


SCR 98/D1 - Superannuation contributions: allocated surplus amounts for superannuation contributions tax (surcharge) legislation purposes

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This document has been finalised by SCR 1999/1.



Draft Superannuation Contributions Ruling

Superannuation contributions: allocated surplus amounts for superannuation contributions tax (surcharge) legislation purposes

other Rulings on this topic

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Draft Superannuation Contributions Rulings (DSCRs) represent the preliminary, though considered, views of the Australian Taxation Office.

DSCRs may not be relied on. Only final Superannuation Contributions Rulings represent authoritative statements by the Australian Taxation Office on the particular matters covered in the Ruling.

What this Ruling is about

Class of person/arrangement

1. This Ruling applies to trustees of superannuation (accumulated benefits) schemes that allocate amounts from surplus to members' accounts. The Ruling sets out a method of determining the amount allocated from surplus to be reported to the Commissioner.
2. This Ruling is only relevant to trustees of accumulation schemes where there are certain types of unallocated amounts (see page 3 of the Attachment for the definition of 'unallocated amounts').
3. In particular, this Ruling is **not relevant** to:
 - defined benefit schemes; or
 - schemes that do not have allocated surplus amounts which lead to surchargeable contributions, such as:
 - fully vested schemes with no unallocated amounts;
 - schemes where all unallocated amounts arise solely from:
 - investment earnings; and/or
 - any rounding differences arising from small discrepancies between cost of expenses and amounts charged to members (for example, where a flat rate per member is charged for administration expenses and the sum of the

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amounts charged to members is slightly different from the actual administration expenses); and/or

- amounts retained to meet any costs of maintaining member protection standards required under Division 5.5 of the *Superannuation Industry (Supervision) Act 1993* and the Superannuation Industry (Supervision) Regulations.

4. The Institute of Actuaries of Australia is in the course of finalising a Guidance Note that will establish Australian actuarial practice for actuaries required to provide certificates in relation to allocated surplus amounts. This Ruling complements that Guidance Note and will be finalised when the Guidance Note is issued.

5. This Ruling has been developed by the ATO in conjunction with the Australian Government Actuary and the Institute of Actuaries of Australia and represents the advice of an eligible actuary on the determination of allocated surplus amounts in accordance with Australian actuarial practice.

Ruling

6. If trustees follow the guidelines set out in the Attachment and are able to complete the certificate in the Attachment, they have complied with the legislative requirement to act on the advice of an eligible actuary when dealing with allocated surplus amounts. There is no need for those trustees to seek separate actuarial advice in relation to allocated surplus amounts.

7. Those trustees unsure of whether the guidelines set out in the Attachment are applicable to their scheme should seek separate actuarial advice if amounts have been allocated from surplus. In all cases, trustees need to be satisfied that they have met their obligations to act in the best interest of members.

8. Allocated surplus amounts (ASA) are to be reported to the Australian Taxation Office (ATO) for the reporting period in which the allocation to members' accounts occurs.

9. Where an allocation from surplus has been made in a financial year, trustees need to be in a position to provide written advice on the method used to determine the amounts reported/not reported if required by the ATO.

10. It is important that trustees ensure they maintain full records about amounts allocated from surplus in any financial year for audit purposes.

Date of effect

11. When finalised, this Ruling will have immediate effect.

Examples

12. Examples are set out in the Attachment to this Ruling.

Your comments

13. If you wish to comment on this Draft Ruling, please send your comments by: 18 September 1998

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- superannuation contributions surcharge
- superannuation contributions tax
- superannuation funds
- superannuation provider - accumulation benefits

legislative references

case references

**Method for determining allocated surplus amounts
for the purposes of section 43 of *Superannuation
Contributions Tax (Assessment and Collection) Act
1997***

This Attachment has been prepared by the Australian Government Actuary in consultation with the Institute of Actuaries of Australia.

K. Deeves
Acting Australian Government Actuary
September 1998

Australian
Government
Actuary

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1 Introduction

For the purposes of this Ruling, a superannuation (accumulated benefits) scheme is said to have a surplus if the net market value of the scheme assets exceeds the total of members' account balances. The surplus may arise from a number of sources including, but not limited to:

- undistributed investment earnings;
- unallocated employer contributions;
- forgone or forfeited benefits; and
- scheme conversions from defined benefit to accumulation benefit.

