Simple Fund Pensions

Training Manual

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Introduction

Welcome to the Simple Fund Pensions Training Manual.

This training manual will provide you with a detailed knowledge of the various screens, functions and reporting tools available in **Simple Fund** specifically for pension members. Using practical examples, the manual details the process of setting up and operating pension member accounts within **Simple Fund**. The course will assist those users that are relatively new to account based pensions as well as those users that have already been using **Simple Fund** or other software to maintain pension funds.

It is assumed you have an understanding of Self Managed Superannuation Fund (SMSF) compliance issues, pension taxation issues, relevant SIS regulations and the relevant social security requirements. Although some of these are explained in the manual, due to their complexities they are not covered in a half day course. While this manual is not intended to provide an exhaustive guide to pension funds, it will complement your existing knowledge with a hands-on approach maintaining pension funds. BGL emphasises the importance of professional advice in relation to the compliance and legislative aspects of pension fund establishment and maintenance.

BGL recommends you complete the tasks covered in the **Simple Fund** Introduction course before attempting this course.

Lesson 1 - Rollover Benefits and Contributions

This lesson will explain how to record Superannuation Rollins, how to add additional member accounts, and how to add additional Cash at Bank accounts to the Chart of Accounts. This lesson will also cover the process of recording Employer, Personal and Government Co-contributions into a super fund.

Lesson 2 - Commencing a Superannuation Pension

This lesson shows you how to write back tax provisions where the fund was applying tax-effect accounting; how to create entries to update the members balance prior to starting a pension; how to transfer members balances to unrestricted and how to change a member from accumulation to pension mode.

Lesson 3 - Income Stream Calculations

This lesson will show you how to utilise the Pensions function to calculate expected pension payments and tax payable for a given scenario, and project future pension payments. It also shows you how to record pension payments using standing journals, and prepare PAYG summaries.

Lesson 4 - Recording Income, Expenses and Disposals

This lesson requires you to record income, expense and capital gains transactions for the purposes of reconciling the exempt pension income calculation for taxation.

Lesson 5 - Pension Fund Year End Processing

This lesson explains how to use the Actuarial Certificate Wizard and the year end create entries process when the Unsegregated Method is used.

Lesson 6 - Pension Accounts

This lesson will show you how to commence a Transition to Retirement Pension and how to record Salary Sacrifice Contributions.

Lesson 7 - Commutation

This lesson will show you how to commute a pension account.

Lesson 8 - Allocating Assets to Pools

This lesson requires you to segregate assets in **Simple Fund** using asset Pools, and explains the differences in allocations from the Create Entries process from the unsegregated method.

Lesson 9 - Uploading XML Data

This lesson will teach you how to upload data into **Simple Fund** using Transaction Upload.

Lesson 10 - Create Entries Process for Pooled Assets

This lesson explains the year end create entries process when the segregated assets method is used, and shows you how to prepare segregated member investment reports

Version 2013

Training Manual Conventions

Simple Fund Conventions

One of the main objectives of **Simple Fund** is to enable superannuation data to be entered as quickly as possible. The following design features are just some of the ways **Simple Fund** speeds up the data entry process:

1. Within all transaction screens you are able to skip to the next field, using the *Tab* key if you do not wish to enter data.
2. Alternatively you can use the *Enter* key to pre fill fields with the details from the last transaction.
3. When entering cash payments or receipts **Simple Fund** automatically assumes all payments are debits and all receipts are credits.
4. You can use the standard windows shortcut keys Cut (Ctrl + X), Copy (Ctrl + C) and Paste (Ctrl + V) to move data amongst fields.

Simple Fund has its own shortcut keys should you prefer to use the keyboard rather than the mouse. Some common shortcut keys used throughout Simple Fund are as follows:

Alt + N - creates a new record.

Alt + E - edits the current record.

Alt + C - opens the chart of accounts screen.

Alt + S - posts (saves) the current data.

Alt + X - exits the current screen without saving.

Note - shortcut keys are referenced on each **Simple** Fund button with an underlined character. E.g. The
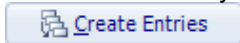
 Create Entries shortcut key is *Alt + C.*

Training Manual Conventions
- When "*click*" is used you are required to move the mouse pointer to the field or button and press the left mouse button.
- When the word "*highlight*" is used you are required to move the mouse pointer to the data and press the left mouse button.
- Buttons to be clicked are shown on the screen in bold and italics. ie *Select*.
- Keys to be pressed are shown on the screen in bold. ie **Tab**
- Data required to be input by you will be displayed in *BOLD, ITALICS AND UPPERCASE.* Data should be input in proper case (upper and lower characters).
- Any text with the prefix *"KB"* indicates a link to an article in the Knowledge Base on the BGL Wiki.

Symbols

 TIPS AND TRICKS

 CAUTION

 LINKS ON BGL WIKI

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Simple Fund Help and Training Resources

Overview of Help

**Simple Fund**, like many computer software packages, requires data to be input in certain ways and will not give you the correct result if data is not input correctly. **Simple Fund** expects you have a good understanding of superannuation accounting. Although there are sometimes a number of ways that transactions can be input, **Simple Fund** adopts the most commonly used and audit preferred method.

BGL has designed many sources of help information for **Simple Fund** users. All Help resources can be accessed from the **Ribbon Toolbar, Help And Web Access Tab**, in the **Help** group.
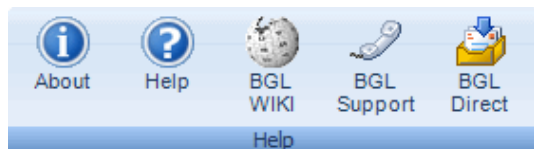
1. **Help**

   Context sensitive screen by screen *Help*.

   There are three topics: *Overview, How Do I...* and *Fund and the ATO* that should be read by all new users before entering data into **Simple Fund**.

2. **Training Manuals**

   Training Manuals are included as part of Help. These include:

   Simple Fund Introduction
   This takes you through the most common tasks, from setting up opening balances, entering current year transactions and generating reports.

   Simple Fund Trustee Training Manual
   This explains the basic accounting concepts of superannuation fund accounting. It then sets up a fund with opening balances, and demonstrates the most common superannuation fund transactions.

   Simple Fund Advanced
   Building on the knowledge gained in the Introduction Training, this covers more complex **Simple Fund** tasks.

   Simple Fund Pensions
   This provides a general overview of the rules and regulations applying to allocated pensions and how to set up and administer pensions in **Simple Fund**.

   Simple Fund Refresher
   This course provides experienced users with an opportunity to update their knowledge and skills of **Simple Fund**.

   All Training Manuals can also be downloaded in PDF format from the Client Centre via **Your Support | Training Manuals**

3. **Knowledge Base**

   From the BGL Wiki, current subscribers can access over 300 articles on your BGL software, from installations, instructions and trouble-shooting.

Note: All BGL Help Resources are online on BGL Wiki. If you are connected to the Internet, **Simple Fund** will connect you automatically to BGL Wiki. This will enable you to always have access to the updated help files.

If you are not connected to the Internet, **Simple Fund** will open the offline Help Files.

BGL Connect

BGL Connect is a program installed as part of your **Simple Fund** program. It connects and automates a number of BGL services, products, tasks, schedules and messaging in a single proactive software application.

Main Features of **BGL Connect**:

• It includes a reminder system for tasks and ability to drag and drop documents into your BGL application.
• It provides update notifications, access to the BGL Wiki and help resources.
• It allows you to log and track support calls.
• It gives you direct and easy access to the BGL Client Centre.
• It integrates with Portal by BGL and enables documents to be delivered to your clients, signed and received back into your BGL software automatically.

Once you have successfully installed **BGL Connect**, the **BGL Connect** icon will appear on the Windows Taskbar.

All features of **BGL Connect** can be accessed from the **BGL Connect Panel**.

Click on the **BGL Connect** icon on the **Windows Taskbar** to access the panel.
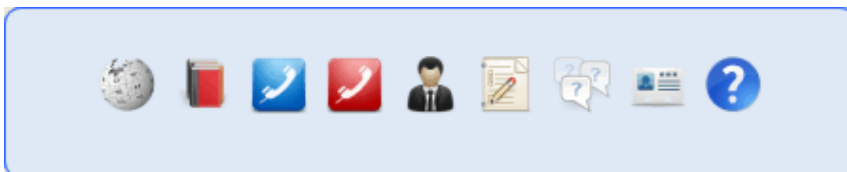
This panel provides you access to the following BGL resources and services:

• BGL Wiki
• Training Manuals
• Your Support Calls
• Log a Support Call
• Client Services
• Feedback
• Wishlist
• Contact BGL

Clicking on any of the links will provide you access to that particular function.

Refer to the BGL Connect Help File for more information.

BGL SmartDoc

BGL SmartDoc is a feature integrated into the **BGL Connect** program that allows users to drag and drop documents using the drop zone. These documents get saved in Document Management in the software in **Simple Fund** and are also pushed to **Portal by BGL**.

Using the **BGL SmartDoc** drop zone icon, , you can drag and drop documents from any location on your computer to save into **Simple Fund** or **Portal by BGL**.

Refer to the BGL Connect Help File for more information.

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Overview of Superannuation Income Streams

Overview of Types of Pensions

A Self Managed Superannuation Fund (SMSF) is able to provide its members with a pension, which is an income stream paid by a superannuation fund to the members on retirement.

There are a number of superannuation pensions that can be administered within a SMSF. From 2007, budget changes and major reform have occurred regarding superannuation income streams. Most importantly, the tax on a pension is Tax Free where the member is over 60, or Taxed under modified arrangements where members are under 60. The earnings on these pension funds will be Tax Exempt.

This training manual considers the following types of pension income streams:

1. Account based Pensions (age 60 and over)
2. Transition to Retirement Pensions (age 55 - 64)

The transitional rules for account-based pensions are as follows:

Dates	Pension Options	Pension Income Stream
Before 1 July 2007	A person could commence:	• an allocated pension; or • a market-linked pension.
Between 1 July 2007 to 19 September 2007	A person can commence:	• an allocated pension; • a market-linked pension; or • an account-based pension.
After 20 September 2007	A person can commence:	• an account-based pension **only**.

Table A - Differences between Account-based, Transition to Retirement and Pre 1 July 2007 Allocated Pensions

	Account Based Pension	Transition to Retirement Pension	Allocated Pensions
Age	60 and over	55 and over who are still working	
Minimum annual payments	4% of account balance if under 65. (see Table B)	4% of account balance	Based on minimum factor from life expectancy tables
Maximum annual payments	No maximum	10% of account balance at 1 July	Based on maximum factor from life expectancy tables
PAYG withholding	Not required	PAYG withholding required if under 60.	PAYG withholding required.
PAYG Summary	Not required	Required	Required
Tax on Pension payments	Tax free where those benefits have been subject to tax in the	Tax on Taxable component (total benefit less Tax Free proportion). Proportioning	Tax at marginal tax rates, but rebate of up to 15% can be claimed on the

		rule explained in **Appendix 5A**.	taxable portion of the income payment.
	Non-assessable, non-exempt income	Tax free (if over 60) where those benefits have been subject to tax in the fund	Taxable amount reduced by the 'deductible amount',
Commutation restrictions	Not applicable since the entire balance may be withdrawn	Maximum of 10% of account balance may be withdrawn.	Commutable
Social Security Assets test	Account balance is assets tested	Account balance is assets tested	Account balance is assets tested
Social Security Income test	Yes, based on the purchase price	Yes, based on Taxable component	Yes, based on pension payment less deductible amount.

Note: All income streams purchased from 20 September 2007 will be asset-tested income streams unless they are defined benefit income streams or are granted relief under exemption provisions.

Table B - Minimum annual pension payments for Account Based Pensions

Age of beneficiary	% of Account Balance	25% reduction for 2012 and 2013
Under 65	4	3
65-74	5	3.75
75-79	6	4.5
80-84	7	5.25
85-89	9	6.75
90-94	11	8.25
95+	14	10.5

NOTE : This data is provided as a basic overview of types of pensions. It is not designed to be accounting or tax advice and should not be taken as a strict guideline. You cannot rely upon this information in relation to managing your specific tax affairs. You should obtain your own tax advice in relation to the taxation implications associated with your SMSF.

Refer to the ATO website for more details.

Lesson 1 - Rollover Benefits and Contributions

Objective

In this lesson you will learn how to:

• import an existing fund into **Simple Fund**
• record a superannuation rollin
• record various types of contributions in a fund

By the end of this lesson, you will be able to:

• import a zipped copy of the fund into **Simple Fund**
• correctly record the cash and taxation components of a Lump Sum rollin
• add additional bank accounts to a fund
• record employer, personal contributions and government co-contributions

Details

Member Payment Clearing Account 492

Lump Sum cash receipts are to be recorded to the Member Payment Clearing Account 492. Like investment disposals, the cash is recorded to the clearing account, and a separate screen is used to record the details of the Lump Sum rollin. This Lump Sum Rollin screen posts the Lump Sum amount to this Member Payment Clearing Account 492, balancing the transaction.

Additional Cash at Bank Accounts

Separate bank accounts are not essential for **Simple Fund** to maintain a pension but it does make it simpler for funds with segregated assets. Bank accounts must have the Cash label set to *Bank* to allow the *Statement of Cash Flows* and *Bank Reconciliation s*creen to recognise the movements in this account.

Exempt Pension Income calculations

To ensure income from the new bank account is included in exempt pension income, bank accounts are flagged as an ☑ Investment Account which allows a link to the income account. Only **linked income** accounts are included in *Exempt Pension Income* or segregated current pension assets.

Learning Tasks

John Jones is combining his superannuation and making additional contributions before starting the pension. These tasks cover the journals required to record the cash receipt, and how to correctly record the taxation components of the superannuation rollin as well as showing you which accounts to use when posting employer and personal contributions.

Task 1.1 - Fund In

Import the BGL Training Fund using the **Simple Fund** Data In/Out process.

Task 1.2 - Record the Superannuation Rollover Benefit

Cash Receipt

Bank Account (New)	605 - ANZ Cash Management Account
Date	2 July 2010
Reference	1
Account	492 Member Payment Clearing Account
Amount	$225,000
Receipt Details	Superannuation rollin

Superannuation Rollin

John Jones is over 55 so his superannuation rollin will be unpreserved.

Date	2 July 2010
Member	John Jones
Components (Unpreserved)	
Unrestricted Non Preserved Tax Free	$ 165,000
Unrestricted Non Preserved Taxable - taxed element	$ 60,000
Total	**$ 225,000**

Task 1.3 - Employer Contributions

John Jones and Mary Jones have received the maximum concessional contributions from their employer of $50,000 each. Post these concessional contributions to *242/00X Employer Contribution - Concessional*.

Receipt 1 - John Jones

Bank	604 - Cash at Bank
Date	28 July 2010
Ref	2
Account	242/001- Employer Contribution - Concessional
Amount	$50,000

Receipt 2 - Mary Jones

Bank	604 - Cash at Bank
Date	28 July 2010

Ref	2
Member	Mary Jones
Account	242/002- Employer Contribution - Concessional
Amount	$50,000

Task 1.4 - Personal Contributions

John has contributed $150,000 from his personal savings to top up his superannuation, and Mary has contributed $1000 to take advantage of the government co-contributions. Record these non-concessional contributions to *261/00X Member/Personal Contribution - Non Concessional*.

Receipt 1 - John Jones

Date	28 July 2010
Ref	3
Account	261/001 - Member/Personal Contributions - Non Concessional
Amount	$150,000

Receipt 2 - Mary Jones

Date	28 July 2010
Ref	3
Member	Mary Jones
Account	261/002 - Member/Personal Contributions - Non Concessional
Amount	$1,000

Task 1.5 - Government Co-contributions

Mary contributed $1,000 from her personal savings in the previous financial year. Because her taxable income is below the $28,000 lower threshold, the government has matched her contribution 150% which has been deposited into the super fund's account. Record this non-concessional government co-contribution to **263/002 Other Contribution - Non Taxable**, recording the member component as ' **Govt Co Contributions'**.

