

# ***SCR 1999/1 - Superannuation contributions: allocated surplus amounts for superannuation (accumulated benefits) schemes***



This cover sheet is provided for information only. It does not form part of *SCR 1999/1 - Superannuation contributions: allocated surplus amounts for superannuation (accumulated benefits) schemes*



This document has changed over time. This is a consolidated version of the ruling which was published on *13 January 1999*



## Superannuation Contributions Ruling

### Superannuation contributions: allocated surplus amounts for superannuation (accumulated benefits) scheme

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#### *Preamble*

*Superannuation Contributions Rulings do not have the force of law. Each decision made by the Australian Taxation Office is made on the merits of the individual case having regard to any relevant Rulings and Determinations.*

## 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 6 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 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 (provided these unallocated amounts are not used to meet employer contributions).

4. The Institute of Actuaries of Australia has issued Guidance Note 464, which establishes Australian actuarial practice for actuaries required to provide certificates in relation to allocated surplus amounts. This Ruling complements the Guidance Note.
5. This Ruling and the **Attachment** have been developed by the ATO in conjunction with the Australian Government Actuary and the Institute of Actuaries of Australia and can be taken to represent 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 requirements to act on the advice of an eligible actuary when dealing with allocated surplus amounts. There is no need to 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 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 of 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

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11. This Ruling has immediate effect.

## Examples

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

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## Commissioner of Taxation

13 January 1999

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*Previous draft:*  
SCR 98/D1

- superannuation funds
- superannuation provider –  
accumulation benefits

*Related Rulings/Determinations:*

*Legislative references:*

*Subject references:*

- superannuation contributions
- superannuation contributions  
surcharge
- superannuation contributions tax

*Case references:*

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ATO References:

NO 98/8948-5

BO

FOI Number: I 1018144

ISSN: 1329-248X

Price: \$2.70

## Attachment

### **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  
21 October 1998

Australian  
Government  
**Actuary**

## 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 in Guidance Note 464.

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 are surchargeable contributions
<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 (excluding any segregated assets - see sections 273A and 273B of the <i>Income Tax Assessment Act 1936</i> )
<i>Opening balance date</i>	first balance date of the scheme on or after 30 June 1997
<i>Pre-existing surplus</i>	surplus at the opening 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/Unallocated amounts</i>	the excess of net market value of assets over total of members' accounts at a particular date

### 3 Legislation

Section 43 of the Act makes 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.'

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 464 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 3 "accounts" as follows:*

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

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

<p><b><i>These Reserves are intended solely for surcharge purposes and may differ from reserves which may be maintained by the scheme for other purposes.</i></b></p>
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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.

An actuary can determine a different amount as the opening balance of the Investment Reserve if the actuary considers the different amount to be reasonable.

### ***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.

The Investment Reserve component of a transfer amount from a defined benefit scheme can be determined as not exceeding the lesser of:

- (i) the excess of the amount transferred over the corresponding 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.

Allocations from Investment Reserve to meet employer contributions would be treated as ASAs in a similar manner as distributions from the Contributions Reserve.

*Examples 2.1, 2.2, 2.3, 2.4, 2.5 and 3.1 deal with the Investment Reserve.*

## 6 Contribution Reserve

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

### *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.

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 4.1, 4.2 and 4.3 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
  - administration charges; and/or
  - amounts being debited or previously debited to members' accounts for insurance premiums 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.

Allocations from Miscellaneous Reserve in other ways, such as to meet employer contributions, would be treated as ASAs in a similar manner as distributions from the Contributions Reserve.

***Examples 5.1, 5.2 and 5.3 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 (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 Schemes for which the Ruling does not apply**
- 2 The Investment Reserve**
- 3 Demutualisations**
- 4 The Contributions Reserve**
- 5 The Miscellaneous Reserve**
- 6 Alterations to Benefits**

## **Schemes for which the Ruling does not apply**

### **Example 1.1**

An accumulation scheme is fully vested. On occasions however, where there is insufficient member information provided with a contribution, or where the total amount of the contributions fails to reconcile with the information supplied, the scheme places the contributed amounts in a 'suspense account' until such time as they are either allocated to members' accounts or remitted to the employer.

