



Winding up a Self-Managed Super Fund (SMSF)

Winding up a Self-Managed Super Fund (SMSF) is a multi-step process that must be completed correctly to avoid penalties and ensure all tax obligations are met. An SMSF cannot be re-activated once it has been wound up.

An SMSF may wind up for several reasons, such as death, relationship breakdown including divorce or separation, moving overseas for an indefinite period, trustees being unable to fulfill their duties or changing their minds due to the costs associated with running an SMSF. The issuance of a non-compliance notice by the ATO is another reason for winding up an SMSF.

Winding up an SMSF requires finalising all tax obligations, auditing, and distributing assets, typically involving a full commutation (transfer) of pensions. A final Transfer Balance Account Report (TBAR) must be lodged, usually within 28 days of the quarter-end, reporting the closure or rollover to the ATO.

Steps in winding up an SMSF

- 1. Check the trust deed:** The trust deed contains rules that the trustees need to follow. Review the Fund's trust deed for specific requirements, steps to be completed in the wind-up process or an exit plan.
- 2. Get written agreement:** Hold a trustee meeting to obtain written consent from all members to formally agree on the SMSF wind up.
 - Notify SuperGuardian and complete SuperGuardian's [wind up instruction form](#).
- 3. Sell or dispose of the SMSF's assets:** Sell or transfer all Fund assets. This must be done at market value. If a member has met a condition of release, assets may be transferred on an in-specie basis.
- 4. Pay outstanding expenses:** Settle all final expenses of the Fund, including accounting, audit and advisory fees. Retain minimal funds in the SMSF bank account for unexpected fees and / or final tax liabilities (if any). SuperGuardian will provide the estimated minimum balance to be left in the SMSF bank account.

5. **Pay minimum pension requirements (if applicable):** As winding up an SMSF involves the cessation of any pensions, pro-rated minimum pensions must be paid prior to the wind-up.
6. **Payout or roll over benefits:** Work out each member's entitlement which can be either paid out (if a condition of release is met) or rolled over to another complying super fund. Rollovers are usually prepared in two tranches. The first one is a large balance, and the second one is a smaller balance, once the final return has been completed and final, remaining balance of rollover out is known.
7. **Final year accounts and audit:** SuperGuardian will prepare the year end accounts for the final year. A final audit of the Fund will also be done by the independent auditor.
8. **Lodge final annual return:** The final SMSF annual return (SAR) is lodged, notifying the ATO of the fund winding up. Once the SAR is lodged, the ATO will usually cancel the ABN (and GST registration if applicable) within 28 days of lodgement, allowing sufficient time to finalise any outstanding amounts in the fund.
9. **Close the Bank Account:** The Fund's bank account is to remain open until all expenses are paid and any tax refunds have been received.
10. **Corporate Trustee Deregistration (If applicable):** The company trustee can either be deregistered in which case, ASIC is notified to deregister, the other option is to retain the company trustee for another purpose.

Key Considerations

- **Records:** SMSF records must be kept for a minimum of 5 to 10 years, depending on the type of document. Refer to the ATO's [SMSF record-keeping requirements](#) for further details.
- **Capital Gains Tax (CGT):** Selling assets as part of the wind-up process may trigger CGT.
- **Contributions:** Treatment of any contributions in the previous and current year for the purpose of claiming a tax deduction needs to be made, as the option to claim a deduction is lost after an accumulation balance is paid out or rolled over.
- **Distributions:** If the fund holds managed investments and the wind up is to occur before the annual taxation statement can be provided, the trustees have the option of winding up asap and declaring all distributions as income (but forgoing any imputation credits)
- **Notify Relevant Parties:** If applicable, notify employers to ensure that contributions are no longer directed to the SMSF.
- **TBAR Requirements (if applicable):** Winding up an SMSF typically involves a full commutation of pensions. A final Transfer Balance Account Report (TBAR) must be

lodged, usually within 28 days of the end of the quarter, to report the closure or rollover to the ATO.

- **SuperStream:** Since October 2021, most rollovers between funds must be done via SuperStream, which requires an Electronic Service Address (ESA). The receiving Fund details and member details are required for rollovers between funds.
- **Timing:** Winding up is often done closer to the end of a financial year, but the wind-up process may take longer if an SMSF needs to dispose of complex, non-standard or illiquid assets for example. Other factors may also impact on how long the wind-up process may take.

For more information on winding up an SMSF, the ATO guidance can be found [here](#).

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