Cash Receipt

Date	22 June 2011
Ref	4
Member	Mary Jones
Account	263/002 - Other Contributions - Non Taxable
Amount	$ 1,500
Member Component	Govt Co Contributions

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Task 1.1 - Fund In/Out

Objective

In this task you will learn how to add the BGL Training Fund to **Simple Fund** using the Data In/Out process.

By the end of this task, you will:

- be able to create a new fund with a new code and a new name
- import the fund using the Data In/Out process
- understand how the Fund In and Fund Out process functions

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Selection**
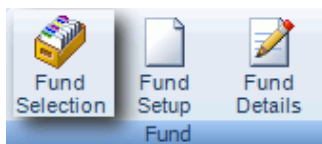
Click	**New**
Fund Code	Input **PENSION** press **Enter**
Fund Name	Input **BGL TRAINING FUND**
Portal client?	Tick this checkbox ☑

Note: Portal is a web based client collaboration tool that is fully integrated with your **Simple Fund**. Portal automatically delivers forms and documents direct to your client via the web, reminds your client to process the form and document, informs you when your client has processed the form and document and automatically updates your **Simple Fund** software document tracking and management systems for all stages of document processing.

Click   🖫 *Save* . **Simple Fund** will now create a new blank fund ledger.

Click   ✔ *Select* to select the BGL Training Fund

From the **Ribbon Toolbar**:

On the **Data In/Out** tab, in the **Data In/Out** group, click **Fund In/Out**
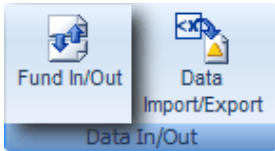
Fund In Location   Click 📂 *File*. Double-click the **?:\SFUND\BGLTRAN.ZIP** file where *?* is the drive **Simple Fund** is installed.

THE BGL TRAINING FUND IS LOCATED IN YOUR SFUND FOLDER WHERE YOU INSTALL THE SOFTWARE

This process will import the data of the Simple Fund export selected below into this Simple Fund ledger.

Fund In Location

📂 C:\SFUND\bgltran.zip

Fund In Name

BGL Training Fund

🖳 Import Fund

Click   🖳 Import Fund

          © BGL Corporate Solutions

The following message will appear:
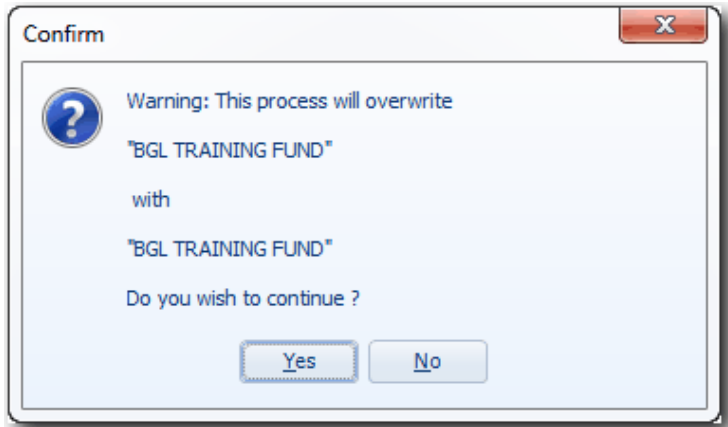
Click   ***Yes*** as there is no existing data to overwrite
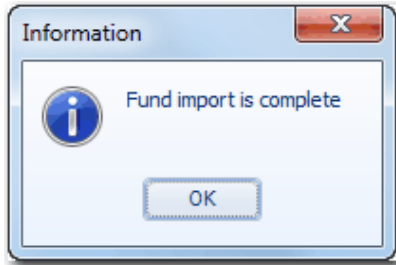
Click   ***OK***

Click   ***Exit***.

End of Task 1.1. Proceed to **Task 1.2**.

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Task 1.2 - Record a Superannuation Rollin

Objective

In this task you will learn how to record John Jones unpreserved superannuation rollin.

By the end of this task, you will be able to use the Lump Sum Rollin screen to correctly record the cash and taxation components of an Lump Sum rollin.

Overview

The Lump Sum Rollin screen allows easy input of the **tax** and **preservation components** from a member's Rollover or Lump Sum Statement. **Simple Fund** will automatically create the journal entries required to allocate the amounts input in the ledger. **Simple Fund** posts the total amount to Account 492. Therefore you should post Lump Sum cash receipts from the bank statement to this account during data input.

The various tax components input into the Lump Sum Rollins screen are posted to the following accounts. The three accounts depend on whether the amounts are Preserved, Restricted and Unrestricted. The Lump Sum transfer in accounts are transferred by the Create Entries process to the respective 500 Balance Sheet Accounts. It is important to create entries before preparing member reports as amounts from further roll in, contributions or Lump Sum Payouts are not allocated to the members account until the Create Entries process has been completed.

Pre 1 July 2007	Profit & Loss Account	Balance Sheet Account
CGT Exempt, Non Qualifying, Concessional, Undeducted, Invalidity, Pre July 1983	286, 288, 290	50X / 022, 024, 026
Post June 1983 - Taxed	285, 287, 289	50X / 021, 023, 025
Post June 1983 - Untaxed *	291, 292, 293	50X / 021, 023, 025
Surchargeable Contributions (amount first deducted from Post June 83 Taxed Preserved journal)	285	50X / 021
Surchargeable Transfers In (amount first deducted from Post June 1983 - Untaxed Unrestricted Non Preserved journal)	292	50X / 023
Post 1 July 2007	**Profit & Loss Account**	**Balance Sheet Account**
Tax Free	286, 290, 288	50X/021, 026, 024
Taxable	285, 289, 287	50X/022, 025, 023

Details

John Jones has deposited the following superannuation rollin to top up his current balance, which he will later convert to a pension.

Step 1 - Record the Cash Receipt

Bank Account (New)	605 - ANZ Cash Management
Date	2 July 2010
Reference	1
Account	492 Member Payment Clearing Account
Amount	$225,000
Details	Superannuation rollin

Step 2 - Record the Superannuation Rollin

Record the following Unpreserved Lump Sum Rollin for John Jones.

Date	2 July 2010
Member	John Jones
Lump Sum Rollin Components	(Unrestricted Non Preserved)
Undeducted Contributions	$ 165,000
Post June 1983 Taxed	$ 60,000
Total	**$ 225,000**

Instructions

Step 1 - Record the Cash Receipt

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**

Click   *New*
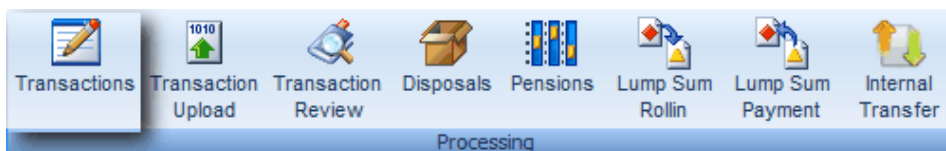
Type	Input **R** to select *Receipts*.
Bank	Click 🔍 *Search* to display the **Chart of Accounts**

Adding a Bank Account

Click	**B** to add a new *Bank* account
Account Type	Leave this as *Normal*
Account Code	Leave this as *605* and press *Enter*. **Simple Fund** will create a bank account using the next available account code number in the Chart of Accounts.
Account Name	Input **ANZ Cash Management Account** and press *Enter*
Cash Account	Leave this as *Bank*
	This cash label allows the account to be used in the bank reconciliation screen, the Statement of Cash Flows and to be used for recording Bank Statement, Receipts or Payments.
Bank Name	Leave this blank. To attach a bank account, refer to **Task 2.1** of the **Simple Fund Advanced Training Manual**.
Tax Return Label	Leave this as *Not applicable - Permanent Difference*.
Regulatory Return	Leave this as *Assets - Cash*
Investment Account	**Simple Fund** will automatically tick this checkbox ☑ . This will then generate a linked interest account and this bank account will be included in Investment Reports.

Click   💾 *Save*

Click   ✔ to *Select* Account *605* to return to the transaction receipts screen

Complete the Transaction - Receipts Screen:

Date	Input **02/07/2010** and press *Enter*
Reference	Input **1** and press *Enter*
Account	Input **492** and press *Enter*
Amount	Input **225 000**
Note	Input **Superannuation rollin**

Click   💾 *Post* to record the transaction to the Ledger

Step 2 - Record the Superannuation Rollin

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Lump Sum Rollin**
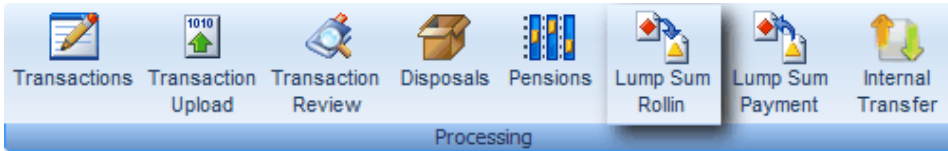
Date of Rollover Payment

Click   🔍 *Search* or press *ALT + O*, to select the *Rollin Date* and Entries posted to the *492 Member Payment Clearing Account*

Highlight the *02/07/2010* John Jones *$225,000* entry and click ✔ *Select*.

Member   Click ✔ *Search* to list **Members**. Highlight *John Jones* and click ✔ *Select*.

The $225,000 will now need to be split between Tax Free and Taxable components under **Benefit Payment Data**

Tax Free   Input `165 000` in the *Unrestricted* column*.*

Taxable - Taxed element   Input `60 000` in the *Unrestricted* column and press *Enter.*

Date of Rollover Payment	02/07/2010				Service Period Start Date	06/06/1980	
Member			Jones, John				

Pre Jul 07 | **Post June 07**

Benefit Payment Data	Preserved	Res Non Pres	Unres Non Pres	
Tax Free			165000	
Taxable - Taxed Element			60000	Total
- Untaxed Element				225000.00

RBS

Employer Contributions			
Personal Contributions			
CGT retirement exemption			
CGT 15 year exemption			
Personal injury election			
Spouse Child Contributions			
Other Family and Friends			
Termination payment (taxable)			
Assessable foreign fund			
Non-assessable foreign fund			
Reserves (Assessable)			
Reserves (Non-assessable)			
Total Contributions	0.00	0.00	0.00

Check the total, this should be **$225,000**

Click   🖥 **Preview** to view the *Lump Sum Rollin Posting Report*. Click 🗗 **Exit** to close this report.

Click   💾 **Post** (ALT + S) to post the transactions.

Confirm ☒

❓ Post Lump Sum transactions to ledger ?

     Yes   No
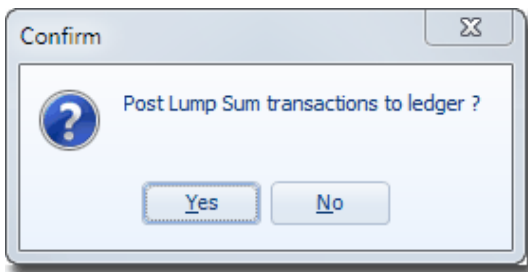
Click   ***Yes***

The following journals will be posted by **Simple Fund**.

02/07/2010	288/001 - Transfers In/Unrestricted/Tax Free	165,000	Credit
02/07/2010	287/001 - Transfers In/Unrestricted/Taxable	60,000	Credit
02/07/2010	492 - Member Payment Clearing Account	225,000	Debit

Ensure that your 492 Member Payment Clearing Account has a nil balance.

Wiki PLEASE REFER TO ARTICLE 351 IF TRANSFERS IN/OUT AND BENEFITS PAID DO NOT SHOW ON THE OPERATING STATEMENT

End of Task 1.2. Proceed to **Task 1.3**.

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Task 1.3 - Employer Contributions

Objective

In this task you will learn how to record concessional employer contributions prior to commencement of a pension.

By the end of this task, you will be able to:

• determine the various age-based superannuation deductions limits
• determine the eligibility of self employed persons to claim a deduction
• identify the correct accounts to record different types of employer contributions

Details

In accordance with section 960-285 of the Income Tax Assessment Act 1997 (ITAA 1997), the concessional contributions cap is indexed in line with average weekly ordinary time earnings (AWOTE), in increments of $5,000.

For the 2010-2011 and 2011-2012 financial year, the cap has been set at $25,000.

Note: For members who are aged over 50, there are some transitional arrangements where the cap is $50,000 per year.

Concessional contributions can be made from a range of sources. The most common sources being:

• employer super guarantee (SG) contributions (currently legislated a minimum 9% of salary);
• salary sacrifice; and
• personal deductible contributions (for example, personal contributions where a tax deduction is claimed).

If a member makes concessional contributions (such as salary sacrifice) on top of their employer's 9% SG contributions, please keep the relevant contribution caps in mind. If the contribution caps are exceeded, the member will be liable for excessive contributions tax, which is levied at 46.5% of each contribution rather than the 15% contributions tax in the members personal income tax return.

Instructions

John Jones and Mary Jones have received the maximum concessional contributions from their employer of $50,000 each. Post these concessional contributions to *242/00X Employer Contribution - Concessional*.

Post the following cash receipts:

Transaction 1:

Bank	604 - Cash at Bank
Date	28 July 2010
Ref	2
Member	John Jones

Account	242/001- Employer Contribution - Concessional
Amount	$50,000

Transaction 2:

Bank	604 - Cash at Bank
Date	28 July 2010
Ref	2
Member	Mary Jones
Account	242/002- Employer Contribution - Concessional
Amount	$50,000

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**
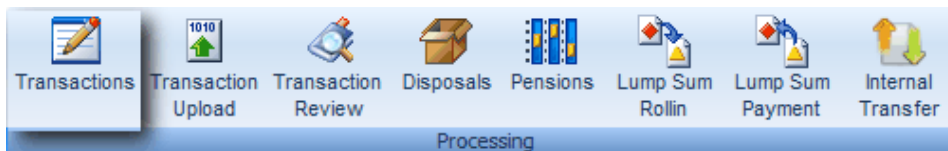
Click	New
Type	Input **R** to select **Receipts**.
Bank	Change this to **604**

Transaction 1:

Date	Input **28/07/2010** and press **Enter**
Reference	Input **2** and press **Enter**
Account	Input **242 001** (*Employer Contributions - Concessional - John Jones)* and press **Enter**.
Amount	Input **50 000**

Click 💾 **Save** *(ALT + S)* to post this transaction

Transaction 2:

Date	Input **28/07/2010** and press **Enter**
Reference	Input **2** and press **Enter**
Account	Input **242 002** (Employer Contributions - Concessional - Mary Jones) and press **Enter**.
Amount	Input **50 000**

Click 💾 **Save** *(ALT + S)* to post this transaction

Wiki ***PLEASE REFER TO ARTICLE 275 FOR INFORMATION ON EXCESS EMPOYER CONTRIBUTIONS***

End of Task 1.3. Proceed to **Task 1.4**.

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Task 1.4 - Personal Contributions

Objective

In this task you will learn how to record personal non-concessional contributions prior to commencement of a pension.

By the end of this task, you will be able to determine the non-concessional contribution caps and identify the correct accounts to record different types of personal contributions.

Overview

The non-concessional contribution cap from 1 July 2007 will be $150,000 (or $450,000 averaged over 3 years if member is under age 65). Amounts up to $1 million can be made until 1 July 2007. Amounts in excess of these limits will also be taxed at 46.5% in the member's personal income tax return.

The cap will apply to all non-concessional contributions made on behalf of an individual. For example, contributions made by one spouse for the benefit of the other spouse will be counted against the receiving spouse's cap. The Government co-contribution will not be included in the cap. Contributions above the concessional cap will also count towards the non-concessional contributions cap. This will ensure people cannot circumvent the non-concessional cap by making excessive concessional contributions.

