



Reserve Bank of Australia recently published the latest standard investor interest rate of 5.10% for standard variable housing loans as of May 2020. This rate is to be used for Limited Recourse Borrowing Arrangements for the 2020/21 financial year under the “Safe Harbour” guidelines published by the ATO in PCG 2016/5. This represents a fall from 5.94% used for the 2019/20 financial year.

Safe Harbour rates for SMSFs are higher than currently available from commercial lenders.

SMSFs as landlords have been obliged to grant rent relief to tenants adversely affected by the pandemic, this may cause a cash flow crunch inside of SMSF. There is an option that Related party lenders are permitted to offer loan repayment deferrals like those offered by commercial lenders but the ATO’s Safe Harbour guidelines do not allow related party lenders an option of extending the loan term to give the borrower more time to pay the deferred amounts, this can cause further problems within SMSF and may breach the borrowing rules which can cause all rental income of the fund to be treated as NALI and pay tax at the highest marginal rate.



How we can help

Option 2: Consider refinance of related party loan with a commercial lender.
 To Learn more ring our office and speak to **Susheel Kumar**.

Call Us (02) 9684 4199