Where allocations are made from surplus to members' accounts, the legislation provides for the allocated amounts to be surchargeable to the extent that they exceed what an eligible actuary, operating in accordance with Australian actuarial practice, considers reasonable. The Institute of Actuaries of Australia (IAA) has set out Australian actuarial practice for determining allocated surplus amounts.

If trustees are able to complete the attached Certificate they will have complied with the legislative requirement to act on the advice of an eligible actuary (in this case the Australian Government Actuary). If trustees of accumulated benefits schemes that have allocated an amount from surplus are unsure if this Ruling is applicable to their scheme, they should obtain separate actuarial advice.

2 Definitions

<i>Act</i>	The <i>Superannuation Contributions Tax (Assessment and Collection) Act 1997</i> (the equivalent sections in the <i>Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Assessment and Collection Act 1997</i> are also relevant).
<i>Actuary</i>	Fellow or Accredited Member of the Institute of Actuaries of Australia
<i>Allocated surplus amount (ASA)</i>	as defined in the legislation, the amount by which an allocation from previously unallocated amounts exceeds that deemed reasonable
<i>Balance date</i>	the first day of the financial year of the scheme
<i>Credited interest rate</i>	earnings rate which is used to allocate interest to members' accounts
<i>Forfeited benefits</i>	amounts which have been forfeited to the scheme under provisions in the governing rules

<i>Forgone benefits</i>	amounts which have been allocated to a member, but to which the member is not entitled because he/she has left the scheme before full vesting has occurred
<i>Investment earnings</i>	investment income including realised and unrealised capital gains and losses
<i>Investment fluctuation reserve</i>	reserves built up for the purpose of smoothing the year-to-year credited interest rates
<i>Members' accounts</i>	accounts held on behalf of the member (including amounts which are allocated but may not be fully vested)
<i>Net market value of assets</i>	net assets of scheme, including members' accounts and any contingent assets and liabilities of the scheme (and not including any segregated amounts)
<i>Opening balance date</i>	first balance date of the scheme on or after 30 June 1997
<i>Pre-existing surplus</i>	surplus as at the first balance date on or after 30 June 1997
<i>SIS</i>	<i>Superannuation Industry (Supervision) Act 1993</i> and Superannuation Industry (Supervision) Regulations
<i>Surplus</i>	the excess of the net market value of the scheme over the total of members' account balances
<i>Unallocated amounts</i>	excess of assets at net market value over total of members' accounts.

3 Legislation

The Acts make reference to '*allocated surplus amount[s]*' in superannuation (accumulated benefits) schemes, in the following terms:

'allocated surplus amount', in relation to a member of a superannuation fund in relation to a financial year, means an amount that is allocated by the relevant superannuation (accumulated benefits) provider for the benefit of the member in respect of the financial year (other than an amount paid for or by the member to the provider) to the extent to which the allocated amount exceeds an amount that, in the opinion of an eligible actuary according to Australian actuarial practice, is reasonable having regard to:

- (a) the amounts paid by or for the member to the provider; and
- (b) the fund's investment earnings relating to the member's interest in the fund; and
- (c) any other relevant matters.'

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Such amounts are to be included in members' surchargeable contributions in the financial year they are allocated to members' accounts. Allocated surplus amounts do not need to be adjusted for contributions tax.

4 Partitioning of Surplus

As defined in the legislation, '*reasonable*' allocations do not lead to surchargeable contributions. Only amounts in excess of reasonable allocations lead to ASAs.

The IAA Guidance Note which sets out Australian actuarial practice for determining ASAs states that:

In order to ascertain whether amounts allocated from surplus are to be treated as ASAs, records should be maintained that would enable the total surplus to be divided into three accounts as follows:

- *Investment Reserve;*
- *Contribution Reserve; and*
- *Miscellaneous Reserve.'*

Pre-existing surplus will also need to be partitioned between these three Reserves as at the opening balance date.

These Reserves are intended solely for surcharge purposes and may differ from reserves which may be maintained by the scheme for other purposes.