Self Employed persons are eligible to claim a deduction if:

1. They satisfy the 'maximum earnings as an employee' condition.
   Under this condition, the amount you earn as an employee must be less than 10% of your combined assessable income and reportable fringe benefits for that income year. This is the case regardless of whether your employer has paid super on your behalf.
2. They meet the age-related conditions.
   If you are 75 or over, you can only claim a deduction for contributions you made before the 28th day of the month following the month in which you turned 75. If you are under 18 at the end of the income year, you can only claim a deduction for your personal super contributions if you earned income as an employee or a business operator during the income year in which you claim the deduction.
3. They made personal contributions to their SMSF.
   These should be posted to Account 260 Member/Personal Contributions - Concessional (Taxable).
4. They made the contributions in order to obtain super benefits for themselves, or for their dependants in the event of their death.
5. They have written to your SMSF, in the approved form *Deduction for personal super contributions* (NAT 71121), and advised them of the amount you intend to claim as a deduction.
   This form can be printed from the **Other Documents** screen.
6. The SMSF has acknowledged the notice of intent and agreed to the amount intended to be claimed as a deduction.
   This acknowledgment can be printed from the **Other Documents** screen.

For further information refer to http://www.ato.gov.au/individuals/content.aspx?doc=/content/00120268.htm

Details

John has contributed $150,000 from his personal savings to top up his superannuation, and Mary has contributed $1000. Record these non-concessional contributions to ***261/00X Member/Personal Contribution - Non Concessional***.

To complete this task you need to add two receipt transactions for the following contributions:

Transaction 1:

Date	28 July 2010
Ref	3
Member	John Jones
Account	261/001 - Member/Personal Contributions - Non Concessional
Amount	$150,000

Transaction 2:

Date	28 July 2010
Ref	3
Member	Mary Jones
Account	261/002 - Member/Personal Contributions - Non Concessional
Amount	$1,000

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**
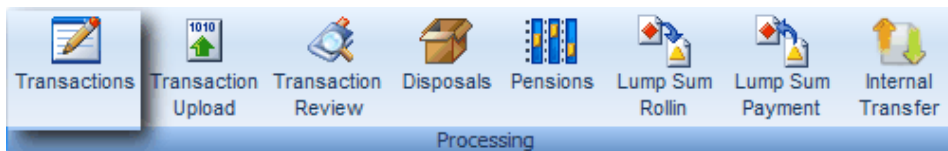
Click	📄 *New*
Type	Input **R** to select *Receipts*.
Bank	Leave this to *604*

Transaction 1:

Date	Input **28/07/2010** and press *Enter*
Reference	Input **3** and press *Enter*
Account	Input **261 001** (Member/Personal Contributions - Non concessional - John Jones) and press *Enter*.

Amount   Input **150 000**

Click ![save icon]**Save** *(ALT + S)* to post this transaction

Transaction 2:

Date   Input **28/07/2010** and press ***Enter***

Reference   Input **3** and press ***Enter***

Account   Input **261 002** (Member/Personal Contributions - Non Concessional - Mary Jones) and press ***Enter***.

Amount   Input **1 000**

Click ![save icon] **Save** *(ALT + S)* to post this transaction

End of Task 1.4. Proceed to **Task 1.5**.

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Task 1.5 - Government Co-contributions

Objective

In this task you will learn how to record government co-contributions received into a super fund.

By the of this task, you will be able to determine government co-contribution thresholds and identify the correct account to record government co-contributions.

Details

The co-contribution was introduced initially from 1 July 2003. The co-contribution is an initiative to assist eligible individuals to save for their retirement. From 1 July 2004, the maximum co-contribution amount was increased from $1,000 to $1,500. If a member makes personal superannuation contributions, the Government may match the contribution with a co-contribution up to certain limits.

Individuals that are self employed and make personal superannuation contributions, may receive a super co-contribution providing they satisfy the following eligibility requirements:

Year	Maximum entitlement ($)	Lower income threshold ($)	Higher income threshold ($)
2007-2008	1,500	28,980	58,980
2008-2009	1,500	30,342	60,342
2009-2010	1,000	31,920	61,920
2010-2011	1,000	31,920	61,920
2011-2012	1,000	31,920	61,920

Mary contributed $1,000 from her personal savings in the previous financial year. Because her taxable income is below the $31,920 lower threshold, the government has matched her contribution 100% which has been deposited into the super fund's account. Record this non-concessional government co-contributions to **263/002 Other Contribution - Non Taxable**, recording the member component as **Govt Co contributions**.

To complete this task you need to record the following cash receipt:

Date	22 June 2011
Ref	4
Member	Mary Jones
Account	263/002 - Other Contributions - Non Taxable
Amount	$ 1,500
Member Component	Govt Co contribution

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**
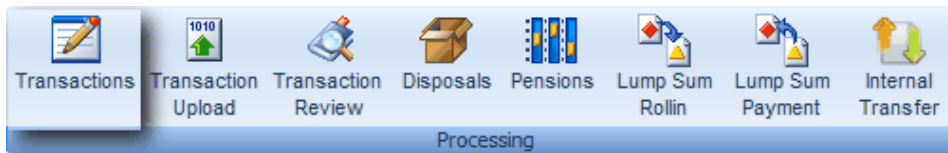
Click	*New*
Type	Input **R** to select *Receipts*.
Bank	Leave this to *604*
Date	Input **22/06/2011** and press *Enter*
Reference	Input **4** and press *Enter*
Account	Input **263 002** (Other Contributions - Non Taxable - Mary Jones) and press *Enter*.
Amount	Input **1 500**
Member Component	Select **Govt Co contributions**

Click *Save* (ALT + S) to post this transaction

 REFER TO ARTICLE 387 FOR MORE INFORMATION ON ENTERING CONTRIBUTIONS IN SIMPLE FUND

End of Lesson 1. Proceed to **Lesson 2.**

Lesson 2 - Commencing a Superannuation Pension

Objective

In this lesson you will learn the required steps to consider when commencing a pension.

By the end of this lesson, you will be able to:

• identify the steps required to commence a pension
• understand how income in a pension fund is taxed and how earnings are allocated to members
• determine the two types of certificates used to determine if pension payments are segregated or unsegregated
• record income and expenses prior to pension commencement
• reverse any deferred tax liabilities (if applicable)
• create entries prior to commencing a pension
• transferring members balances to unrestricted where preservation requirements are met
• changing a member account from accumulation to pension mode

Overview

The process of commencing a superannuation pension is as follows:

1. The member first notifies the Fund that they wish to start the pension. The ***Pensions Notifications Letter*** can be printed from the **Pensions | Prepare Reports/Post Entries** screen.
2. The Conditions of Release for the member are then confirmed by the trustee.
3. The member decides on what type of pension they want and the frequency of payment.
4. The Trustees of the Fund meet to agree to begin paying the pension and attend to any other associated matters. The ***Trustee Minute/Resolution*** can then be prepared from the **Pensions | Prepare Reports/Post Entries** screen.
5. The Trustees confirm in writing the amount and frequency of the pension payment. The ***Pension Notifications Letter*** can be printed from the **Pensions | Prepare Reports/Post Entries** screen.
6. The Trustees provide a Product Disclosure Statement setting out the terms of the pension. **Simple Fund** cannot produce this document for funds.

Taxation on Pension Accounts

Any income derived from **segregated current pension assets** is exempt from the superannuation fund 15% Income Tax when an actuarial certificate has been obtained before the lodgement of the tax return. Actuary certificates are not required under some circumstances to claim this exemption, but refer to http://www.ato.gov.au/superfunds/content.aspx?doc=/content/00180869.htm&page=3&H3 and the *ATO Form F Instructions* for details. Generally actuary certificates are still required for any existing complying pensions or for funds that are part pension and part accumulation, unless assets are 100% segregated for the entire year.

Allocation of Earnings

After much research and discussions with the ATO, NTAA and other respected SMSF Advisers in the industry, a significant change has been made to the allocation of the earnings to pension members from 01/07/2007. After this date the Create Entries process will now split a pension member's allocated earnings between tax free and taxable accounts. The tax free proportion is determined by the Tax Free Proportion Percentage entered into the member mode screen.

Part Pension Part Accumulation

Member's pension accounts must be accounted for separately from any accumulation accounts within the fund. The pension assets become known as **segregated current pension assets**. Therefore a member who has part pension and part accumulation balances in a fund will require two member accounts in **Simple Fund**. This is not necessary where a member is transferring the whole benefit from the accumulation account to a pension account.

Segregated current pension assets refers to a **group of identifiable asset and investment accounts** where investment earnings are credited (added) to the members account tax-free and pension payments and running expenses are debited (subtracted) from the members pension account.

There are two types of certificates depending on whether the assets being used to provide the pension payments are segregated or unsegregated.

1. Segregated actuarial certificates [ITAA36 sec273A]

These require an actuary to separately identify any investments to the allocated pension member.

2. Unsegregated actuarial certificates [ITAA36 sec273B]

These require an actuary to calculate a ratio of the fund's current pension liabilities to its total superannuation liabilities, using the funds average liabilities for the year, excluding already segregated assets.

These two methods can be used simultaneously within the one fund during the same create entries period.

Beginning a Pension

As a general rule a fund that starts paying a pension part way through the financial year will often obtain an *actuarial percentage*, otherwise it must immediately segregate the relevant assets and obtain a valuation of those assets at the date the pension commences.

Changing between Segregated and Unsegregated methods

Complex funds may change methods, and hence you will need to use both methods during a financial year. In this case you must Create Entries for each period and also have an actuarial certificate for each period.

If there are still accumulation accounts within the fund it is often easier from an administration and **Simple Fund** reconciliation perspective to segregate the assets by separately identifying them into two registers. If the fund is made up of entirely pension members then all of the funds assets are exempt from income tax.

Simple Fund has the ability to use both the segregated (Allocated or Pooled method) and the unsegregated actuarial certificate method within the same financial year or create entries period. This change has been made at the request of clients who are increasingly adopting more complex pension strategies and will arm clients with the calculation and reports required to achieve a wider range of strategies without having to post adjusting transactions previously required.

Pension Members who make further contributions

Any pensions prior to 1 July 2007 must comply with the ATO interpretative decision (ATO ID 2004/304) that states a person cannot add to the capital of an existing allocated pension. In order to achieve the desired outcome the trustees must either commence a new allocated pension with the additional capital or commute the existing arrangement and commence a new pension. This would require you to add the person again to the members screen in accumulation mode with a new account to record the contribution. If this balance then becomes a pension account, RBL forms must be lodged and a new actuarial certificate will be required.

Learning Tasks

John Jones is over 60 and is therefore eligible to commence a pension. His existing member account balance can be moved to unrestricted.

John will commence an account-based pension on 1 October 2010 based on his entire member account balance at that date.

Task 2.1 - Record Income and Expenses prior to pension commencement

Record the following income and expenses for the fund:

Cash Receipt

Bank	604 Cash at Bank
Date	08/08/2010
Ref	5
Account	280/001 - Rental Income, Unit 7
Amount	$ 12,000

Cash Payment

Bank	604 Cash at Bank
Date	08/08/2010
Ref	6
Account	301 Accounting
Amount	$ 2,000

This gives us $10,000 taxable income for the quarter to review on the Create Entries report.

Task 2.2 - Writeback of Tax Effect Accounting

Remove tax-effect accounting for this fund and writeback the current provision in the 870 - Provision for Deferred Income Tax account to the 493 - Writeback of PDIT/FITB clearing account.

Type	Journals - Non-Cash
Date	01/07/2010

Reference	5
Debit Account	870 - Provision for Deferred Income Tax
Credit Account (Balancing Account)	493/999 - Writeback of PDIT/FITB
Amount	$ 23,193

Task 2.3 - Create entries to update members balance

Create entries from 01/07/2010 - 30/09/2010 to allocate earnings, rollins, and the PDIT adjustment to the members for the accumulation period. The following security prices apply at 30/09/2010

Code	Price
ABC	$ 2.79
BHP	$ 37.73
GPT	$ 0.6850
IP-002	$ 375,000.00
OST	$ 3.03

Task 2.4 - Transfer benefits to Unrestricted Non-Preserved

Transfer balances in John Jones Account from Preserved and Restricted to Unrestricted.

Task 2.5 - Change member to Pension mode

Transfer John Jones Account from accumulation to pension mode.

Task 2.1 - Income and Expenses Prior to Pension Commencement

Objective

In this task you will learn how to record income and expenses for the fund that occurred prior to the pension commencement.

By the end of this task you will be able to review the transactions at the end of the year to compare the taxable and exempt pension income at year end.

Details

Record the following income and expenses for the fund:

Cash Receipt

Bank	604 Cash at Bank
Date	08/08/2010
Ref	5
Account	280/001 - Rental Income, Unit 7
Amount	$ 12,000

Cash Payment

Bank	604 Cash at Bank
Date	08/08/2010
Ref	6
Account	301 Accounting
Amount	$ 2,000

This gives us $10,000 taxable income for the quarter to review on the Create Entries report.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**

Click	*New*
Type	Input **R** to select *Receipts*.
Bank	Leave this as *604*
Date	Input **08/08/2010** and press *Enter*.
Reference	Input **5** and press *Enter*
Account	Input **280 001** (*Rental Income, Unit 7*) and press *Enter*.
Amount	Input **12 000**

Click *Save (ALT + S)* to post this transaction

Now record the Payment for Accounting Fees.

Type	Input **P** to select *Payments*.
Bank	Leave this as *604*
Date	Leave this as *08/08/2010*
Reference	Input **6** and press *Enter*
Account	Input **301** (*Accounting Fees*) and press *Enter*.

Amount   Input **2 000**

Click 💾 **Save** *(ALT + S)* to post this transaction.

End of Task 2.1. Proceed to **Task 2.2**.

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Task 2.2 - Writeback of Tax Effect Accounting

Objective

In this task, you will learn how to reverse deferred tax liabilities calculated by **Simple Fund**.

By the end of this task, you will be able to:

- turn off the tax effect accounting options in **Simple Fund**
- reverse all balances in the 870 account
- reverse part of the balance of 870 in a part pension, part accumulation fund

Details

Tax-effect accounting creates a capital gains tax provision for investments that have increased or decreased in value, but have not yet been sold. The Create Entries process calculates timing differences on unrealised capital gains, and posts an entry to the 870 Provision for Deferred Income Tax account. This task reverses the current provisions for tax-deferred amounts and switches off tax-effect accounting.

Since John Jones is about to start a pension, no capital gains tax will apply to his portion of disposals in the fund. Therefore a provision for deferred income tax is no longer relevant to his portion of the fund. Since Mary is also soon to begin a pension, we will write back the provision for the whole fund and switch off Tax-effect Accounting.

NOTE: If you choose to use tax-effect accounting (for example if you have a fund with both pension and accumulation members), you will need to write back a proportion of PDIT that relates to the pension members proportion of assets. This would require you to calculate the proportion, and reduce the relevant amount from PDIT, clearing against the 493 sub-account for the pension member. The pension members proportion of assets can be calculated using the members weightings in the fund. For example in this fund, you could calculate John's proportion of assets and clear the amount using the 870 account and 493/001.

Record the following Journals

Type	Journals - Non-Cash
Date	01/07/2010
Reference	7
Debit Account	870 - Provision for Deferred Income Tax
Credit Account	493/999 - Writeback of PDIT/FITB
Amount	*$ 23,193

*$23,193 - this is the balance from account 870 as at 01/07/2010, we are clearing out this amount as we need to clear it for the whole year.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**
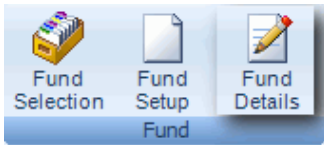
Click the *Reporting* tab

Tax effect accounting	☐ *Uncheck* this box. **Simple Fund** will no longer post adjustments to the 870 PDIT account based on Timing differences, as part of the Create Entries process.
Include permanent differences on revaluation	☐ *Uncheck* this box whenever tax-effect accounting is not applied.

