Howard Superannuation Fund

SECTION 295-390 ACTUARIAL CERTIFICATE

FOR

1 July 2018 to 30 June 2019

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Howard Superannuation Fund

Background

This certificate provides the exempt proportion of the investment income related to the RP (Retirement Phase) Pension assets within the Howard Superannuation Fund. It is required under Section 295-390 of the 1997 Income Assessment Act. Any segregated current pension assets and any segregated non-current assets and the liabilities supported by those assets are excluded from all calculations.

This certificate covers the period of income of the Fund commencing on 1 July 2018 (the particular time) and ending on 30 June 2019.

Instructions

Professional Financial Solutions has been instructed to prepare this certificate by M Thimm of Compass Advisors Pty Ltd on behalf of the trustee of the Howard Superannuation Fund. The accounting data and transaction details used within this certificate were provided and verified by Mark Thimm on 16 June 2020.

Participants

The Superannuation Fund

Howard Superannuation Fund (referred to as the Fund within this certificate)

The Trustee

Ricidea Pty Ltd
ACN : 005859281

Fund Members

Fund Members		
Name	**Date of Birth**	**Pensioner (Y or N)**
Lynette Howard	9-11-1953	Y
Richard Howard	11-01-1956	Y
Natasha Howard	10-02-1983	N
Roderick Howard	5-05-1981	N

Howard Superannuation Fund

Key Accounting Data

The following table contains a summary of the accounting data provided for the preparation of this certificate.

Howard Superannuation Fund Key Accounting Data			
	RP Pension Accounts	**Accumulation Accounts ***	**Total**
Accrued Benefits 1 July 2018	$2,162,829.80	$714,059.26	$2,876,889.06
Income (allocated to member accounts)			
Concessional Contributions		$36,289.49	$36,289.49
Non Concessional Contributions			
Transfers and rollovers in			
Internal Transfers	$431,997.91		
Expenses (drawn from member accounts)			
Pensions Paid	($149,909.00)		($149,909.00)
Lump Sum Benefits Paid			
Transfers out and rollovers out			
Internal Transfers		($431,997.91)	
Insurance Premiums			
Member Expenses			
Income (at Fund level)	--	--	($0.00)
Unrealised Gain or Loss	--	--	
Expenses (at Fund level)	--	--	($0.00)
Taxation provision	--	--	$0.00
Accrued Benefits 30 June 2019	--	--	

* *This includes balance in reserve account and transition to retirement accounts, if any*

Mark Thimm has verified that the Fund is a complying superannuation fund, that the RP Pensions valued comply with the relevant sections of the income taxation acts and that the accounting data in the above table is accurate.

The total value at the start of the year, as shown in the table above, is equal to the value of net assets at that date and it is also equal to the value of superannuation liabilities at that date for the purposes of this certificate.

The exempt proportion shown in this certificate is based on the information provided on behalf of the trustee. The exempt proportion may not be valid if the transaction dates or amounts supporting the above information (in the middle section of the table above) are incorrect or changed after 16 June 2020.

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The Exempt Proportion

The next table contains the average value of the current unsegregated pension liabilities, the average value of current unsegregated superannuation liabilities and the exempt proportion required to calculate the exempt current pension income.

Components of the Exempt Proportion		
Average Pension Liabilities	**Average Superannuation Liabilities**	**The Exempt Proportion**
$2,524,536.81	$2,818,340.28	89.575%

Details of the calculation and the use of the exempt proportion are included in Appendix 1 which contains extracts from the Income Tax Assessment Act 1997. In particular:

295-390 (3)   Contains the formula for the calculation of the exempt proportion and the definitions of the components.

295-390 (1)   Defines the application of the exempt proportion to the ordinary and statutory income of the Fund.

295-390 (2)   Contains the exceptions that should be applied to the ordinary and statutory income of the Fund before application of the exempt proportion.

Member's Exempt and Taxable Proportions

The following table contains the member's exempt and taxation proportions calculated on an average basis that is consistent with the exempt proportion for the fund. It is not necessary to use these proportions because allocations at member level are at the trustee's discretion.

	Lynette Howard	Richard Howard	Natasha Howard	Roderick Howard	Reserve Account	Total
Exempt	48.959%	40.616%	0%	0%		89.575%
Taxed	0%	0%	7.005%	3.42%	--	10.425%

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Statutory Statements

The current value of the pension liabilities is equal to the current value of the pension assets because the pensions are account based pensions. Consequently it is not necessary to set an earning rate (sub-section 295-390 (5)) or set other assumptions to value the current pension liabilities (sub-section 295-390(4)).
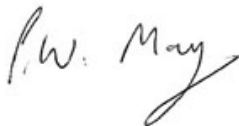
The calculation of the exempt proportion complies with sub-section 295-390(3) and with Professional Standard 406 issued by the Institute of Actuaries of Australia.

I am satisfied that the value of pension assets at 1 July 2018 will provide the amounts required to meet in full the current pension liabilities as they fall due.