All such contributions are reported as surchargeable employer contributions at the time they are allocated to the members' accounts.

The Ruling is not relevant to this scheme, as it is a scheme which is not considered to have unallocated amounts for the purposes of the surcharge legislation.

### **Example 1.2**

An accumulation scheme is fully vested. The scheme has a surplus of 12% of the net market value of scheme assets at the opening balance date. The surplus has arisen solely from investment returns as a result of the practice of maintaining investment reserves to smooth crediting rates. There are no other unallocated amounts.

The Ruling is not relevant to this scheme, as it is a scheme where all unallocated amounts arise solely from investment earnings and are distributed in accordance with the conditions set out in Section 5 of this Ruling.

However, any surplus used in lieu of employer contributions to member accounts would constitute ASAs and would have to be reported as surchargeable contributions.

### **Example 1.3**

An accumulation scheme uses an interim crediting rate to update the accounts of members who exit the scheme between balance dates.

If the fund earning rate is higher than the crediting rate, the difference is allocated to an investment reserve. Amounts are then allocated out of this investment reserve during periods when the crediting rate is higher than the earning rate. There are no other unallocated amounts.

The Ruling is not relevant to this scheme.

## 2 - The Investment Reserve

### Example 2.1

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 of this Ruling.

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 2.2

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 of this Ruling.

[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.]

### Example 2.3

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 of this Ruling, no surchargeable contributions would arise.

**Example 2.4**

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 2.5**

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.]

## 3 - Demutualisations

### Example 3.1

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 of this Ruling, 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.

## **4 - The Contribution Reserve**

### **Example 4.1**

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 of this Ruling.

### **Example 4.2**

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.

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 4.3**

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.

## 5 - The Miscellaneous Reserve

### Example 5.1

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 of this Ruling would not need to be reported as surchargeable contributions.

### Example 5.2

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 of this Ruling would not need to be reported as surchargeable contributions.

### Example 5.3

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.

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

## **6 - Alterations to Benefits**

### **Example 6.1**

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 decides 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.

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

### **Example 6.2**

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 from removing the vesting scale.

### **Example 6.3**

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

### 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 relevant 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 relevant 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 and a certificate to cover more than one sub-plan (see Section 8 of the 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.

**1 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.

- Q1.1** 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 in the attachment); and
  - (ii) 15% of the net market value of assets at the opening balance date?
- ☐ No ☐ Yes

**2 Additions to Reserves**

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

- ***Investment Reserve***

**Q2.1** 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

**Q2.2** If the amount added to the Investment Reserve includes a transfer amount from a defined benefit scheme, is the 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***

**Q2.3** Have all unallocated employer contributions been credited to the Contribution Reserve?

☐ No ☐ Yes

**Q2.4** Have all investment earnings on the Contribution Reserve been credited to the Contribution Reserve?

☐ No ☐ Yes

- ***Miscellaneous Reserve***

**Q2.5** Have all other amounts been credited to the Miscellaneous Reserve?

☐ No ☐ Yes

**3 Allocations from Reserves**

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

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- ***Investment Reserve***

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

**Q3.1 Have any distributions from the Investment Reserve been made to all members of the class(es) which generated the investment earnings in the Reserve?**

☐ No ☐ Yes

**Q3.2 Have any 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***

**Q3.3 Have all allocations from the Contribution Reserve credited to members' accounts or used to meet Scheme expenses (including insurance and other expenses) been reported as surchargeable contributions?**

☐ No ☐ Yes

- ***Miscellaneous Reserve***

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

**Q3.4 Have all allocations been distributed to all members of the class which generated the surplus in the Reserve?**

☐ No ☐ Yes

**Q3.5** 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; and/or
  - amounts being debited or previously debited to members' accounts for insurance premiums or administration charges?

☐

No

☐

Yes

**Q3.6** 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

## 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.

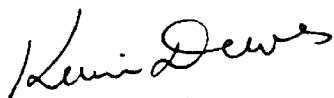
Sgd .....(Trustee)

Date ...../...../.....

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 relevant 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

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