Click 💾 *Save* to save the changes.

Reversal of PDIT Journals

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**

Click	🗋 *New*
Type	Select *Journals - Non-Cash* and press *Enter*.
Balancing Account	Input **493 999** and press *Enter*.
Date	Input **01/07/2010** and press *Enter*.
Reference	Input **7** and press *Enter*.
Account	Input **870** and press *Enter*. The balance of the 870 account will display on the screen at *Account Balance* (if this option is set in **Defaults**).
Amount	Input **23 193** and press *Enter*.

Click	💾 *Post* (*ALT + S*) to save this transaction.

Account 870 Provision for Deferred Income Tax will now have a *nil* balance.

⚠️ **SKIP THIS STEP IF YOUR FUNDS DO NOT USE TAX EFFECT ACCOUNTING**

End of Task 2.2. Proceed to **Task 2.3**.

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Task 2.3 - Create Entries to Update Member Balance

Objective

In this task you will learn how to create entries before pension commencement.

By the end of this task, you will be able to:

- manually update security prices on the day before pension commencement
- create entries to the end of the accumulation phase, to update the members balance. This allows for the correct calculation of the pension purchase price prior to preparing RBL forms.

Overview

ATO Tax Determination **TD 2000/29** requires that the *purchase price* of the pension reported to the ATO at the commencement of the pension for RBL purposes, must be the Net Market Value of the underlying investments. Therefore, before calculating the *purchase price* of the pension, year-end entries must be created prior to starting the pension to ensure that the member's balance reflects assets at current market value. If the pension begins on 1st July, this is not necessary since assets already reflect 30 June market prices.

The market values of the fund assets at 30/09/2010 are as follows:

Code	Price
ABC	$ 2.79
BHP	$ 38.91
GPT	$ 2.94
IP-002	$ 375,000.00
OST	$ 2.93

Manually Adding Security Prices

From the **Ribbon Toolbar**:

On the **Global Listings** tab, click **Securities** (*ALT + S*).
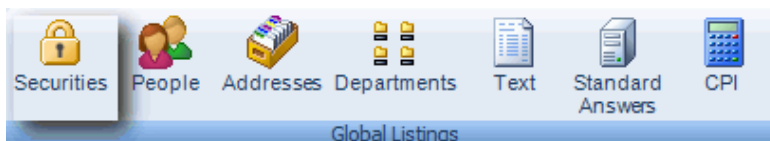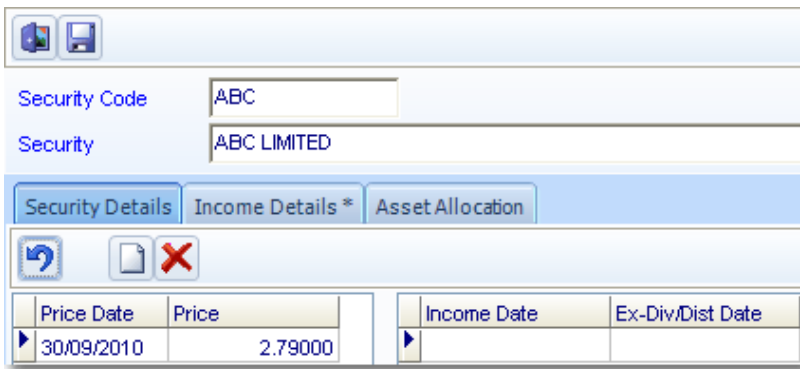
Show   Select *Fund Securities*

Highlight *ABC* and click 📝 *Edit*

Click   *New* to add a security price.

Input the Price Date and Price.

Click   *Save*.

Add the remaining 30/09/2010 prices.

Repeat the above step until you have all the 30/09/2010 prices for this fund.

If there are securities held by this fund that do not display on this list, you must check your Chart of Accounts and ensure the correct security is linked to your investment accounts.

Now you are ready to create entries to update the members balance.

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**

Click   Create Entries
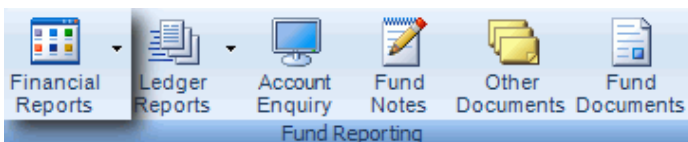
Period To: Change this from **30/06/2011** to `30/09/2010`.

Click   ☑ *Display Member Allocation Worksheet*

Click   ☑ *Run Security Prices check* to ensure **Simple Fund** does a check if a security attached to an investment has a zero price, or if the security price date is different from the Create Entries date.

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Click

Create Entries Review

The Create Entries Review screen will display any errors or warnings. Common error messages are as follows:
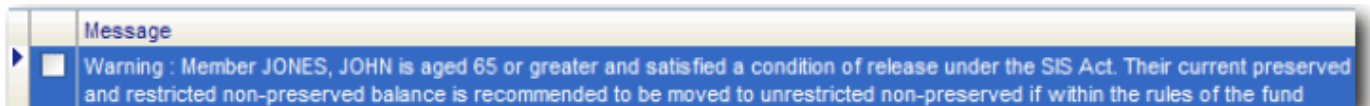
Check ☑ this message to ignore it. We will be transferring John Jones' balance to the unrestricted accounts in **Task 2.4**. Click ✔ Accept to proceed with the Create Entries process.

Member Allocation Worksheet

The *Member Allocation Worksheet* will display. This allows you to adjust the allocation of profit and tax to each member. **Simple Fund** will allocate profit and tax to members based on their weighted amounts calculated in the fund.

For the purpose of this training manual, do not change the current allocations.

Click ✔ *Accept* to complete the Create Entries process.

Create Entries Report

The Create Entries Report will display once the create entries process is compete. Review this report to see what **Simple Fund** has allocated at 30/09/2010.

Simple Fund has now updated the members account for:

- Profit allocations between 01/07/2010 and 30/09/2010
- Lump Sum Rollins
- PDIT adjustments

Before reports are prepared, the Reporting Period should be changed to **01/07/2010 - 30/09/2010.**

A full set of financial statements may now be prepared, which will reflect the balance for this member just prior to beginning the pension. Click the **Member Reports** tab to prepare a Members Statement.

After all reports have been printed:

Click   **Exit** (*ALT + X*).

End of Task 2.3. Proceed to **Task 2.4**.

Task 2.4 - Transferring Benefits to Unrestricted Non-Preserved

Objective

In this task you will learn how to transfer preserved benefits to unrestricted non-preserved accounts.

By the end of this task, will be able to:

- understand how **Simple Fund** allocates profit in an accumulation fund and in a pension fund
- transfer an accumulation members benefits to unrestricted non-preserved accounts when preservation requirements are met
- identify the journals **Simple Fund** will post when balances are transferred to unrestricted non-preserved accounts
- reverse a transfer of balances to unrestricted non-preserved and restore balances to preserved benefits

Details

John Jones has retired and is transferring his entire superannuation account balance to a Minimum Account Based Pension. It is the trustee's responsibility to ensure that all benefits are transferred from a preserved status to an unrestricted non-preserved status before an allocated pension is commenced.

Simple Fund journals the selected members balance to unrestricted non preserved accounts while retaining all Lump Sum component information. A new journal type, shown as **E** on the Transaction Add/Edit screen, reflects these transactions in the ledger.

In the 🐾 *Members Mode* screen, members can be in an Accumulation or Pension Mode.

Profit allocation at year end in Accumulation mode

Superannuation funds generally pay tax at a rate of 15% on earnings and up to 30% on contributions for accumulation balances.

In accumulation mode **Simple Fund** will allocate to members accounts on either a pro rata basis based on the members daily account balance or on a fixed percentage if an Income Percentage is recorded in the members screen. The daily account balance method adds the total amount allocated to the members account for the year placing a weighting on each dollar based on the transaction date. The remaining profit (or loss) and income tax applicable is allocated to member accounts based on the total of weighted members account balances at year end. This method ensures that members who make contributions during the year receive an appropriate percentage of the profit (or loss) of the fund at year-end. Where a fixed percentage is input, this percentage overrides the daily account balance method. A fixed percentage can be input for members on the Members Details screen.

Profit allocation at year end in Pension mode

For pension accounts, earnings are exempt from 15% tax. Instead of making contributions to the fund, members draw pension payments from the fund. Pension accounts are separated from any accumulation accounts in the fund.

In pension mode you must enter either the pension percentage into the member mode screen or alternatively allocate assets of the fund to the relevant pension members, prior to the create entries process. **Simple Fund** uses this information during the create entries process to allocate segregated profits and exempt earnings from all segregated current pension assets.

For an example of the daily account method calculation refer to the **Simple Fund** file on **Allocation to Member Accounts.**

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**
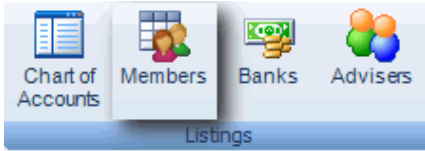
Simple Fund will display the Members Add/Edit screen. Highlight *John Jones* (Account 501)

Click	![icon] *Mode*
Mode Date	Input **30/09/2010**.
	This date forms the date of the Type E - Unpreserved transfer Journals and refers to the date the member retired, the date the member commuted their pension from accumulation mode to pension mode or the date the member joined the fund as a pension member. In this case it refers to John's retirement date.
Tax Free Proportion	Leave this blank. This is the percentage of profit to be allocated to this member's tax free share of profit account.
Untick	☐ *Transition to retirement income stream*
Click	☑ *Transfer Members balance to Unrestricted Non Preserved Accounts*

Click   [✓ Process]
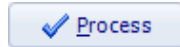
The following journals have now been posted at 30/09/2010 by **Simple Fund**. These can be viewed from the *Transactions* screen. The journal type is **E** .

To complete the process of moving the member into pension mode please proceed to **Task 2.5**.

NOTE: Task 2.4 may be also be completed if the member has met the conditions of release and their balance can be moved to Unrestricted Non Preserved. However, they may not necessarily be moving over to pension mode. This is often the case for members who are over the age of 65 but are still working.

End of Task 2.4. Proceed to **Task 2.5**.

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Task 2.5 - Changing Member to Pension Mode

Objective

In this task you will learn how to change a member to pension mode.

By the end of this task, you will be able to:

• have an overview of the members screen
• convert a member to pension
• understand how the details contained within the member's screen impact the calculations performed by **Simple Fund**.

Overview

Actuary Percentage

An Actuarial Certificate is required for fund's where they wish to claim and exemption from income tax on income from unsegregated assets and the fund had at least one accumulation account and one pension account AT ANY TIME during that year.

Details

John Jones is starting a pension, and the fund has processed entries to the end of the accumulation phase.

Check the details for John Jones are correct, then transfer his account from Accumulation to Pension mode at 01/10/2010.

John Jones details are:

Address:	12 Market Street, South Melbourne
Date of Birth	05/09/1947
Joined Fund	14/06/1994
Commenced Service	06/06/1980
Concluded Service (retired)	02/07/2010
Death Benefit	$1,000,000

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**
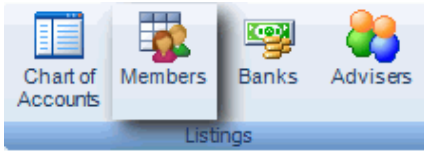
Simple Fund will display the Members Add/Edit screen.
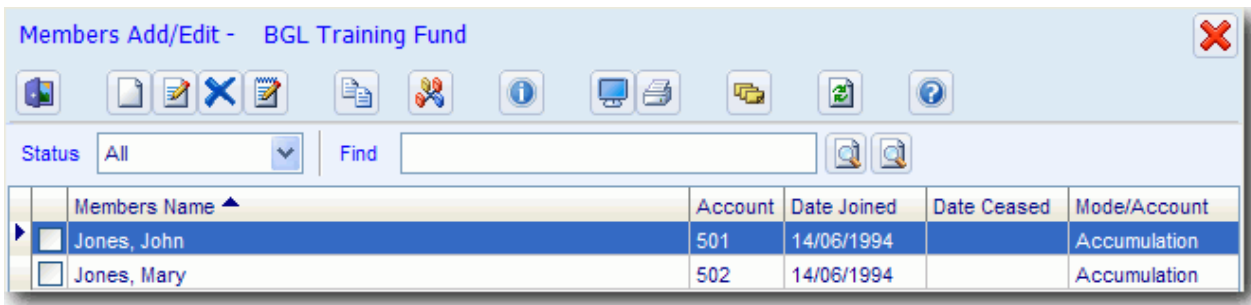
Highlight *John Jones* (Account 501)

Click	*Mode*
Click	*Pension Mode*
Mode date	Input `01/10/2010`
Click	*Process*
Click	*Exit* (ALT + X).

NOTE: Tasks 2.4 and 2.5 can be combined into one step. When combining the two together, you would select pension mode, select the mode date as 01/10/2010 and tick *"Transfer members balance to Unrestricted Non Preserved accounts?"*

For example the member's mode screen will be filled out the following way when combining task 2.4 and 2.5.

End of Lesson 2. Proceed to **Lesson 3**

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Lesson 3 - Income Stream Calculations

Objective

In this lesson you will learn how to:

• create a minimum account based pension
• post standing pension payment journals
• prepare pension documents

By the end of this lesson, you will be able to:

• use the **Pensions** screen to calculate pension payments
• create standing journals using the **Pensions** screen
• create standing journals from the **Transaction** screen
• edit existing standing journals
• post standing journals to the **Transaction** screen
• prepare a Pension Member PAYG summary, a Pension Member Notification Minute and Pension Member
  Notification Letters
• push reports and documents to **Portal**

Overview

The **Pensions** screen assists you with setting up pensions, and is divided into these steps.

Step 1 - Pension Data / Calculation

This step can be used to predict the outcome for given scenarios for an account based pension. It calculates
the member's account balances and determines the amount to be used for the pension.

Step 2 - Post Entries / Prepare Forms

This step can be used to set up standing journals to record the payment of the pension and prepare the:

• Pensions Report;
• Pension Member Notification Minute;
• Pension Member Notification Letters;
• Pension Member PAYG Summaries; and
• Pensions Calculation Summary Report.

Learning Tasks

Task 3.1 - Income Stream Calculations & Lump Sum Forms

John Jones will set up a Minimum Account Based Pension and has planned the following payment scenario.
Input these details into the Pensions screen and generate the predicted result for taxation and for the future
pension payments.

Service Period Start	06/06/1980
Pension Start Date	01/10/2010

Type	Minimum account based pension
Payment Options	Minimum
Expected Earning Rate	Not Applicable
Excess Benefit	Nil

Task 3.2 - Pension payment standing journals

Post standing journals for the pension calculated in **Task 3.1** as follows:

Reference	43
Posting Ref	431
Frequency	Yearly
Dates Paid	01/06/2011

Task 3.3 - Prepare Pension Documents

Prepare a *Pension Member PAYG Summary* through Pensions.

Prepare a *Pension Member Notification Minute* and *Pension Member Notification Letters* from the **Pensions | Prepare Reports/Post Entries** screen.

Task 3.1 - Minimum Account Based Pension

Objective

In this task you will learn how to use the **Pensions** screen to calculate the annual pension for the fund.

By the end of this task, you will be able to calculate the pension taxation position and predict future pension payments based on specified scenarios and preview and push pension documents to **Portal**.

Details

The Pensions screen can be used to set up different scenarios to see the projected result for tax and for the future pension payments. By selecting the type of pension, the starting balance and tax components, the member's date of birth, and the expected future earnings rate, **Simple Fund** will calculate the following:

• Rebateable proportion
• Deductible amount
• Relevant number
• Annual pension (minimum and maximum)
• Pro-rata pension for year 1
• PAYG withholding
• Projected future payments for life of pension

John Jones will set up a pension account and has planned for the following scenario. Input these details into the Pensions screen and generate the predicted result for taxation and for the future pension payments.