The following Sections of this Attachment deal with:

- the establishment of these Reserves,
- future additions to these Reserves, and
- surcharge status of allocations made from these Reserves to members' accounts.

5 Investment Reserve

This Reserve is intended to hold amounts arising when investment earnings on members' accounts are not fully allocated by the scheme.

Opening Balance

Generally, the opening balance of the Investment Reserve may not exceed the lesser of:

- (i) the total surplus at the opening balance date; and
- (ii) 15% of the net market value of assets at the opening balance date.

If considered reasonable by an actuary, an amount higher than 15% of the net market value of assets can be classified as Investment Reserve as the opening balance.

Additions to the Investment Reserve

The following amounts may be credited to the Investment Reserve:

- amounts arising from the smoothing of investment returns;
- investment earnings on the Investment Reserve itself; and
- any Investment Reserve component of a transfer amount from another scheme. Generally, this should be determined as not exceeding the lesser of:
 - (i) the excess of the amount transferred over the initial member account balances; and
 - (ii) 15% of the amount transferred, unless an actuary determines a higher amount.

Allocations from the Investment Reserve

Allocations from the Investment Reserve will not be ASAs if:

- the distribution is made to all members of the class which generated the investment earnings in the Reserve (a '*class*' of membership is any administratively natural sub-division of the scheme); and
- the distribution is made in the form of an additional interest credit, where the interest rate increment is the same for all members of a class of membership, or is an amount proportional to members' accounts.

Any distributions from this Reserve which do not satisfy these conditions will be considered to be ASAs and are to be reported as surchargeable contributions unless an actuary determines that the allocations are reasonable.

Examples 1.1, 1.2, 1.3, 1.4, 1.5 and 2.1 deal with the Investment Reserve.

6 Contribution Reserve

This Reserve is intended to hold any unallocated contributions to the scheme.

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Opening Balance

The Contribution Reserve at the opening balance date should be set at zero.

Additions to the Contribution Reserve

The following amounts should be credited to the Contribution Reserve:

- any unallocated contribution made to the scheme on or after the opening balance date; and
- investment earnings on the Contribution Reserve.

Sponsor payments identified under subparagraph 8(2)(a)(i) of the Act, which refers to '*amounts ... paid for or by a member to a superannuation (accumulated benefits) provider for a financial year*', are not included here.

Allocations from the Contribution Reserve

All allocations from the Contribution Reserve are ASAs and must be reported to the ATO as surchargeable contributions. This is the case both when the allocations are credited to members' accounts and when they are used to meet insurance or other expenses, including tax.

Expenses can be considered net of any actual or expected rebates. For example, the cost of insurance can be determined after allowing for any actual or expected rebates or group life bonuses payable.

Examples 3.1, 3.2 and 3.3 deal with the Contribution Reserve.

7 Miscellaneous Reserve

This Reserve is intended to hold any other unallocated amounts.

Opening Balance

The Miscellaneous Reserve at the opening balance date shall be the balance (if any) of the initial surplus, that is, any portion not allocated to the Investment Reserve.

Additions to the Miscellaneous Reserve

Any amounts not credited to the Investment or Contributions Reserves as described in Sections 5 and 6 of this Attachment should be credited to the Miscellaneous Reserve. This would include, but is not limited to:

- forgone and forfeited benefits; and

- investment earnings on the Miscellaneous Reserve.

Allocations from the Miscellaneous Reserve

Allocations from the Miscellaneous Reserve will not be ASAs if:

- (i) the distribution is made to all members of the scheme or, if applicable, all members of the class which generated the surplus in the Reserve (a '*class*' of membership is any administratively natural sub-division of the scheme); and
- (ii) the distribution is made in the form of an additional interest credit, where the interest rate increment is the same for all members of the class of membership, or is an amount determined proportional to:
 - members' accounts; and/or
 - insurance premiums; and/or
 - amounts being debited or previously debited to members' accounts for insurance premiums or administration charges; and/or
 - administration charges; and
- (iii) the additional interest rate credited is not more than 2% in any year, or the total of the additional amounts credited is not more than 2% of all members' accounts.

Allocations from the Miscellaneous Reserve not satisfying these conditions are ASAs, unless an actuary determines otherwise. Any distributions of ASAs are to be reported as surchargeable contributions.

