

## **SAMPLE SUPERANNUATION FUND**

### **Actuarial Certificate for the purposes of Section 295-390 of the Income Tax Assessment Act 1997 Year of Income : 2011/12**

#### **Definitions**

In this Certificate:

'Act' means the Income Tax Assessment Act 1997

'Fund' means Sample Superannuation Fund

'Trustee' means Sample Nominees Pty Ltd which acts as trustee of the Fund. John Sample and Jill Sample are the directors of this company.

The terms 'ordinary income', 'statutory income', 'current pension liabilities', 'segregated current pension assets' and 'superannuation liabilities' have the meanings ascribed to these terms in Subdivision 295-F of the Act.

#### **Background**

During the 2011/12 year of income, certain members of the Fund received superannuation income stream benefits from the Fund. Subject to certain conditions set out in the Act:

- (a) the Fund is entitled to exemption from tax on income derived from assets held to meet current pension liabilities;
- (b) the liability of the Fund to pay superannuation income stream benefits which comply with Regulation 1.06(4), Regulation 1.06(8) and Regulation 1.06(9A)(a) of the Superannuation Industry (Supervision) Act 1993 (ie, 'allocated', 'market linked' and 'account-based' pensions respectively) qualify as current pension liabilities;
- (c) as a consequence of (a) and (b), a proportion of the Fund's ordinary income and statutory income (ie, investment income) derived during the year in which it paid allocated, market linked and/or account-based pension benefits is exempt from tax; and
- (d) the Trustee has advised that the Fund holds no segregated current pension assets as defined in Subdivision 295-F of the Act and accordingly this proportion is calculated as follows:

$$\frac{\text{average value of current pension liabilities during the period}}{\text{average value of all superannuation liabilities during the period}}$$

In order to take advantage of the tax exemption referred to in (c) above, the Trustee must obtain an actuarial certificate which states that the liabilities referred to in (d) plus future contributions and earnings (where applicable) will provide the amount

required to meet the Fund's liabilities in the future. Where the liability concerned is simply to provide allocated, market linked and/or account-based pensions (or other benefits which are not 'defined benefit' in nature) this will always be the case.

## Information on which this certificate is based

This certificate is based on financial information for the year ended 30 June 2012 provided by Sample Accountants Pty Limited on behalf of the Trustee, including:

- (a) draft financial statements;
- (b) members' benefit illustrations; and
- (c) tax calculations.

In particular, I have been advised that the Fund:

- (a) is a regulated complying superannuation fund;
- (b) is not a 'defined benefit fund' as defined in the Superannuation Industry (Supervision) Regulations; and
- (c) has met all minimum pension payment (and if applicable, not exceeded maximum) requirements for the relevant financial year.

## Terms of the Certificate

- (a) This certificate relates to Sample Superannuation Fund and covers the period from 1 July 2011 to 30 June 2012;
- (b) During 2011/12, the monies of the Fund were divided between accounts held on behalf of the Fund's members.

During the year, certain accounts were applied to provide superannuation income stream benefits which are not defined benefit in nature. The amount remaining in these accounts from time to time can therefore be referred to as the Fund's 'current pension liabilities'.

At 1 July 2011 and 30 June 2012, the assets and liabilities of the Fund can be represented as follows:

		1 July 2011	30 June 2012 ***
John Sample	Accumulation	\$43,306	\$129,501
John Sample	Pension *	\$517,444	\$504,676
Jill Sample	Accumulation	\$42,607	\$118,094
Jill Sample	Pension *	<u>\$444,625</u>	<u>\$438,509</u>
Total Account Balances **		\$1,047,982	\$1,190,780
<i>(and net market value of assets)</i>			

- \* current pension liabilities for which no segregated assets are held
- \*\* superannuation liabilities for which no segregated assets are held
- \*\*\* these are estimates only. They have been drawn from draft financial statements which have yet to be updated for the tax exemptions outlined in this certificate.

- (c) The ratio of ordinary and statutory income (ie, investment income) of Sample Superannuation Fund exempt from tax in 2011/12 in accordance with Section 295-390 of the Act is calculated as follows:

$$\frac{\text{average value of current pension liabilities}}{\text{average value of all superannuation liabilities}}$$

The Fund's 2011/12 financial statements set out the operating statement, balance sheet and allocations to members' accounts. Taking into account the amounts and timing of major cash flows during 2011/12, I consider that during the 2011/12 year of income:

Average value of unsegregated current pension liabilities	\$1,035,098
Average value of all unsegregated superannuation liabilities	\$1,052,297
Ratio of ordinary and statutory income (ie, investment income) exempt from tax in 2011/12 in accordance with Section 295-390	98%

**It follows from the information set out in 'Background' above that the allocated, market linked and/or account-based pension account(s), including future investment earnings, will discharge in full the Fund's current pension liabilities and I therefore certify that this is the case as at 1 July 2012.**

- (d) In order to make the statements in this Certificate, assumptions were not required for:
- the expected rate of earnings on the Fund's current pension assets; or
  - a rate of earnings to determine the value of the current pension liabilities.
- (e) I believe the calculations in this Certificate are appropriate for the purposes of Section 295-390 of the Act. They have been carried out in accordance with all relevant Guidance Notes issued by the Institute of Actuaries of Australia. While some guidance notes which affect these calculations have not yet been updated to replace references to the previous legislative section (Section 283 of the Income Tax Assessment Act 1936) with references to the new provisions (Section 295-390 of the Income Tax Assessment Act 1997), the same principles apply in both Sections and hence I believe this certificate is appropriate.

**Margaret Elizabeth Heffron BEc, FIAA**  
Principal

**Date : 10 August 2012**