Service Period Start	06/06/1980
Pension Start Date	01/10/2010
Type	Minimum Account Based Pension
Payment Option	Minimum

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**
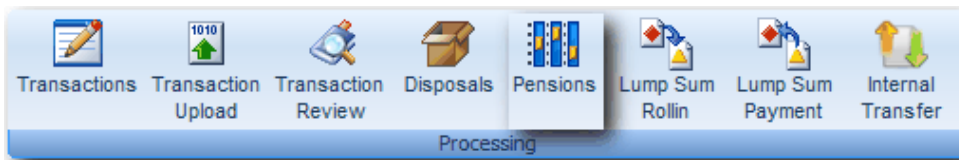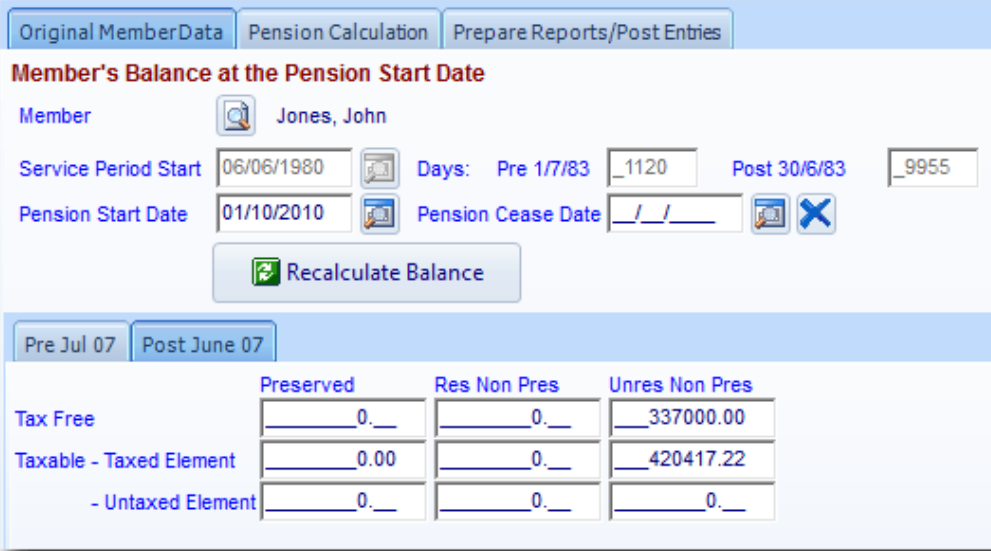
Step 1 - Input the Minimum Account Based Pension details

Click	*New*
Highlight	*Jones, John* and click ✔ *Select*
Click	the *Original Member Data* tab.

The *Original Member Data* tab will display the following:

Pension Start Date	Leave this as *01/10/2010*.

Click on the *Pension Calculation* tab

Pension Type	Leave this as *Minimum Account Based Pension*
Payment Frequency	Leave this as *Yearly*. This can be changed to quarterly, monthly or weekly which will change the pension tax calculations accordingly.
Transition to Retirement?	Leave this unchecked. Check this only if this is a Transition to Retirement Pension in which case, **Simple Fund** will calculate the maximum as 10% of the member's balance.
Annual Pension Amount	Leave this as **$14,720.00**, being the minimum amount.
Pro Rata Minimum Amount?	Leave this unchecked. See *** Note 1** for more details.

Click

Simple Fund will fill out the *Pension Payable* based on the Annual Pension amount.

THE ANNUAL PENSION AMOUNT FIELD IS FULLY EDITABLE

Member Details:

Member	Jones, John	Date of Birth	05/09/1947	Age	63
Pension Start Date	01/10/2010	Opening Balance at 01/10/2010			757,417.22

Pension Options:

Pension Type   [Minimum Account-Based Pension ▼]

Payment Frequency [Yearly ▼]   Rebateable Proportion [100.00] %   Taxable Weeks [__.__]

Transition to retirement pension ? ☐   Tax-free threshold NOT claimed ☐   Tax Free Weeks [__.__]

The following calculations are for the year ending 30/06/2011

Minimum Account-Based Pension

- Minimum (Year 1)   15,150.00   - Maximum (Year 1)   757,417.22

Annual Pension Amount [15150.00]   Pension Rollover ?   ☐

Tax Free Proportion [44.49] %   Pension to rollover [▼]

Death Benefit Pension ? ☐   Beneficiary 🔍✖

Pension is reversionary ? ☐   Pro Rata Minimum Amount ? ☐

Pension Payable	Year 1	Annual	
Pension Amount	15150.00	15150.00	[🔄 Calculate Pension]
Tax Free Component	6740.24	6740.24	
Taxable Component	8409.76	8409.76	
Gross Tax	0.00	0.00	Deductible Amount
Rebate	0.00	0.00	Relevant Number
Tax Payable	0.00	0.00	Quarterly PAYG Remittance 0.00
Net Pension	15150.00	15150.00	Net Monthly Pension 1,262.50

Pension Calculation

Rebateable Proportion (pre 1 July 2007)	If the pension has an excess benefit entered in the Pension Data screen, the rebateable proportion field will be editable. Where a recipient's benefit exceeds his or her reasonable benefit limit (RBL), the RBL determination issued by the Australian Taxation Office (ATO) will show the rebateable proportion. A rebateable proportion ranges from 0 to 1, so if it is less than 1 it reduces the tax offset. This rebateable proportion will need to be converted to a percentage and entered into this field.
Deductible Amount	The Deductible Amount is calculated as follows: [UPP - Residual Capital Value (if any] / Relevant number* *The relevant number factor that will be applied is determined from the Australian Life Tables, using the recipient's age at the time the pension commences to be payable. The life table most recently published at the time the pension commenced is used. However, in the case of a reversionary pension, the relevant number used to calculate the deductible amount is based on the longer of the life expectancies of the recipient or reversionary beneficiary. Whether or not the pension paid by your SMSF is reversionary will depend on the governing rules of your Trust Deed. When a pension commences part way through a financial year, the non assessable amount for that year is proportionately reduced.

Pension Payable	Year 1
Pension Amount Year 1	This will calculate the pension payment for year 1 based on the annual pension amount.
	To have this figure displayed on a pro-rata basis you will need to click the Pro-Rata checkbox. The calculation will be based on 273 days since the pension did not start until 01/10/2010. See *** Note 1**.
Deductible amount	To have this figure displayed on a pro-rata basis you will need to click the Pro-Rata checkbox. The calculation will be based on 273 days since the pension did not start until 01/10/2010.
Assessable Amount	This is the pension amount less the deductible amount.
Gross Tax	This is the gross tax payable on the assessable amount. This will be adjusted if you check the box ☑ *Tax-free threshold NOT claimed*.
Rebate	The tax offset is applied to the 'rebatable 27H amount' (the rebatable 27H amount is the assessable amount).
	The formula used for calculating the tax offset is:
	Rebateable 27H Amount x Rebateable Proportion x 15%
Tax Payable	This is the gross tax less the rebate

* Note 1

If you tick the Pro Rata Minimum Amount, **Simple Fund** will display the figures on a pro-rata basis.

Minimum (Year 1)	This amount is now based on 273 days as the member John Jones changed to pension mode on 01/10/2010.

Minimum (Year 1)

= 273/365 x 15,150

= $11,330 (to the nearest $10)

Click the *Prepare Reports/Post Entries* tab

Click   *Preview* to view each document.

Click on   to push the reports to **Portal**.

Click   *Save*.
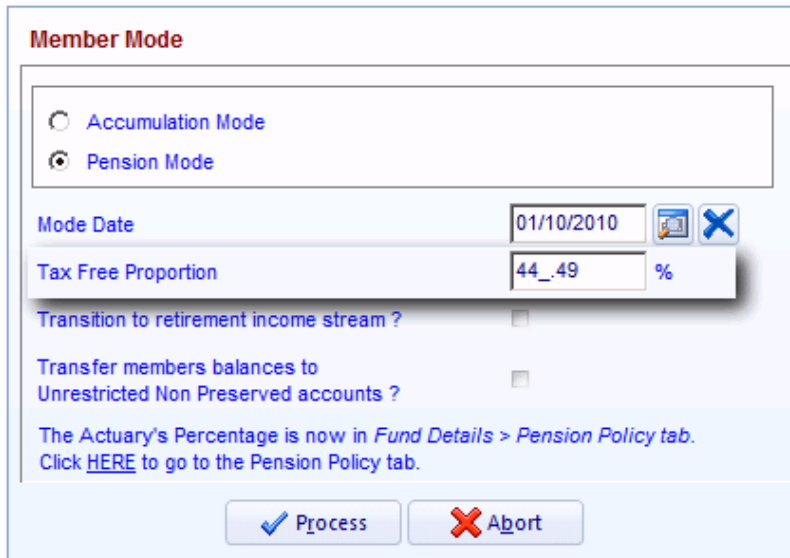
The following question will appear:

Click **YES**

Note: The tax free proportion will be stored in the Member details screen, this figure can be changed manually in the member details screen.

End of Task 3.1. Proceed to **Task 3.2**.

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Task 3.2 - Pension Payment Standing Journals

Objective

In this task you will learn how to post standing pension payment journals.

By the end of this task, you will be able to:

• create standing journals using the Pensions screen
• create standing journals from the Transaction screen
• edit existing standing journals
• post standing journals to the Transaction screen

Details

The Pensions screen can be used as a tool to assist with posting the pension payment journals to the correct accounts, and against the correct member taxation components, such as the tax free, taxable and non concessional components.

The payment of the pension from the bank account must then be recorded to the 492 Member Payment Clearing account. This account is used in the same manner as the 491 Proceeds of Disposals Clearing account when recording investment disposals.

Simple Fund tracks the reducing Non concessional, taxable and other Lump Sum components of the pension payments for a member.

The ATO requires PAYG withholding amounts to be withheld from certain pension payments. **Simple Fund** will calculate an estimate of the tax to be paid, and include this posting to the 860 PAYG Withholding account when creating and posting standing journals.

Instructions

Record the pension payments for John Jones Allocated pension using the Standing Journals screen.

> *STANDING JOURNALS ARE RECURRING JOURNALS. YOU CAN STORE THESE JOURNALS IN THE STANDING JOURNAL SCREEN BY CLICKING ON ▦ FROM THE TRANSACTION SCREEN*

Step 1(a) - Prepare Standing Journals

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**
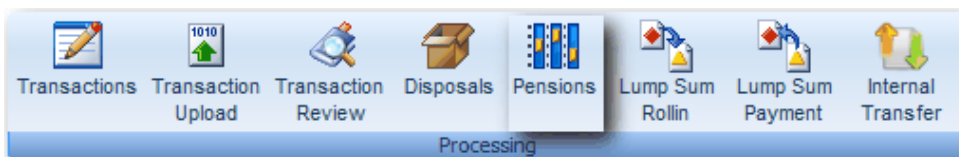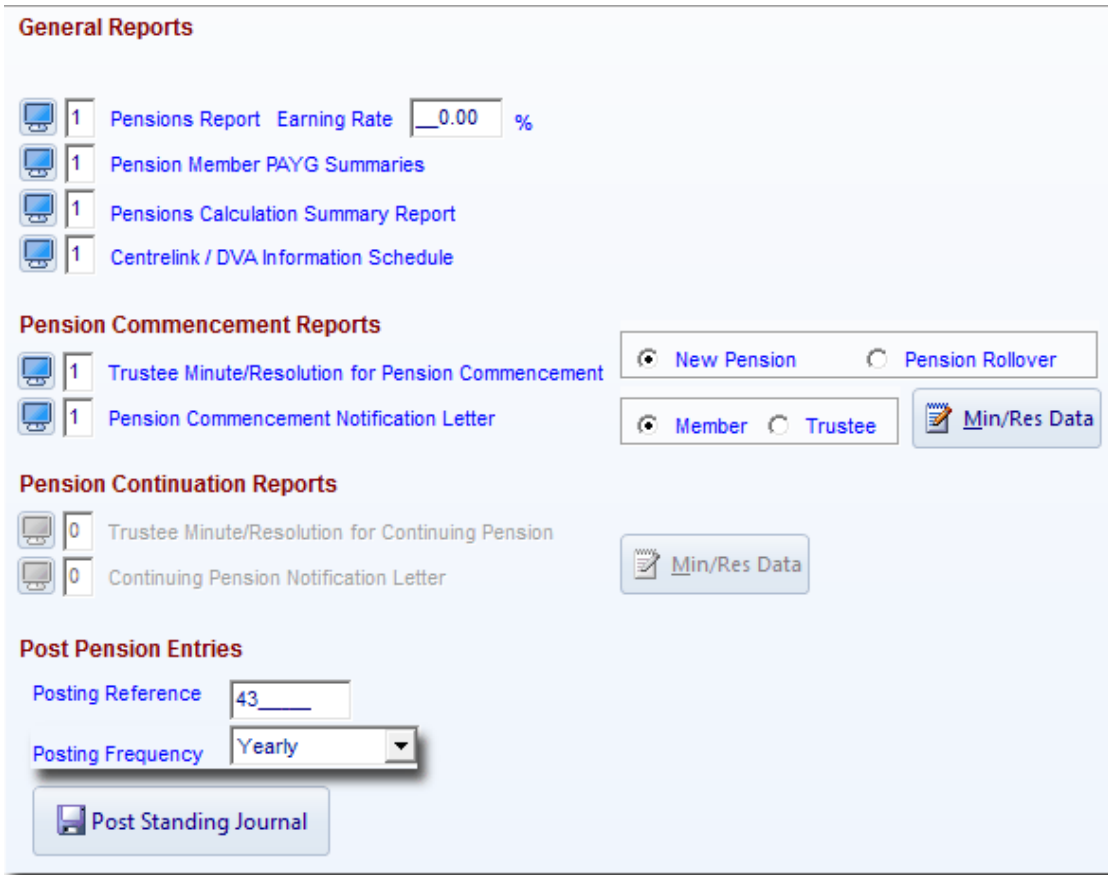
Highlight **Jones, John** (Account 501) pension on 01/10/2010 and click ✎ **Edit**

Click the **Prepare Reports/Post Entries** tab

Step 1(b) - Save Standing Journals

Posting Reference	Input **43**
Posting Frequency	Leave this as **Yearly**

Click [📄 Post Standing Journal] and the following message will appear:
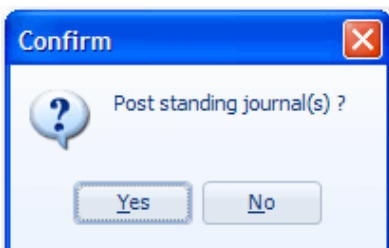
Click **Yes. Simple Fund** has now added these journals as standing journals to be posted in the future. The following message will appear:
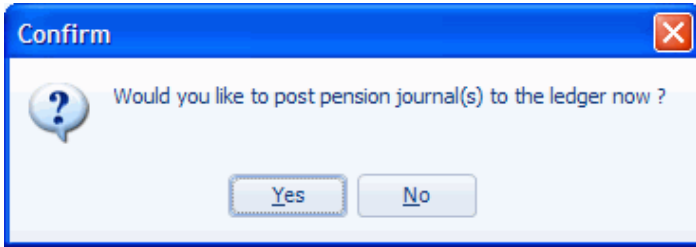
Click **Yes**. The Standing Journals screen will display.

Note that the standing journal has been created from the **annual** amount. You can edit these journals to adjust the amounts before posting the transactions to the ledger.

Click **Exit** twice.