It should be noted that allocations from the Miscellaneous Reserve to meet employer contributions or insurance or other expenses are not considered to satisfy the conditions and should be reported as surchargeable contributions.

Examples 4.1, 4.2 and 4.3 deal with the Miscellaneous Reserve.

8 Multi-Plan Schemes

Surplus in multi-plan schemes such as master trusts, which have a number of separate sub-plans, can be considered to exist at two levels:

- '**scheme surplus**', which is surplus at the overall scheme level (for example, investment fluctuation reserves which influence distributions to all sub-plans); and
- '**sub-plan surplus**' which is surplus relating to a particular sub-plan.

It is not expected that an allocation from a '**scheme surplus**' will lead to surchargeable contributions in most cases. However, the three surcharge Reserves

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(Investment, Contributions and Miscellaneous) will need to be considered at sub-plan level if amounts are to be allocated from '**sub-plan surplus**'.

For the purpose of determining allocated surplus amounts, trustees of multi-plan schemes have the option of applying these guidelines and completing:

- i) one certificate covering the whole scheme; or
- ii) a separate certificate for each sub-plan that allocates an amount from surplus, which may give rise to surchargeable contributions; or
- iii) one certificate for all sub-plans the trustee may decide to deal with as a particular grouping; or
- iv) certificates for all sub-plans that do not need separate actuarial advice.

For the purposes of completing the attached checklist, Trustees of multi-plan schemes can ignore those sub-plans:

- ◆ that are fully vested with no unallocated amounts; and/or
- ◆ where all unallocated amounts (not including '**scheme surplus**') arise solely from:
 - investment earnings; and/or
 - any rounding differences arising from small discrepancies between cost of expenses and amounts charged to members (for example, where a flat rate per member is charged for administration expenses and the sum of the amounts charged to members is slightly different from the actual administration expenses); and/or
 - amounts retained to meet any costs of maintaining member protection standards required under Division 5.5 of the *Superannuation Industry (Supervision) Act 1993* and the *Superannuation Industry (Supervision) Regulations*.

9 Schemes that do not balance on 30 June

Any scheme which has allocated surplus to members in the period between 30 June 1997 and the opening balance date should apply the general approach set out in the Ruling to determine the extent to which such allocations lead to surchargeable contributions.

EXAMPLES

These examples are for guidance only. The examples do not purport to be nor are they intended to be an exhaustive list:

- 1 The Investment Reserve**
- 2 Demutualisations**
- 3 The Contributions Reserve**
- 4 The Miscellaneous Reserve**
- 5 Alterations to Benefits**

1 - The Investment Reserve

Example 1.1

An accumulation scheme has a surplus of 12% of the net market value of scheme assets at the opening balance date. The surplus has arisen from a number of sources, including an unallocated employer contribution prior to 30 June 1997.

The full amount of the surplus may be allocated to the Investment Reserve. No surchargeable contributions would arise from allocations made from the Investment Reserve provided they satisfied the conditions set out in Section 5.

However, if the Investment Reserve was used to make employer contributions to member accounts, the allocations would constitute ASAs and would have to be reported as surchargeable contributions.

Example 1.2

An accumulation scheme has an investment fluctuation reserve (IFR) which was established before 30 June 1997. The IFR is made up solely of investment earnings on members' accounts. The balance in the IFR at the opening balance date was 18% of the net market value of scheme assets.

If trustees do not wish to seek the advice of an actuary, the initial balance of the Investment Reserve would be set at 15% of the net market value of scheme assets. The remaining 3%, together with any other surplus amounts at the opening balance date, would be allocated to the Miscellaneous Reserve.

Alternatively, trustees can seek the advice of an actuary who may determine that the full amount in the IFR can be credited to the Investment Reserve.

No surchargeable contributions would arise from allocations made from the Investment Reserve provided they satisfied the conditions set out in Section 5.

[Note that the Investment Reserve referred to in this Ruling is not necessarily the same as the scheme's IFR. The Investment Reserve is solely for surcharge purposes.]

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Example 1.3

An accumulation scheme has a policy of setting a crediting rate of the long term bond rate plus 2 percentage points, reflecting the long term investment objectives of the scheme.

