

client alert | SMSF assets checklist

April 2009

Checklist of Assets that may be Acquired

Trustees of a superannuation fund need to ensure that any investment or activity by the fund complies with the sole purpose test. Broadly, the sole purpose test requires a fund to be established for the sole purpose of providing benefits to its members in retirement.

The superannuation legislation contains investment restrictions. Complying with the investment rules is crucial to achieving and maintaining the status of a complying superannuation fund and thereby qualifying for income tax concessions.

The checklist below sets out common assets which trustees may or may not acquire.

Asset type	Permitted
<i>Business assets</i>	
Businesses	No
Business plant and equipment	No
Cray pots	No
Franchise rights	No
Hobby farms	No
Taxi licences	No
Water rights	No
<i>Financial investments and securities</i>	
Bank deposits acquired at market value	Yes
Listed securities acquired at market value	Yes
<i>Life insurance policies</i>	
Acquired at market value and the in-house asset rule is not exceeded ¹	Yes
<i>Other assets</i>	
Assets acquired under an SMSF merger	Yes
Assets acquired at market value where the Tax Office gives written notice that the assets are not in-house assets	Yes
<i>Personal assets</i>	
Artwork	No
Cars, including antique cars	No
Golf club memberships	No
Other collectables (for examples, jewellery, stamp collections and wine)	No

Asset type	Permitted
<i>Property</i>	
Business premises acquired at market value that is used wholly for business premises	Yes
Business premises rented property acquired at market value used wholly for business	Yes
<i>Residential property</i>	
Commercial rental property with residential property upstairs	No
House containing a doctor's surgery and residential property	No
Holiday houses	No
Residential property	No
Residential rental property	No
Farms acquired for market value where no more than two hectares are reserved for private use	Yes

1. In broad terms, a regulated superannuation fund is restricted from having more than 5% of the total market value of its assets investment in in-house assets. An 'in-house asset' is includes investment in a related party of the fund.

Note: The above checklist is not meant to be exhaustive.