Step 2 - Post the pension on 01/06/2011
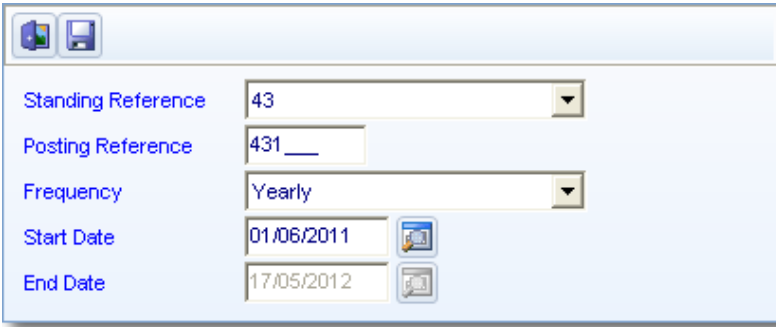
From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**
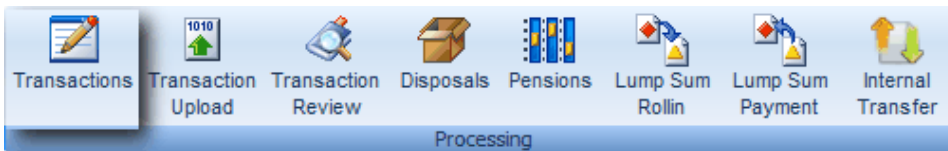
Click	**Standing Journals**
Click	**Post**
Posting Reference	Input **431**
Frequency	Select **Yearly**

Start Date   Input **01/06/2011**

Click   💾 *Post*

Click   *Yes*

Click   📤 *Exit*

Simple Fund has now posted the following journal entries:
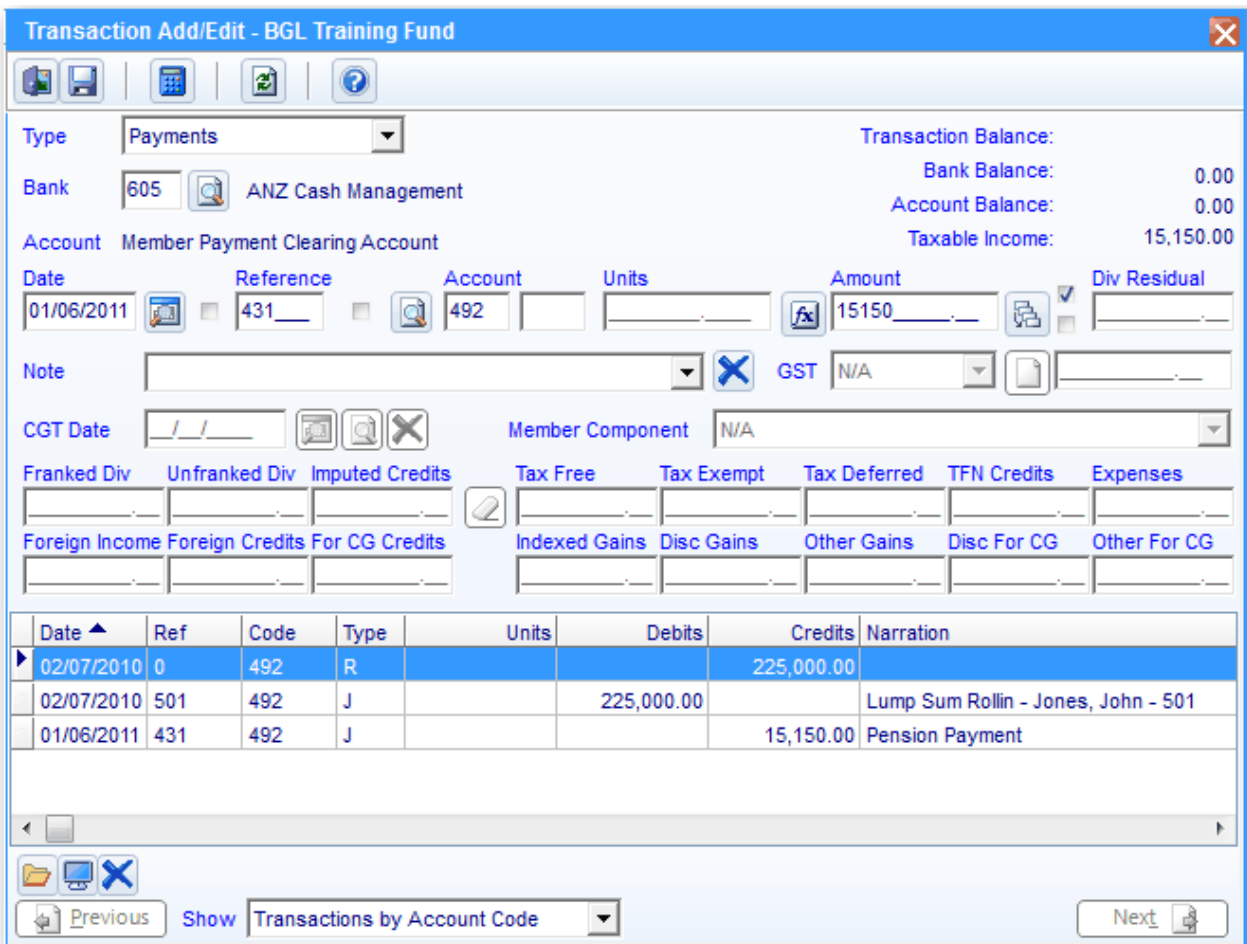

Step 3 - Record the Cash Payment

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**
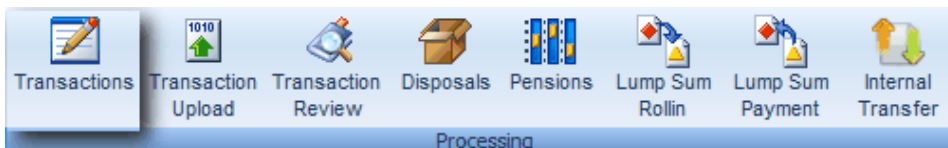
Click	**New**
Type	Input **P** to select **Payments**.
Bank	Input **605** and press **Enter**
Date	Input **01/06/2011** and press **Enter**
Reference	Input **431** and press **Enter**
Account	Input **492** and press **Enter**
Amount	Input **15 150**

Tip: At the bottom of the screen, select **Show Transactions by Reference** and any journals with reference **431** will display.

Click 💾 *Save*

The *492 Member Payment Clearing Account* should now have a NIL balance.

REFER TO:
ARTICLE 429 – Proportioning Rule
ARTICLE 433 – Recording Pension Payments with the new Proportioning Rule

End of Task 3.2. Proceed to **Task 3.3**.

Task 3.3 - Prepare Pension Documents

Objective

In this task you will learn how to prepare a sample *Pension Member PAYG summary*, a *Pension Member Notification Minute* and *Pension Member Notification Letters* for John Jones.

By the end of this task, you will be able to prepare various reports from the **Pensions** screen and push reports and documents to **Portal**.

Details

Simple Fund will prepare a sample *PAYG Payment Summary - Individual Non-Business* and a sample *PAYG Payment Summary Statement*. However these forms cannot be lodged with the ATO and the information must be transcribed onto the ATO's pre-printed forms.

Simple Fund currently prepares two different PAYG Payment Summaries. One is located in the "Other Documents" screen, which is only to be used until 30/06/2007. From 01/07/2007, the new PAYG Payment Summary can be prepared from the Pensions/RBL | Prepare Reports/Post Entries screen.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**
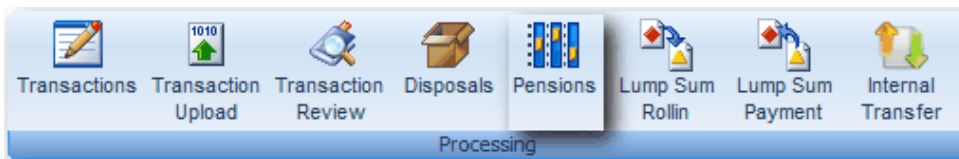
Highlight *Jones, John* (Account 501) pension on 01/10/2011 and click ![edit icon] *Edit*.

Click	Click the *Prepare Reports/Post Entries* tab
Click	![preview icon] *Preview* to the left of the **Pension Member PAYG Summaries.**

General Reports

🖥 |1| Pensions Report Earning Rate |__0.00| %

🖥 |1| Pension Member PAYG Summaries

🖥 |1| Pensions Calculation Summary Report

🖥 |1| Centrelink / DVA Information Schedule

Pension Commencement Reports

🖥 |1| Trustee Minute/Resolution for Pension Commencement   ◉ New Pension   ○ Pension Rollover

🖥 |1| Pension Commencement Notification Letter   ◉ Member ○ Trustee   📝 Min/Res Data

Pension Continuation Reports

🖥 |0| Trustee Minute/Resolution for Continuing Pension   📝 Min/Res Data

🖥 |0| Continuing Pension Notification Letter

Post Pension Entries

Posting Reference |_____|

Posting Frequency |Yearly   ▼|

💾 Post Standing Journal

💡 *THE CENTRELINK / DVA SCHEDULE IS AUTOMATICALLY PREFILLED AND CAN BE FORWARDED TO THE RELEVANT DEPARTMENT*

PAYG withholding amounts

PAYG withholding tax amounts include any journals posted to Pensions Paid where the ☑ PAYG withholding check box was ticked after the journal amount.

Note: In this example, John has no PAYG amount.

Click   🖥 ***Preview*** to the left of the *Pension Member Notification Minute* to preview this document. Select if this is a "**New Pension**" or "**Pension Rollover**".

Click   🖥 ***Preview*** to the left of the *Pension Member Notification Letter* to preview this document. Click "**Member**" if the letter is from the Member or click "**Trustee**" if the letter is from the Trustee.

Note: If this fund is a **Portal** client, you can push the documents to be viewed by your clients on Portal.

Click 🌐 to push the reports to **Portal**.

End of Lesson 3. Proceed to **Lesson 4.**

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Lesson 4 - Recording Income, Expenses and Disposals

Objective

In this lesson you will learn how to record income, expense and capital gains transactions.

By the end of this lesson, you will be able to:

• understand how important the correct setup of investment accounts are in **Simple Fund** to ensure linked income accounts are set up
• reconcile exempt pension income calculation for taxation purposes
• push documents to **Portal**

Overview

Exempt Pension Income

• Income derived from current pension assets is exempt from 15% Income Tax and will be written back as exempt pension income on the tax return.
• Capital gains on disposals are non-assessable so will be written back as a permanent difference.

Linked Income Accounts

Simple Fund only includes linked income accounts in the calculation of exempt pension income. The income account must be linked to an investment account that the fund holds at least one unit in.

To check if an income account is linked, you can either:

1. from the **Chart of Accounts**, edit the Investment and click 🔗 , *Links* or
2. from **Reports and Documents | Account Enquiry** , select the Investment account

If you are reconciling the Create Entries Report **Calculation of Exempt Pension Income** section, and an income account does not appear in the exempt income listing, then the most likely cause is that a link has not been created between the asset and the income account.

Expenses - Taxation Ruling 93/17

Trustees and administrators of SMSF should be aware of the interaction of **Taxation Ruling 93/17 - Income tax deductions available to superannuation funds**, which deals with exempt income and the apportionment of expenditure**.** Briefly the ruling specifies that *expenditure incurred solely in gaining or producing exempt income is not deductible and that expenditure incurred partly in producing assessable income and partly in gaining exempt income must be apportioned.* TR 93/17 provides several methods of how apportionment of deductible and non-deductible expenditure can be calculated. The correct method for apportioning expenditure depends on the circumstances of the fund.

Simple Fund allows you to record the percentage of non-deductible expenses in **Fund Details | Pensions Policy** .

Learning Tasks

Record the following income transactions for the BGL Training Fund.

Task 4.1 - Recording Exempt Income

Bank Account	604 - Cash at Bank
Date	24 April 2011
Reference	51
Account	250/001 Cash at Bank
Amount	$30,000.00

Task 4.2 - Recording Exempt CGT Disposal

Record the following disposal, calculating the nominal capital gain, and record the cash receipt.

Date of Disposal	25 April 2011
Reference	52
Security	776/002 One Steel limited
Amount Received	$36,000
Bank Account	604 - Cash at Bank
Units Sold	500 (All)

Task 4.3 - Recording Partly Deductible Expenses

Bank Account	604 - Cash at Bank
Date	26 April 2011
Reference	53
Account	301 Accounting Fees
Amount	$2000

Task 4.1 - Recording Exempt Income

Objective

In this task, you will learn how to record partially exempt income for the BGL Training Fund.

By the end of this task, you will be able to record income and reconcile the exempt portion once the Create Entries process is complete.
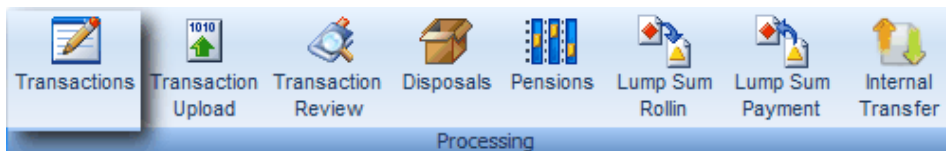
Details

To complete this task, you need to add the following receipt transactions:

Bank Account	604 - Cash at Bank
Date	24 April 2011
Reference	51
Account	250/001 Cash at Bank
Amount	$30,000.00

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**

Click	**New**
Type	Input **R** to select **Receipts**.
Bank	Select Account **604**.
Date	Input **24/04/2011** and press **Enter**
Reference	Input **51** and press **Enter**
Account	Input **250 001** and press **Enter**
Amount	Input **30 000**

Click 💾 *Save* (*ALT + S*).

End of Task 4.1. Proceed to **Task 4.2**.

Task 4.2 - Recording Exempt CGT Disposal

Objective

In this task you will learn how to record an investment disposal.

By the end of this task you will be able to record an investment disposal and reconcile the exempt portion once the Create Entries process is complete. You will also be able to manually push the document to **Portal**

Details

To complete this task, you need to add a new receipt transaction (Step 1) to record the disposal proceeds of $36,000 and process an investment disposal with the following details:

Date of Disposal	25 April 2011
Reference	52
Security	776/002 - One Steel Limited
Amount Received	$36,000
Bank Account	604 - Cash at Bank
Units Sold	500 (All)

Simple Fund assumes that all **receipts** for the disposals of the assets are posted to account 491 Disposal of Investments Proceeds Account. Post your Bank Statement or Receipt entries for the sale proceeds to the 491 account. It speeds up data entry by allowing you to post all your bank statement entries, and then proceed to the Disposals screen to record your "Sell Notes" where **Simple Fund** calculates the CGT.

This training manual assumes you have an understanding of Capital Gains Tax legislation. This legislation is complex and this training manual does not seek to cover this area. General information on CGT laws can be found in Form F of the Tax Return instructions (accessed from the Financial Reports Tax Return screen) or the ATO website at www.ato.gov.au.

Capital Gains Tax Reforms Overview

- The Disposals report will calculate the capital gain or loss under the *Indexation Method, Discounted* and *Other Profit* method.
- **Simple Fund** will automatically select the disposal method that creates the smaller taxable capital gain after previewing the disposal report.
- If an asset has been held less than 12 months, **Simple Fund** will record the disposal using the *Other Profit* method with no discount and no indexation.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**
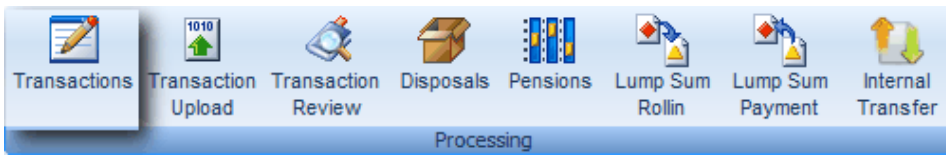
Step 1 - Recording the disposal proceeds

Click	📄 *New*
Type	Input **R** to select *Receipts*.
Bank	Input **604 – Cash at Bank**
Date	Input **25/04/2011** and press *Enter*
Reference	Input **52** and press **Enter**
Account	Input **491** (Disposal of Investments Proceeds Account) and press *Enter*
Amount	Input **36 000** and press **Enter**
Note	Input **SOLD OST**

Click	💾 *Save* (*ALT + S*).
Click	*Exit* (*ALT + X*).