The scheme has built up a surplus of 9% of the net market value of scheme assets deriving both from this crediting policy and other unallocated amounts. The sources of surplus are not separately identified.

The full amount of the surplus can be allocated to the Investment Reserve. If the method of allocation from surplus satisfies the requirements outlined in Section 5, no surchargeable contributions would arise.

Example 1.4

An accumulation scheme uses the prior year's credited interest rate as an interim crediting rate. The interim crediting rate is used to update the accounts of members who exit the scheme between balance dates.

Actual earnings on members' accounts can be allocated to the Investment Reserve. Amounts allocated from the Investment Reserve in accordance with an interim crediting rate policy will not give rise to surchargeable contributions.

Example 1.5

An accumulation scheme has two classes of members. The first class can exercise choice in relation to the investment policy adopted for their funds and the full earnings are credited to their accounts. The second class of members do not have any control over investment policy and an Investment Fluctuation Reserve (IFR) is maintained for this group to smooth credited returns.

The only surplus in the scheme derives from the IFR and is equal to 13% of the value of accounts of members in the second class.

All funds in the IFR can be allocated to the Investment Reserve at the opening balance date.

Allocations from the Investment Reserve to increase the credited interest rate to members of the second class will not be surchargeable. Any allocations from the Reserve to members of the first class would constitute an ASA and should be reported as surchargeable contributions.

[It may be appropriate to keep separate surcharge Reserves for each class of member.]

2 - Demutualisations

Example 2.1

An accumulation scheme receives monies from bonus shares arising from a demutualisation.

The trustee is considering a number of methods of distributing the monies to members. Possible methods include:

1. increasing the credited interest rate for all members; or
2. making a dollar allocation in proportion to members' (vested and/or non-vested) account balances; or
3. making a dollar allocation in proportion to members' service.

Amounts arising from demutualisations are deemed to be equivalent to investment earnings. As such, in accumulation schemes, all demutualisation monies can be allocated to the Investment Reserve.

Provided that the method of allocation is in accordance with the conditions set out in Section 5, no surchargeable contributions will arise.

Thus, allocations by methods 1 and 2 would not result in surchargeable contributions. If method 3 were to be adopted, the trustee would need to seek the advice of an actuary to determine the extent to which surchargeable contributions arise. The extent to which the allocation exceeded what an actuary considered equitable would constitute an ASA.

3 - The Contribution Reserve

Example 3.1

An accumulation scheme has an unallocated employer contribution made prior to 30 June 1997. This is the only surplus in the scheme and it amounts to 6% of the net market value of scheme assets.

The opening balance of the Contribution Reserve is zero in all cases. The surplus can be allocated to the Investment Reserve or the Miscellaneous Reserve as set out in this Ruling. The surcharge status of subsequent allocations from either Reserve will depend upon the mode of allocation as described in Sections 5 and 7.

Example 3.2

An employer makes an unallocated contribution to an accumulation scheme after 30 June 1997. Subsequently, the money is used to pay employer contributions to members' accounts.

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The unallocated contribution must be credited to the Contribution Reserve. The allocations to members' accounts will all be ASAs and must be reported as surchargeable contributions.

Example 3.3

An employer makes an unallocated contribution to an accumulation scheme after 30 June 1997. Subsequently, the money is used to pay scheme administration expenses.

The unallocated contribution must be credited to the Contribution Reserve. The amount used to pay administrative expenses must be reported as surchargeable contributions.

In determining the amount to be reported, total expenses should be apportioned in an equitable manner consistent with the requirements of SIS.

4 - The Miscellaneous Reserve

Example 4.1

An accumulation scheme has a surplus at the opening balance date of 16% of the net market value of scheme assets. The surplus is derived from a number of sources.

An amount equivalent to 15% of the net market value of scheme assets can be allocated to the Investment Reserve. The remaining 1% should be allocated to the Miscellaneous Reserve.

Allocations from the Miscellaneous Reserve which satisfy the conditions set down in Section 7 would not need to be reported as surchargeable contributions.

Example 4.2

An accumulation scheme provides for group life cover premiums to be paid from member accounts. A rebate is returned from the insurer to the scheme.

