

Dear Trustees,

Your Self-Managed Superannuation Fund Administrator has requested that we prepare an actuarial certificate for your SMSF to comply with Section 295.390 of the Income Tax Assessment Act 1997. David Quinn-Watson of DeeDeeRa Actuaries has calculated the tax exempt percentage and has prepared the certificate as requested. This letter and the enclosed certificate and attachments set out the information and assumptions used to calculate the tax exempt percentage.

We understand that the assets of the Fund were unsegregated (totally or partially) 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. Further, we understand that the Retirement Phase accounts have not been exclusively supported by segregated assets. In these circumstances a certificate is required from an actuary that determines what proportion of the income received during any unsegregated periods of the income year is eligible to be exempted from income tax.

Effective from the 2017/18 year onwards, if there are any periods of the income year where the only accounts held by the Fund are Retirement Phase 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. 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 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.

As a general guide, the tax exempt percentage is calculated as the average Retirement Phase balances as a proportion of the average total Fund balances.

Regards,



Andy O'Meagher
Director
Act2 Solutions Pty Ltd
Ph 1800 230 737
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ACTUARIAL CERTIFICATE

INCOME TAX ASSESSMENT ACT, 1997 - SECTION 295.390

WJ & GM BENNETT FUND

Section 295.390 of the Income Tax Assessment Act 1997 (the Act) provides that the proportion of a complying superannuation fund's ordinary and statutory income which relates to current pension liabilities (other than income derived from segregated current or non-current pension assets and certain other income) is exempt from tax. This exemption is subject to the Trustee obtaining an actuary's certificate before the date for lodgement of the fund's income tax return for the income year.

Actuary's statements

Subject to the Qualifications and Limitations listed below, I make the following statements pursuant to subsection 295.390 of the Act and Professional Standard 406 Unsegregated Superannuation Liabilities issued by the Institute of Actuaries of Australia:

I, David Quinn-Watson BSc(Hons) FIAA, state that, in respect of The Wj & Gm Bennett Fund:

- The exempt proportion of normal assessable income for the year of income ended 30/06/2018 - and in respect of each of the periods shown as "Unsegregated" in the table of Relevant Periods in Section 1 of the Attachment to this certificate - is:

99.253%.

- I am satisfied that the value of the Fund's liabilities in respect of the pensions in payment at 30/06/2018, together with any future contributions in respect of the benefits concerned, together with expected earnings on the assets and contributions after that time (as applicable), would provide the amount required to meet in full the liabilities as they fall due.
- The values of the liabilities set out in this certificate have been determined in accordance with Professional Standard 406 Unsegregated Superannuation Liabilities issued by the Institute of Actuaries of Australia.

Qualifications and Limitations

1. I have relied upon the information that has been provided to me. In particular, the calculations have been based on draft financial statements and I have NOT checked that the pensions valued met the requirements to be considered Retirement Phase superannuation income streams under the Act, in the relevant year of income.
2. This certificate ceases to be valid if there are any changes to the information that has been provided to me.



Signed

.....
David B Quinn-Watson BSc(Hons)
Fellow of the Institute of Actuaries of Australia

Date

31st January 2019

ATTACHMENT

1. DATA

The data used for this certificate has been provided by Act2 Solutions who advised us that:

- all of the Retirement Phase Income Streams provided by the Fund during the year of income were account-based pensions (being either Allocated Pensions, Market-Linked/Term-Allocated Pensions, Transition to Retirement Income Streams (in Retirement Phase) or Account-Based Income Streams); and
- the Fund did not hold a reserve during the income year.
- there were no actively segregated assets during the year of income; and
- there were one or more periods during the income year during which the Fund held accumulation accounts and/or reserves that were supported by unsegregated assets.

A summary of the information that we used to prepare the certificate is:

1.1 Members and Accounts

| | <u>Member 1</u> | <u>Member 2</u> |
|---|------------------------|------------------------|
| Member Name | Geraldine Bennett | William Bennett |
| Accounts held | Pension & Accumulation | Pension & Accumulation |
| Pensions started during income year | n.a. | n.a. |
| Pensions stopped during income year | n.a. | n.a. |
| Date member exited Fund (if applicable) | n.a. | n.a. |
| Total Pension Balance at end of income year* | \$591,733 | \$792,464 |
| Total Account Balances at end of income year* | \$595,536 | \$795,643 |

* These figures are prior to taxes

1.2 Relevant Periods of the Income Year

| Start Date | End Date | ECPI Method | Taxation treatment of relevant earnings* |
|------------|------------|-------------------|--|
| 01/07/2017 | 12/06/2018 | Deemed Segregated | Earnings* in this period are income tax exempt. |
| 13/06/2018 | 30/06/2018 | Unsegregated | Claim 99.253% of earnings* in this period as exempt. |

* See Section 2 below for information about Deemed Segregated Periods and the appropriate treatment of earnings received for the different periods throughout the income year.