The debit will automatically be posted to the bank account for this cash receipt.
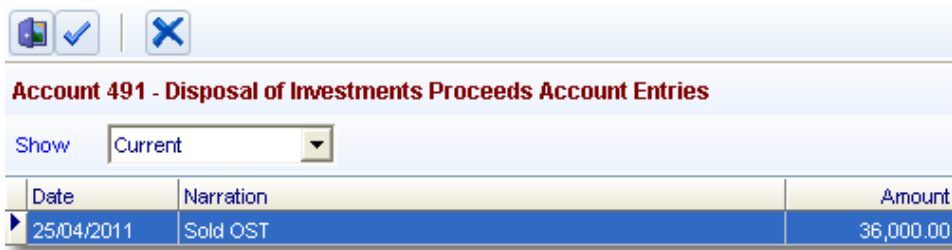
Step 2 - Processing the disposal

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Disposals**
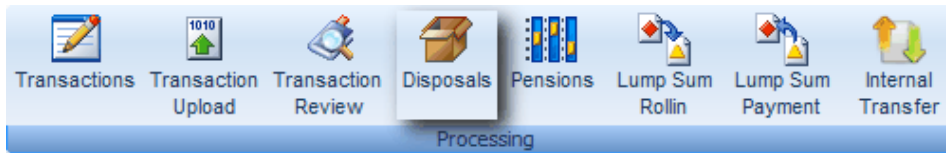
Date Sold | Click 🔍 **Search** (ALT + O) to select the Date Sold and Consideration from entries posted to the 491 Disposal of Investments Proceeds Account
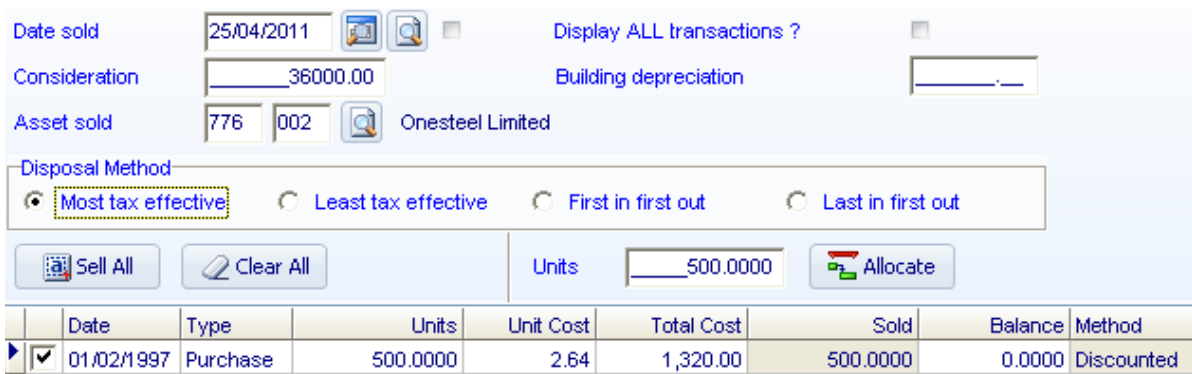

Highlight the **25/04/2011 - Sold OST** and click ✔ **Select**.

Asset Sold | Input **776 002** and press **Enter**

Input | **500** units and click [Allocate]. Alternatively, click [Sell All].

Simple Fund has selected the **Discounted** method as the most tax-effective. Where a fund has large capital losses to be applied, the indexation method can be selected instead. The Taxable and Non-Taxable amounts will adjust accordingly. Disposal methods may be changed prior to Creating Entries by using the **CGT Optimiser**.

⚠️ *CAPITAL GAINS WILL ONLY BE EXEMPT WHEN THE CREATE ENTRIES PROCESS IS COMPLETED AT THE END OF THE YEAR*

Click | 🖥️ **Preview**. to prepare a Profit/Loss on Disposal of Investment Report. Click 📤 **Exit** to close this report.

Click   💾 *Post*
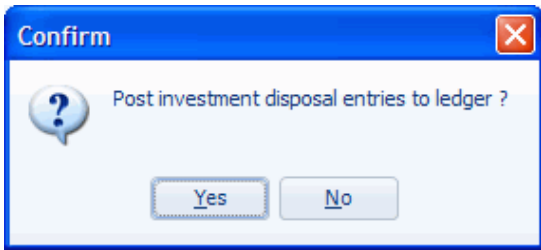
Click   ***Yes***

Click   *Documents* to delete disposals or reprint disposal reports.

	Date	Investment	Units Sold	Considerati	Cost	Method	Taxable
▶ ☐	25/04/2011	Onesteel	500.0000	36,000.00	1,320.00	Discounted	23,120.00

Click 🚪 *Exit*.

The disposal journal above does not remove the entire balance of the 776 002 Account. The disposal process will only reduce the *cost base* of the investment to nil. The market value change of the last recorded revaluation for the investment would remain, but only until the next **Create Entries** process is performed. When tax-effect accounting is applied in the fund, **Simple Fund** will calculate the timing difference (tax effect) impact on members' accounts and the Provision for Deferred Income Tax (870) Account as part of the next Create Entries process.

Note: If this fund is a **Portal** client, you can manually push the disposal report to **Portal**. Refer to **Task 4.3** of the **Simple Fund Advanced Training Manual** for more information.

> **Wiki** REFER TO ARTICLE 274 FOR MORE INFORMATION ON CAPITAL GAINS IN A PENSION FUND

End of Task 4.2. Proceed to **Task 4.3**.

Task 4.3 - Recording Partly Deductible Expenses

Objective

In this task you will learn how to record partially deductible expenses for the BGL Training Fund.

By the end of this task, you will be able to record partially deductible expenses and reconcile the deductible and non deductible expenses once the Create Entries process is complete.
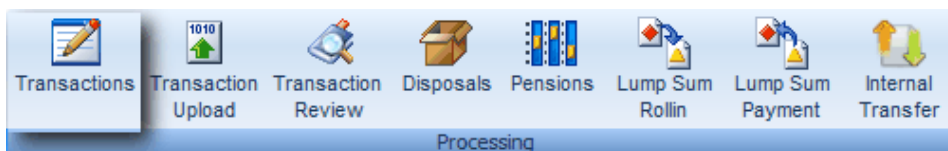
Details

To complete this task, you need to add the following payment.

Bank	604 - Cash at Bank
Date	26 April 2011
Reference	53
Account	301 Accounting Fees
Amount	$2000
Note	Accounting Fees

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**

Click	**New**
Type	Input **P** to select **Payments**.
Bank	Leave this as account **604**
Date	Input **26/04/2011** and press **Enter**
Reference	Input **53** and press **Enter**
Account	Input **301** and press **Enter**.
Amount	Input **2 000**

Click   💾 **Save** (*ALT + S*). **Simple Fund** will now save this transaction to the ledger

Click   🔳 **Exit** (*ALT + X*).

This expense will be written back as non-deductible by the amount recorded in **Deductible and Non-Deductible expenses** in **Fund Details | Pension Policy**. For further information on Expenses Percentage, refer to **Task 5.3**.

Wiki   *REFER TO ARTICLE 957 FOR MORE INFORMATION ON PENSION MEMBER NON- DEDUCTIBLE EXPENSES*

End of Lesson 4. Proceed to **Lesson 5.**

Lesson 5 - Pension Fund Year End Processing

Objective

In this lesson you will learn how to:

- use the **Simple Fund Actuarial Certificate Wizard** to request and obtain an actuarial certificate
- input an actuary percentage into **Simple Fund**
- input an expenses percentage into **Simple Fund**
- create entries in part pension fund

By the end of this lesson, you will be able to:

- use the **Simple Fund Actuarial Certificate Wizard** to request and obtain and actuarial certificate
- input an actuary percentage into **Simple Fund**
- determine when to create entries in a part pension, part accumulation fund
- review a create entries report
- reconcile exempt pension income, exempt capital gains and non-deductible expenses

Overview

Apply a pension percentage or allocate pension assets

Prior to the create entries process for any pension members, you must ensure that either:

a) an Actuarial Percentage has been input into the member mode screen (**Task 2.5**), or

b) the Assets of the Fund have been allocated to the relevant pension members (**Lesson 8**)

Actuary Certificates

Actuary Certificates are required depending on the circumstances of the fund. Refer to the **Exempt current pension income** section of the ATO Form F Instructions which can be accessed from the **Financial Reports | SMSF_AR** data screen by clicking 📗 *ATO Instructions*. These instructions specify that the trustee can determine the exempt pension income using one of two methods:

1. If the fund segregates its assets so that the income can be identified as derived from the segregated pension assets to provide for current pension liabilities - that income is the exempt income.
2. If the fund's income is derived from assets that are not segregated between current and non-current pension liabilities, the exempt portion is calculated as the ratio of unsegregated current pension liabilities to total unsegregated superannuation liabilities.

Refer to http://www.ato.gov.au for further information on when actuary certificates are required.

Non-deductible Pension Expenses

Taxation Ruling 93/17 deals with exempt income and the apportionment of expenditure**.** This ruling specifies that *expenditure incurred solely in gaining or producing exempt income is not deductible and that expenditure incurred partly in producing assessable income and partly in gaining exempt income must be apportioned.*

The correct method for apportioning expenditure depends on the circumstances of the fund. The Tax Office outlines two generally accepted methods of apportionment. Users should then calculate how much of the

expenditure is deductible using the most appropriate ATO method and then record the non-deductible portion as a percentage in the **Fund Details | Pension Policy** screen.

Where *Deductible and Non-Deductible expenses* is left blank, expenses will be incorrectly treated as tax deductible and will be allocated to accumulation members only, giving an incorrect profit allocation between pension and accumulation members.

Part-year Create Entries

Simple Fund does not retain tax entries made by the create entries process during the year. At year end, all prior tax entries are deleted and new entries created based on the final year's tax results.

Earnings Allocations to Members

The Create Entries process firstly allocates profits from segregated (allocated) assets to the particular member the asset was allocated to. Any remaining profit is then allocated between the members based on a daily weighted member balance.

Tax Effect Accounting and Provision for Deferred Income Tax

Due to the tax exempt status of Capital Gains on pension assets, tax-effect accounting is not appropriate for full pension funds. This option can be switched off in the *Fund Details, Reporting* screen. However switching off tax-effect accounting will not automatically write back any Provision for Deferred Income Tax (PDIT) or Future Income Tax Benefit (FITB) in account 870. This will need to be journalled manually to the 493 clearing account *Writeback of FITB/PDIT* before creating entries. This was covered in **Task 2.2**.

Create Entries - Report

The Create Entries Report details each of the transactions posted by the Create Entries process. This report is essential for auditors as it details:

• Asset revaluation amounts
• Calculations of permanent differences on revaluations
• Calculations of timing differences
• Calculations of permanent differences
• Calculations of Exempt Pension Income
• Reconciliation of Capital Gains/Losses Adjustments
• A summary of tax entries
• Asset income allocation to members
• Calculation of the crediting rate for income allocated to members accounts
• Calculations and postings for GST credits (only where *GST registered is selected in* **Fund Details | Reporting**)

Create Entries - Calculation of Exempt Pension Income

The Create Entries Report details the exempt Income derived from the Pooled Assets or linked segregated current pension assets**.** If you are reading the Create Entries report exempt income section and an income account does not appear in the exempt income listing, then the most likely cause is that a link has not been created between the asset and the income account.

Create Entries - Imputed Credits

The ☑ **Add imputed credits** option in **Fund Details | Reporting** will post a credit to the dividend account (gross up) when Creating Entries. The total imputed credits received are then offset against Income Tax Payable by being debited to account *850/002 - Imputed Credits*.

Current tax legislation does not restrict the imputation credits to the pension member, and this may result in a large tax refund of imputation credits for pension funds.

Create Entries - Asset Revaluations - Allocating to Pension Members

Simple Fund will calculate the market value of each investment that is attached to a security on the Securities List. **Simple Fund** will post increases in market values to 247 or decreases to 330 in the Profit and Loss Statement. The investment account will be posted with the corresponding movement in market value.

Simple Fund will also calculate the part of the revaluation that creates a permanent difference for taxation purposes. This permanent difference results from indexation or a non-taxable capital profit included in the revaluation amount for an asset. When an asset is allocated to a pension member, **Simple Fund** will record the whole revaluation amount as a permanent difference. This ensures that no additional Provision for Deferred Income Tax (PDIT) is generated from assets allocated to pension members.

Simple Fund Tax Returns

Simple Fund will now process the transactions of the fund and calculate the amounts for the ATO Form F Return. This form is approved for lodgement to the ATO for both paper and electronic (ELS) format. **Simple Fund** pre fills the return with the exempt pension income and any other appropriate data. Most amounts are calculated by **Simple Fund** during the Create Entries process. Users can input any additional amounts in the appropriate field and click Save. For a full explanation of the data required, click 📗 in the tax return screen, to review the **Form F Instructions**. For assistance with electronic Lodgement, click 📗 the second icon to access the **ATO's ELS Guide**.

Simple Fund will calculate the taxable income of the fund taking into account the **exempt pension income** and other non-taxable items and post the appropriate tax expense entries. **Simple fund** provides a detailed reconciliation of **exempt pension income** in the Create Entries report, as well as providing a tax summary outlining the income tax expense journals posted. Account 485 will be debited with the Income Tax Expense, Account 870 with the amount of Deferred Income Tax and Account 850/001 with the amount of Income Tax Payable. The amounts posted to 850/001 Income Tax Payable and 850/002 Imputed Credits, 850/003 Foreign Credits and 850/005 TFN Credits are offset in the Financial Statements. No Income Tax Expense will be allocated to the pension member 50X accounts by the Create Entries process.

Before Creating Entries (where assets are not segregated/allocated to members)

The following steps should be followed before Creating Entries in a pension fund:

1. Write back any PDIT amounts in account 870 that relate to the pension fund. Switch off tax-effect accounting in **Fund Details | Reporting** (if applicable) (**Task 2.2**)
2. Ensure pension members balances have been transferred out of Preserved and Restricted accounts to Unrestricted accounts (**Task 2.4**)
3. Input the actuary percentage in the members mode screen (**Task 2.5**)
4. Input the proportion of expenses that are non-deductible in Deductible and Non-Deductible expenses in **Fund Details | Pension Policy** (**Task 5.3**).

Learning Tasks

Task 5.1 - Create Entries to Update the Fund's Balance

You must create entries to update the member's balance before you use the Actuarial Certificate Wizard.

Task 5.2 - Request an Actuarial Certificate using the Actuarial Certificate Wizard

You can use the Actuarial Certificate Wizard to request and obtain an actuarial certificate. However you must ensure that most data entry and the year end create entries have been completed before using the Actuarial Certificate Wizard.

Task 5.3 - Create a Pension Policy

Create a Pension Policy to account for the actuary and expense percentages.

Task 5.4 - Create Entries with the Pension Policy

Once the actuary percentage has been received and updated in **Simple Fund**, reverse entries previously created from 01/07/2010 - 30/06/2011. Create entries for the full year, applying the annual percentages.

Task 5.5 - Balance Forward

Balance the BGL Training Fund forward to the next financial period.

Task 5.1 - Create Entries to Update the Fund's Balance

Objective

In this task you will learn how to create entries for a fund.