For surcharge purposes, the rebate should be credited to the Miscellaneous Reserve. Allocations from the Reserve which satisfy the conditions set down in Section 7 would not need to be reported as surchargeable contributions.

If a different approach is required, the advice of an actuary should be sought.

Example 4.3

An accumulation scheme has built up a significant surplus in its Miscellaneous Reserve. The employer is currently contributing at a rate of 10% of salary in respect of all members.

When the Superannuation Guarantee (SG) rate increases from 7% to 8%, the trustee and the sponsoring employer determine that the 2% in excess of the SG rate will be allocated from the Miscellaneous Reserve until the surplus runs down.

Allocations to members' accounts will constitute ASAs and must be reported as surchargeable contributions.

5 - Alterations to Benefits

Example 5.1

An accumulation scheme operates an investment fluctuation reserve (IFR) to which the only amounts credited arise from investment earnings on members' accounts.

The scheme has significantly outperformed its investment objectives and the IFR is now very large. The trustee decide to make a one-off bonus allocation from the IFR.

The balance of the IFR at the opening balance date, up to a maximum of 15% of the net market value of the scheme assets, could be credited to the Investment Reserve together with any subsequent earnings on members' accounts. If the IFR exceeds 15% of the net market value of the scheme assets at the opening balance date, the full amount may be able to be allocated to the Investment Reserve on the advice of an actuary.

Provided the allocation is in accordance with the conditions set down in Section 5, no allocated surplus amounts will arise from any bonus allocation made from the Investment Reserve.

Example 5.2

An employer contributes at a rate of 12% of salary to an accumulation scheme. Each member of the scheme has two accounts – Account One receives SG contributions, Account Two receives amounts in excess of SG.

Account Two vests at a rate of twenty per cent (20%) per year of membership, that is, after one year of membership the member receives 20% of Account Two, after two years 40% and after five years 100% of Account Two.

It is decided to remove the vesting scale on Account Two so that it now fully vests for all members.

This change does not involve any allocation from surplus. As a result, no surchargeable contributions arise.

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Example 5.3

An accumulation scheme receives a surcharge assessment notice in respect of some of its members. The scheme has a balance in the Miscellaneous Reserve which is sufficient to meet the surcharge liabilities.

The trustee (with due regard to the sponsoring employer) decides to use the Miscellaneous Reserve to meet the surcharge liability.

Payment of the surcharge liability will lead to surchargeable contributions in respect of the members for whom surcharge is payable.

Allocated Surplus Amounts - Checklist

1 About this checklist

This checklist should be completed at the time the scheme is preparing to report surchargeable contributions to the ATO to ensure that the scheme complies with the reporting requirements of the legislation. The checklist should be attached to the completed certificate.

If the trustee is able to answer **yes** to all questions in the checklist and complete the certificate, the Commissioner of Taxation will consider the trustee to have complied with the legislative requirements to act on the advice of an eligible actuary (in this case, the Australian Government Actuary).

If the trustee is unable to answer **yes** to all the questions in the checklist, then separate actuarial advice will be needed to determine whether the surchargeable contributions reported to the Australian Taxation Office are consistent with Australian actuarial practice.

If any question is not applicable, the trustee should answer **yes** to that question.

**THIS CHECKLIST IS TO BE KEPT WITH SCHEME RECORDS
DO NOT SEND THE CHECKLIST TO THE ATO**

Multi-Plan Schemes

Trustees of multi-plan schemes who are completing this checklist to cover more than one sub-plan (see Section 8 of this Attachment) should interpret references to the singular as being references to the plural.

For example, the question '**Have all unallocated employer contributions been credited to the Contribution Reserve?**' should be read as '**Have all unallocated employer contributions *for each sub-plan covered by this checklist* been credited to the Contribution Reserve?**'. A list of those sub-plans covered should be attached to the checklist.

2 Establishment of Initial Reserves

This Section should be completed if this is the **first time** that the trustee has reported to the Australian Taxation Office on allocated surplus amounts. If this is not the first time, then disregard this Section and proceed to Section 3 below.