The exempt percentages are not valid if journal entry dates are entered into the certificate production online system instead of the actual transaction dates.

The pension benefits are account based pensions that will be paid under the rules set by the Superannuation Industry (Supervision) Regulations (subregulations 1.06 (1), 1.06 (1A) and 1.06 (1B)) and which are RP Pensions under the Income Tax Assessment Act 1997.

This certificate was prepared on 16 June 2020 by:

Peter May
Fellow of the Institute of Actuaries of Australia

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Appendix 1 – Extracts from the Income Tax Assessment Act 1997

295-390 Income from other assets used to meet current pension liabilities

(1) A proportion of the *ordinary income and *statutory income of a *complying superannuation fund that would otherwise be assessable income is exempt from income tax under this section. The proportion is worked out under subsection (3).

Exception

(2) Subsection (1) does not apply to:

    (a) *non-arm's length income; or

    (b) amounts included in assessable income under Subdivision 295-C; or

    (c) income *derived from *segregated non-current assets; or

    (d) income that is exempt from income tax under section 295-385.

Formula

(3) The proportion is:

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

where:

average value of current pension liabilities is the average value for the income year of the fund's current liabilities (contingent or not) in respect of *RP superannuation income stream benefits that are payable by the fund in that year. This does not include liabilities for which *segregated current pension assets are held.

average value of superannuation liabilities is the average value for the income year of the fund's current and future liabilities (contingent or not) in respect of *superannuation benefits in respect of which contributions have, or were liable to have, been made. This does not include liabilities for which *segregated current pension assets or *segregated non-current assets are held.

Actuary's certificate

(4) The value of particular liabilities of the fund at a particular time is the amount of the fund's assets, together with future contributions in respect of the benefits concerned and expected earnings on the assets and contributions after that time, that would provide the amount required to discharge those liabilities as they fall due. This must be specified in an *actuary's certificate obtained by the trustee of the fund before the date for lodgement of the fund's *income tax return for the income year.

(5) The expected earnings are worked out at the rate the actuary expects will be the rate of the fund's earnings on its assets (except *segregated current pension assets or *segregated non-current assets).

* ***Definitions - sections referred to are sections within the Income Tax Assessment Act 1997 unless otherwise state***

Actuary means a Fellow or Accredited Member of the Institute of Actuaries of Australia.

Complying superannuation fund means a complying superannuation fund within the meaning of section 45 of the Superannuation Industry (Supervision) Act 1993.

Derive has a meaning affected by subsection 6-5(4).

Income tax return means a return under section 161, 162 or 163 of the Income Tax Assessment Act 1936.

Non arm's length income has the meaning given by section 295-550.

Ordinary income has the meaning given by section 6-5

Retirement Phase has the meaning given by section 307-80.

RP superannuation income stream or RP Pension means a superannuation income stream from which a RP superannuation income stream benefit is payable.

Section 295-385 is the section of the act that covers segregated assets and liabilities.

Segregated current pension assets has the meaning given by section 295-385.

Segregated non-current assets has the meaning given by section 295-395.

Statutory income has the meaning given by section 6-10.

Superannuation benefit has the meaning given by section 307-5.

RP superannuation income stream benefit has the meaning given by section 307-75.

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Appendix 2 - Use of this Certificate and Data Entry

Use of this Certificate

The main item in this certificate is the exempt percentage which should be used to calculate the exempt current pension income related to unsegregated assets within the Fund. There are instructions on the use of exempt percentages in the Australian Taxation Office Self-Managed Superannuation Fund Annual Return Instructions.

Page 3 of this certificate contains the individual components of the exempt percentage including the taxable percentages. These percentages can be used to allocate income or expenses to individual members. However this is not the only method that can be used to allocate expenses and the ATO instructions in Taxation Ruling 2672 and 93/17 (including any replacement rulings) provide a guide to the other methods.

The exempt percentages shown in the certificate are not suitable for use when assets are segregated because then a different method of allocating assets and income applies.

Data Entry

This certificate has been produced by an online system and the quality of the information in the certificate depends on the quality and formatting of the data that is entered by the user.

The exempt percentage is directly influenced by the timing and amount of the Fund transactions. The most common transactions are contributions, transfers, commutations, lump sum benefit payments, insurance premiums and pension payments. The dates and amounts entered into the system must be the actual dates that these transactions took place. The use of journal or other dates instead of actual dates will produce incorrect exempt percentages.

In the online system, there is no provision for the revaluation of assets or allocation of income during the financial year.

The adequacy of pension payments is not checked within the online system or by the actuary. It is your responsibility to ensure that pension payments are at the levels required for compliance with the relevant regulations.

New Superannuation Funds

The system will handle new Funds that commence during the financial year and the exempt percentage is correct for the period from the Fund starting date shown in the front page of the certificate to the end of the financial year provided the Fund is unsegregated for the whole period. Where the Fund is fully accumulation or fully pension for part of the year then the system will calculate the exempt percentage for the period when the Fund is unsegregated.