

Dear Trustees,

Your Self-Managed Superannuation Fund Administrator has requested that we prepare an actuarial certificate for your SMSF to support claims for income tax exemption in the tax return of the Fund. The actuary James Fitzpatrick of Waatinga has calculated the tax-exempt percentage and has prepared the certificate accordingly.

If there are any periods of the income year where the only accounts held by the Fund are Retirement Phase (Pension) accounts, these periods are known as Deemed Segregated Periods (DSPs) and the Segregated Method is generally used to determine the Exempt Current Pension Income (ECPI) during those periods.

We understand that the assets of the Fund were unsegregated for at least some of the income year in question and that the Fund held a combination of Retirement Phase (Pension) and non-Retirement Phase accounts. In these circumstances an actuarial certificate is required that determines what proportion of the income received during any unsegregated periods of the income year is eligible to be exempted from income tax.

For the calculation of the tax-exempt percentage shown in this certificate, we have been asked to treat the assets as segregated in those periods where the balance of the Fund was entirely in Retirement Phase (Pension). As a result of this requirement, the calculation of a tax-exempt percentage for the unsegregated periods must ignore all data from the DSPs. The application of this tax-exempt percentage only applies to income received during the unsegregated periods; income received during the DSPs must be exempted using the Segregated Method.

The tax-exempt percentage specified in the actuarial certificate applies to the net ordinary and statutory assessable income (excluding assessable contributions, non-arm's length income and income derived from any segregated assets) received during the Unsegregated Periods for the given income year. The tax-exempt percentage is calculated as the average of the Retirement Phase balances over the unsegregated periods of the income year as a proportion of the average of the total Fund balances over the unsegregated periods of the income year.

Regards,



Andy O'Meagher  
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Act2 Solutions Pty Ltd  
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Reference: CA190098 FEDERATION DRIVE SUPERANNUATION FUND



# ACTUARIAL CERTIFICATE

Income Tax Assessment Act 1997 (the Act), Section 295.390

We have been requested by Act2 Solutions to prepare an Actuarial Certificate in compliance with the Act for the following Self-Managed Super Fund (SMSF);

## **FEDERATION DRIVE SUPERANNUATION FUND (the Fund)**

**Trustee(s): Colleen Davis, William Davis**

We have been advised the Fund is a complying Self-Managed Super Fund. This certificate is for the year ended 30/06/2023

### Results and Segregation

The Exempt Current Pension Income (ECPI) proportion we have calculated for the unsegregated periods set out below is;

**96.813%**

This certificate relies on the information that we have been provided. If any of the information is incorrect or materially changes, please request an amendment.

There were no actively segregated assets during the year of income.

Where the Fund has Disregarded Small Fund Assets (DSFA) the tax-exempt percentage of income must be calculated using the proportionate or unsegregated method. From the 2021/22 income year, where the Fund does not have DSFA and for a portion of the year, 100% of the SMSF's liabilities are Retirement Phase, the Trustees may choose to use the proportionate method for the full year, or the default segregated method.

This certificate is prepared on the basis that the Trustees will be utilizing the Segregated Method to claim tax-exempt income in those periods where the balance of the Fund was entirely in Retirement Phase.

The table below sets out any deemed segregated periods, based on the information we have been provided. The appropriate treatment of earnings for the different periods is also set out in the table and care should be taken to ensure that the appropriate exemption is applied to each period.

<u>Start Date</u>	<u>End Date</u>	<u>ECPI Method</u>	<u>Taxation treatment of relevant earnings</u>
01/07/2022	13/09/2022	Deemed Segregated	Earnings in this period are income tax exempt.
14/09/2022	30/06/2023	Unsegregated	96.813% of earnings are exempt.

### Liabilities

## CA190098 FEDERATION DRIVE SUPERANNUATION FUND

I am advised the unsegregated net assets at 30/06/2023, prior to application of the above ECPI, which are also equal to liabilities of the Fund, were;

*Current Pension Liabilities: \$1,510,651*

*Superannuation Liabilities: \$1,780,052*

These figures are from draft financial statements. Please note that there is no need to request a revised ECPI if these balances change due to tax or investment income as these do not impact the ECPI calculation.

I certify that I am satisfied that the value of the stated liabilities of the Fund at 30/06/2023 is also the amount of the Fund's assets on this date. These assets plus any future contributions plus expected future earnings will provide the amount required to discharge the liabilities as they fall due.

### Exempt Current Pension Income (ECPI)

Subsection 295.390(1) of the Act states "that a proportion of ordinary income and statutory income of a complying superannuation fund that would otherwise be assessable income is exempt from income tax."

To assist the trustee with calculating this proportion for the year of income ending 30/06/2023 set out below is a proportion that is calculated consistently with the Act.

*Average Value of Current Pension Liabilities: \$1,051,366*

*Average Value of Superannuation Liabilities: \$1,085,970*

*ECPI Proportion: 96.813%*

The ECPI proportion should be applied to the Fund's assessable income (excluding any non-arm's length income, contributions and any income derived from segregated assets) to determine how much income is exempt from tax.

Please Note: The average values are time weighted average balances over the financial year and exclude net investment earnings and expenses. These average values are appropriate to calculate the proportion on the assumption that the Trustee will allocate the relevant unsegregated assessable income in proportion to member's unsegregated account balances at a fixed crediting rate throughout the unsegregated period.

### Data Summary

The data on which the above certification and calculation is based has been provided by Act2 Solutions. I have been provided with details of contributions, benefits payments and transfers for each member throughout the year. A summary of this data for the Fund is set out below including assets that are deemed to be segregated but excluding assets that the trustees have determined are segregated,

	<u>Contributions</u>	<u>Benefit Payments</u>	<u>Transfers</u>
<b>Fund Transactions</b>	<b>\$266,750</b>	<b>(\$245,730)</b>	<b>\$0</b>

The net assets at 01/07/2022 were \$1,366,412. The member balances as at 30/06/2023 provided and prior to application of the above ECPI proportion were;

	<u>Retirement Phase</u>	<u>Total Balance</u>
<b>Total Fund Balance</b>	<b>\$1,510,651</b>	<b>\$1,780,052</b>

Colleen Davis	\$708,074	\$842,774
William Davis	\$802,577	\$937,278

## Assumptions and Notes

I have been advised that the relevant pension liabilities meet the requirements to be considered a retirement phase superannuation income stream. This advice has been relied upon in preparing this certificate.

There were no Disregarded Small Fund Assets, as defined in section 295-387 of the Act, applicable to the Fund at any time during the year of income;

I have been advised that the values at 01/07/2022 are from audited financial statements and that the values for the financial year are from unaudited draft financial statements. If there are material changes after the certificate was issued an amendment should be requested.

As the fund only contained account-based pensions and member accounts in accumulation phase, the liabilities have been taken to be the balances of the relevant accounts and reserves (if any). We have been advised there are no unusual terms or guarantees in the SMSF however should this be incorrect please contact Act2 Solutions as this certificate may need to be revised.

For the calculation of the exempt proportion, we have relied on data provided that included the Fund's balances in accumulation phase, the Fund's balances in retirement phase, transactions within, to and from the Fund during the year.

The Fund contained only member accounts in accumulation phase and account-based pensions. Therefore, no assumptions about future inflation, future contributions, investment returns, or discount rates have been required to calculate the tax-exempt percentage.

The preparation of this actuarial certificate and the determination of the liability values are in accordance with Professional Standard 406 of the Institute of Actuaries of Australia.

Yours sincerely,



James Fitzpatrick  
Fellow of the Institute of Actuaries of Australia

15th of August 2023