Q2.1 Is the opening balance of the Investment Reserve less than or equal to the lesser of:

- (i) the total surplus as at the opening balance date ('opening balance date is defined on page 3 of the attachment); and
- (ii) 15% of the net market value of assets at the opening balance date?

☐ No ☐ Yes

3 Additions to Reserves

All questions relate to the reporting period specified on the certificate.

Investment Reserve

Q3.1 Have the only amounts credited (other than the opening balance) to the Investment Reserve been:

- (i) amounts arising from the smoothing of investment returns;
- (ii) investment earnings on the Investment Reserve itself; or
- (iii) any Investment Reserve component of a transfer amount from another scheme?

☐ No ☐ Yes

Q3.2 If the amount added to the Investment Reserve includes a transfer amount from another scheme, is this transfer amount credited to the Investment Reserve less than or equal to the lesser of:

- (i) the excess of the amount transferred over the initial member account balances; and
- (ii) 15% of the amount transferred?

☐ No ☐ Yes

Contribution Reserve

Q3.3 Have all unallocated employer contributions been credited to the Contribution Reserve?

☐ No ☐ Yes

Q3.4 Have all investment earnings on the Contribution Reserve been credited to the Contribution Reserve?

☐ No ☐ Yes

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Miscellaneous Reserve

Q3.5 Have all other amounts been credited to the Miscellaneous Reserve?

☐ No ☐ Yes

4 Allocations from Reserves

All questions relate to the reporting period specified on the certificate.

Investment Reserve

In respect of allocations made from the Investment Reserve not being reported as surchargeable contributions:

Q4.1 Have distributions from the Investment Reserve been made to all members of the class(es) which generated the investment earnings in the Reserve?

☐ No ☐ Yes

Q4.2 Have distributions from the Investment Reserve been made either:

- in the form of an additional interest credit, where the interest rate increment is the same for all members of a class of membership, or
- as an amount proportional to members' accounts of the relevant classes?

☐ No ☐ Yes

Contribution Reserve

Q4.3 Have all allocations from the Contribution Reserve credited to members' accounts or used to meet Scheme expenses (including insurance and taxation) been reported as surchargeable contributions?

☐ No ☐ Yes

Miscellaneous Reserve

In respect of allocations made from the Miscellaneous Reserve not being reported as surchargeable contributions:

Q4.4 Have all allocations been distributed to all members of the class which generated the surplus in the Reserve?

☐ No ☐ Yes

Q4.5 Have all allocations been made either:

- (i) in the form of an additional interest credit, where the interest rate increment is the same for all members of a class of membership, or
- (ii) as an amount determined proportional to:
 - .. members' accounts, and/or
 - .. insurance premiums or insured amounts, and/or
 - .. administration charges?

☐

No

☐

Yes

Q4.6 Was any additional interest rate credited not more than 2% in any year, or the total of additional amounts credited not more than 2% of the total of all members' account?

☐

No

☐

Yes

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ALLOCATED SURPLUS AMOUNTS - CERTIFICATE OF COMPLIANCE

This certificate has been prepared solely for the purposes of determining allocated surplus amounts as required by the *Superannuation Contributions Tax (Assessment and Collection) Act 1997* and the *Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Assessment and Collection Act 1997* (the Acts).

This certificate should be completed at the time the scheme is preparing to report surchargeable contributions to the Australian Taxation Office.

Name of superannuation scheme to which this Certificate relates:

.....
.....

Scheme Tax File Number:

Annual scheme balance date:

Period to which this Certificate relates: to

The trustee confirms that the information provided in this certificate and the attached checklist is correct.

Sgd.....

If:

- i) the trustee has certified that the information is correct;
- ii) the trustee has reported allocated surplus amounts in accordance with this Ruling; and
- iii) the trustee has correctly answered **yes** to all questions on the attached checklist;

then, in the opinion of the Australian Government Actuary, an eligible actuary for the purposes of the Acts, allocated surplus amounts for the period covered by this certificate have been calculated in accordance with Australian actuarial practice.

Kevin Deeves

Acting Australian Government Actuary

September 1998

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<p>THIS CERTIFICATE IS TO BE KEPT WITH SCHEME RECORDS</p> <p>DO NOT SEND THIS CERTIFICATE TO THE ATO</p>
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