Wj & Gm Bennett Fund Actuarial Certificate - ITAA S295.390

1.3 Financial Information

A summary of the financial information provided to us, including assets that are deemed to be segregated but excluding assets that the trustees have determined are segregated, is:

| | |
|---|-------------|
| Net Assets at 01/07/2017 | \$1,378,011 |
| Total Contributions for income year | \$10,000 |
| Transfers in (from external source) | \$0 |
| Benefits Paid | (\$87,000) |
| Net Income | \$90,167 |
| Net Assets at 30/06/2018 (before taxes) | \$1,391,178 |

1.4 Other Information

Based on the information provided to us, we understand that:

- 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;
- there were no unusual terms or guarantees applicable to the Retirement Phase superannuation income streams that would prevent the current pension liability in respect those income streams being taken to be the balance of the individual pension accounts;
- the advised value of Net Assets of \$1,391,178 is the amount of the assets that are available to meet superannuation liabilities after making appropriate adjustments for any accrual items such as receivables, payables and other amounts due.

1.5 Changes to Data Provided

If it is found that the data and information summarised above, and/or supplied to us with the request to prepare this certificate, is not complete, entirely accurate or differs from the events that unfolded in the Fund during the income year in question, this certificate becomes invalid and a replacement certificate should be obtained, using data that accurately reflects the entire circumstances of the Fund for the income year.

2. DEEMED SEGREGATED PERIODS

The information provided to us showed that, during the year of income, there was at least one period where all member balances were in Retirement Phase.

The ATO holds the view that:

- Where a fund's only superannuation liabilities at a particular time are in respect of Retirement Phase superannuation income stream benefits prescribed by the relevant regulations, sections 295-285(4) & (5) of the Act mean that the assets supporting those income streams are deemed to be segregated current pension assets at that time, even if this applies for only part of an income year.
- Therefore, segregated current pension assets, whether held for all or part of a year, must be excluded from the calculation of the tax-exempt proportion under section 295-390 of the Act.

In this certificate, we refer to any period in which the Fund's only superannuation liabilities at a particular time were in respect of Retirement Phase superannuation income stream benefits prescribed by the relevant regulations as a "Deemed Segregated Period (DSP)". In accordance with the ATO's view, the tax exempt percentage set out in this certificate has been calculated excluding data from these periods and applies only to earnings received outside of these DSPs.



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This means that, for this Fund and for the particular income year, the tax exempt percentage specified in this certificate must NOT be applied to all income received in the income year. The timing of the receipt of income eligible for exemption under section 295.390 must be taken into account for each of the periods shown as "Unsegregated" under ECPI Method in the table of 'Relevant Periods of the Income Year' above.

3. CALCULATIONS

3.1 Unsegregated Pension Liabilities

We calculated the average value of the unsegregated current pension liabilities for all of the Unsegregated Periods in the income year on a weighted average basis, taking account of:

1. the value of the unsegregated pension liabilities as at the start of each Unsegregated Period;
2. the amounts and timing of any pension commencements/commutations during each Unsegregated Period;
3. the pension payments and other transactions that occurred in the **members'** Retirement Phase accounts during each Unsegregated Period.

3.2 Unsegregated Superannuation Liabilities

We determined the value of the superannuation liabilities of the Fund at a point in time to be equal to be the Net Assets of the Fund at that point in time.

We calculated the average value of the unsegregated superannuation liabilities over the year of income on a weighted average basis, taking account of the amounts and timing of:

1. the unsegregated accumulation and pension account balances at the start of each Unsegregated Period;
2. the member transactions that occurred in the unsegregated accumulation and pension accounts during the Unsegregated Periods of the income year.

3.3 Investment Earnings

We assumed that investment income on the assets supporting the unsegregated pension liabilities and the unsegregated superannuation liabilities was earned uniformly throughout all of the Unsegregated Periods on a basis that is proportional with the relevant account balances from time to time.



**Wj & Gm Bennett Fund
Actuarial Certificate - ITAA S295.390**

4. INFORMATION REQUIRED UNDER PS 406

| | | |
|--|----------|--|
| Name of Complying Fund ("the Fund") | : | Wj & Gm Bennett Fund |
| Name of Trustee 1 | : | BIGE SUPER PTY LTD |
| Name of Trustee 2 | : | |
| Name of Trustee 3 | : | |
| Name of Trustee 4 | : | |
| Year of Income for this Certificate | : | 01/07/2017 to 30/06/2018 |
| Date to which the following values of Assets and Liabilities relate | : | 30/06/2018 |
| Value of Liabilities in respect of Retirement Phase Income Stream benefits [Note (i)] | : | \$1,384,196 |
| Value of Superannuation Liabilities [Note (ii)] | : | \$1,391,178 |
| Value of Net Fund Assets [Note (iii)] | : | \$1,391,178 |
| Description of Pension Benefits which have been valued | : | Retirement Phase superannuation income streams that are based on account balances only |
| Summary of the data on which the certificate is based | : | Refer Section 1 of this Attachment |
| Statement of assumptions used to value the benefits | : | No assumptions were required to perform the calculations under PS 406 |
| Average Value of Current Pension Liabilities for Unsegregated Periods | : | \$65,539 |
| Average Value of Superannuation Liabilities for Unsegregated Periods | : | \$66,032 |
| Exempt Proportion of Assessable Income | : | 99.253% |
| Estimated rate or amount of recommended future contributions | : | Nil |

(i) Excludes liabilities in respect of which any segregated current pension assets are held. This figure also excludes investment income.

(ii) Excludes liabilities in respect of which any segregated current pension assets or segregated non-current assets are held. This figure also excludes investment income.

(iii) Includes any segregated current pension assets or segregated non-current assets, adjusted as appropriate for any accrual items such as receivables, payables and other amounts due.

END OF ATTACHMENT

