ☐ Work out the benefits each member is entitled to

Paying benefits to a member

- ☐ Check the member has met a condition of release
- ☐ Ensure the fund has enough liquid assets to make the payment
- ☐ Determine if there are any capital gains tax implications
- ☐ Check whether the pension payment standards are met

Paying benefits to someone other than a member

- ☐ Check they are eligible to receive the payment
- ☐ Ensure the fund has enough liquid assets to make the payment
- ☐ Determine if there are any capital gains tax implications
- ☐ Check any obligations to withhold tax from the superannuation benefit

How to roll over benefits

- ☐ Validate member's TFN using [SMSFmemberTICK](#)
- ☐ Roll over to another SMSF – verify fund and member details using [SMSF Verification Service](#)
- ☐ Roll over to APRA fund – verify fund details using [Fund Validation Service](#)
- ☐ Use SuperStream to roll over super within three business days after receiving required information
- ☐ For a death benefit rollover complete the [Death benefit rollover statement](#) and send to receiving fund
- ☐ When rolling over a pension, lodge a TBAR

Complete a final audit

- ☐ Check your fund has been audited every year since its establishment
- ☐ Ensure an approved SMSF auditor completes the final audit as well as any outstanding audits

Lodge your final SMSF annual return (SAR)

- ☐ Lodge any outstanding SARs
- ☐ Lodge your final SAR ensuring you complete all points relevant to the fund's wind up

Notify third parties

Check if you need to advise any third parties when you wind up, this may include:

- ☐ ASIC
- ☐ Employers
- ☐ Tax agent and other SMSF professionals

Close your SMSF bank account

Ensure you have:

- ☐ Paid all final liabilities
- ☐ Received all final refunds from us
- ☐ Received confirmation from us that your fund has been wound up
- ☐ Closed your fund's bank account

Winding up a self-managed super fund