By the end of this task, you will be able to:

• reverse the entries created for the first half of the year
• create entries for the full financial year

Instructions

Create Entries to complete the fund for the full year. To use the actuary wizard, you should create entries for the full year. Therefore, you will need to reverse the Create Entries to 30/09/2010, then Create Entries for the full year. The following security prices apply at 30 June 2011.

Code	Price
ABC	$3.09
BHP	$43.8
GPT	$3.16
IP-002	$375,000.00
OST	Sold

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**

Step 1 - Reverse Entries created to 30/09/2010

Click

Click [✔ Process]

Step 2 - Create Entries 01/07/2010 - 30/06/2011

Click [🖳 Create Entries]

☑ **Allocate net income to preserved balances (Post 1/7/1999 preservation rules)**

Simple Fund will automatically select this check box if performing the create entries process after the 01/07/1999.

When selected, **Simple Fund** will allocate contributions received and the net income of the fund to the members preserved balance for fund balance dates after 1 July 1999.

If you do wish to allocate these amounts to non preserved balances (which is contrary to the preservation rules and would make the fund non complying) the check box can be left unchecked.

☑ **Reduce members balance used for profit/(loss) allocation by allocated assets.**

Select this check box. **Simple Fund** will deduct the members weighted allocated investments balance from the members weighted balance calculations. If not selected, **Simple Fund** will ignore any allocated investments when performing the member's weighted account balance calculations.

☐ **Allocate Income Tax Expense to Pension Members**

Do not select this check box. If selected, **Simple Fund** will allocate Income Tax Expense to pension members, otherwise, it will be allocated normally to accumulation members only.

In a fund with both accumulation and pension members, when this option is selected, the deferred tax associated with member investments will be allocated to both the accumulation member's entitlements, and to the pension member's.

A pension member's total entitlement (member balance) continues to be affected (usually a reduction if investments have increased in value) by deferred tax payable provisions associated with investments allocated to that pension member.

This option will have no effect if it is:

• selected or unselected and there are no pension members in the fund; or
• selected or unselected and there are no accumulation members in the fund.

☑ *Run Security Prices check* to ensure **Simple Fund** does a check if a security attached to an investment has a zero price, or if the security price date is different from the Create Entries date.

☐ **Display Member Allocation Worksheet**

Do not select this check box. If Selected **Simple Fund** will open a Member Allocation Worksheet where the profit and tax allocation to members can be changed from the weighted percentage calculated by the system to your own specifications.

☑ **Prepare "Create Entries" report**

Select this check box. **Simple Fund** will display the Create Entries report each time entries are processed for the fund. It is strongly recommend that the Create Entries report be printed as it provides key information to users and auditors regarding the tax calculations and profit allocations performed by the Create Entries process.

☑ **Prepare PDF file of the "Create Entries" report**

Check this box for **Simple Fund** to create a PDF file of the Create Entries Report each time entries are processed for the fund.

Click

This page has been left intentionally blank.

Task 5.2 - Actuarial Certificate Wizard

Objective

In this task you will learn how to use the **Simple Fund Actuarial Certificate Wizard** to request and obtain an actuarial certificate.

By the end of this task, you will be able to use the **Simple Fund Actuarial Certificate Wizard** to request and obtain an actuarial certificate.

Details

The Actuarial Certificate Wizard allows you to request and obtain an actuarial certificate for Account Based Pensions only. You must ensure however that most data entry and the year end create entries have been completed before using the **Actuarial Certificate Wizard**.

You can obtain Actuarial Certificates from Act2 Solutions, Bendzulla Actuarial and Cumpston Sarjeant Consulting Actuaries.

This process allows you to prepare an actuarial certificate within **Simple Fund**. The Actuarial Certificate process will:

1. extract the certificate data from the **Simple Fund** ledger (or data can be input if required)
2. make the appropriate calculations
3. provide access to the certificate payment process
4. submit the certificate to the actuary for review and approval
5. provide a tax invoice
6. provide the Actuarial Certificate

Once the actuary percentage has been obtained, **Simple Fund** will automatically create a **Pension policy** in **Fund Details** and add the percentage that was calculated. The Actuarial Certificate will also be added to **Document Management**. The Tax Invoices are saved as PDF files in the Fund folder located in the SFUND folder.

NOTE: If the Actuarial Certificate was emailed instead of being released through **Simple Fund**, you need to manually create a **Pension Policy**.

Important Prerequisites to use the Actuarial Wizard

1. All transactions have been input for the current financial year
2. Member(s) have been converted to pension mode
3. Active Internet connection
4. Tax agent and trustee details have been input into **Fund Details | Details**
5. Create entries is processed for the full financial year

Instructions

From the **Simple Fund** main screen, click the **Request Actuarial Certificate** icon.
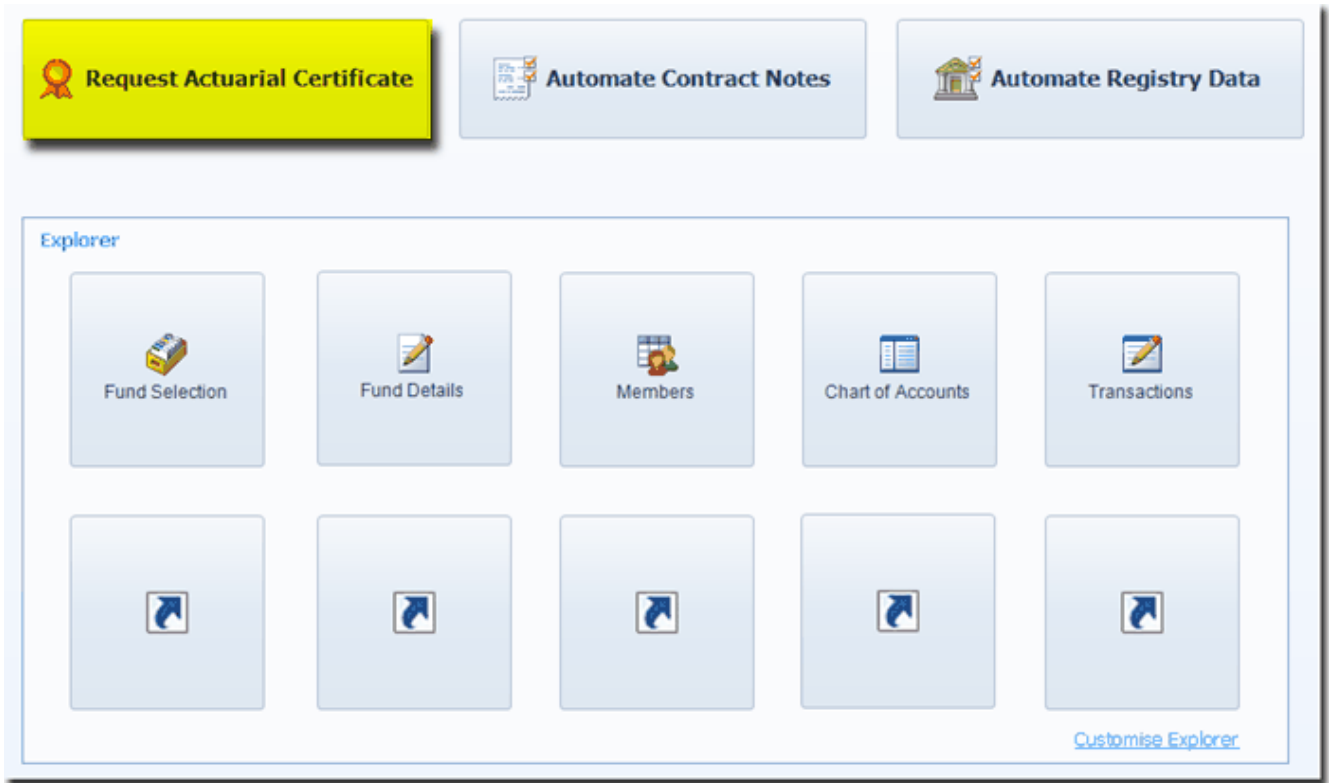
Step 1 - Certificate List

Select an actuary provider's logo to start generating a new certificate. Once you click on a logo, you will be required to select a fund.

Click	**Certificate List** tab
Select	PENSION: BGL Training Fund from your **Fund Selection** list

This screen will also provide you with information on average processing time and the cost of an actuary certificate.

Step 2 - Fund Information

Actuary Provider	**Simple Fund** will display the provider you selected in the **Certificate List** screen.
Current Financial Year	Leave this as From *01/07/2010* to *30/06/2011*
Data	Leave this as *Use Ledger and Input Data*

This option allows you to use the data that you already have in **Simple Fund,** however you can also enter additional data through the **Transaction** section.

The member and contribution data from the selected fund will be displayed.

Untick   ☐ ***Opening balances only?***

Ticking this box will automatically pre-fill only the members' opening balances in the **Transactions** section. Other transactions that were posted during the year like contributions, transfers in/out or pension benefits will not be included in the calculation. You will then need to enter those manually through the **Transactions** section.

Certificate Prepared Date   Leave this as ***Today's Date***

Trustee Details

Trustee   Leave this as John and Mary Jones

Simple Fund will display the trustees' details from the **Fund Details** screen.

You can click on to change these details.

Administrator / Adviser Details

Firm Details   Leave this as BGL Corporate Solutions Pty Ltd

Simple Fund will display the tax agent's details from the **Fund Details** screen.

You can click on to change these details.

Actuary Provider	Act2 Solutions				
Current Financial Year	From	01/07/2010	To	30/06/2011	Data	Use Ledger and Input data	Opening balances only ?
Certificate Prepared Date	16/04/2013				

Trustee Details

Trustee	John and Mary Jones
Trustee Type	Individual
ABN/ACN	N/A
Trustee(s)	John Jones
	Mary Jones

Member Details

Member Name	Date of Birth	TFN
Jones, John	05/09/1947	999999941
Jones, Mary	17/08/1951	999999870
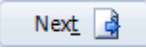
Administrator / Advisor Details

Select your firm name:

Firm Details	Bgl Corporate Solutions Pty Ltd
Firm Address	607 Canning St, Carlton, VIC, 3053

Previous   Next

Click [Next] to proceed to the **Pension Info** section.

Step 3 - Pension Info

This screen will display the pension start/cease date for each member in the fund in the current year.

You must confirm these dates are correct.
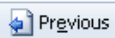
Details can be changed in **Fund Data Input | Listings | Members**.
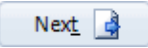
Pension Start / Cease Dates

Confirm the pension start date for each member account in the current year. If the date(s) are incorrect, check the Member Mode screen before proceeding

Confirm the pension ceased date for each member account who has ceased/commuted their pension in the current financial year.

Jones, John

Account	Start Date	Date Ceased	Account Description
501	01/10/2010		

[Previous]   [Next]

Click [Next] to proceed to the **Transactions** section.

Step 4 - Transactions

This screen will display all the transactions for the fund selected.

You can enter additional transactions in this screen. These transactions are only specific for the **Actuarial Certificate Wizard** screen and will not be posted to the fund's **Transaction** screen.

Click [Next] to proceed to the **Calculation** section.

Step 5 - Calculation

Simple Fund will display the net income for the period, that is, income less expenses and excluding benefits paid, contributions and transfers in/out.

Click [Calculate Balances] to calculate the balances and the Estimated Tax Exempt Percentage.

The following confirmation message will appear. You must ensure the tasks have been completed and all the boxes have been ticked:

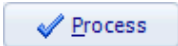**Actuarial Certificate Calculations Checklist**

The following tasks must be completed before the actuarial certificate calculations can be made:

Have the opening balances for all member accounts been calculated or input ?	☑
Have all contributions for the year been calculated or input ?	☑
Have the transaction types for all transfers been correctly classified ?	☑
Have all external transfers in been calculated or input ?	☑
Have all transfers between member accounts been calculated or input ?	☑
Have all transfers between member accounts and reserves been calculated or input ?	☑
Have all accumulation benefits from member accounts been calculated or input ?	☑
Have all pensions paid from member accounts been calculated or input ?	☑
Have all assets been revalued correctly ?	☑
Have all pension payments been cashed promptly ?	☑
Are all assets (particularly in-house assets) within concentration thresholds ?	☑

Once all the tasks listed above have been selected, ensure you tick the following to proceed:

☑ I hereby warrant that the data used for this calculation is correct. Further, I acknowledge that I am responsible for the data provided to the actuary and indemnify BGL Corporate Solutions Pty Ltd from any liability for any errors or omissions in the data.

If you have not completed one of the tasks, click **Abort** and then click **Previous** to go back to the **Data Input/Review** screen and enter any missing information.

Click ✔ Process to calculate the balances and the Estimated Tax Exempt Percentage.
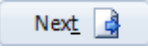
Simple Fund will prepare an Actuary Certificate Detail Report. This report will display on screen and will be saved in your fund folder.

| Current Financial Year | 01/07/2010 to 30/06/2011 | | | | | | | | | |

| Calculate Balances | Estimated Tax Exempt Percentage | 52.74% |

Current Pension Liabilities	699,350.00	Average Current Pension Liabilities	533,161.65	Net Income for period (excluding benefits paid, contributions and transfers in/out)	128,235.00
Total Superannuation Liabilities (Including Net Income)	1,017,735.00	Average Total Superannuation Liabilities	1,010,993.24	Segregated/Pooled Assets Excluded	0.00
				Fund has Reserves ?	No

Member Name	Opening Balance (Accumulation)	Opening Balance (Pension)	Contributions / Ex Transfers In	Benefits / Ex Transfers Out	Internal Transfers In (Adjusted)	Pensions	Closing Balance	Contributions / Ex Transfers In (Weighted)	Benefits / Ex Transfers Out (Weighted)	Internal Transfers In (Weighted)
Jones, John	289,500.00	0.00	425,000.00	0.00	714,500.00	-15,150.00	699,350.00	409,589.05	0.00	534,406.85
Jones, Mary	265,885.00	0.00	52,500.00	0.00	0.00	0.00	318,385.00	47,264.39	0.00	0.00
Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Totals	555,385.00	0.00	477,500.00	0.00	714,500.00	-15,150.00	1,017,735.00	456,853.44	0.00	534,406.85

Click ![Next] to proceed to the **Contact Details** section.

Step 6 - Contact Details

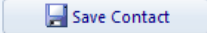|	
Contact Name	Input **John Smith**
Telephone	Input **03 9512 3456**
Email	Input john@smithjones.com.au

Click ![Save Contact] to save these contact details in **Simple Fund.**

Additional Information   You can use this field to add any additional notes or comments regarding this actuary certificate application.
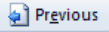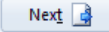

Click ![Next] to proceed to the **Payment** section.

           © BGL Corporate Solutions

Step 7 - Payment

This tab will go through the payment process.

You can make payment by clicking on one of the following options:

• Post-Pay - This payment method allows you to apply for actuarial certificates and pay at the end of the month. You need to register before using this payment method by either calling BGL on 1300 654 401 or by filling out and faxing/emailing the following form to BGL - http://files.bglcorp.com.au/faqdocs/PostPayDDR.pdf. The contact details can be found in the form.
• Credit Cards - MasterCard, Visa and American Express
• EFT
• Cheque

Once the payment has been made and processed, an invoice will be generated. The invoice will get saved to **Document Management** and **All Documents and Forms** screens under **Reports and Documents | Documents and Tasks**.

The following data will be sent to the Actuaries:

• Statement of Financial Position/Balance Sheet
• Operating Statement
• General Ledger
• Actuarial data and calculations

Viewing and Printing the Actuarial Certificate

The Actuarial Certificate will only be available when it is released by the Provider.

To check whether the certificate has been released by the Provider, go to the **Certificate List** tab and check the **Release Date** and **Release Status**. The certificate will be available for you to preview/print in **Simple Fund** if the **Release Status** is **Released via Simple Fund**. **Simple Fund** will automatically add the actuary percentage to the **Fund Details | Pension Policy** screen.

Click   to preview the Actuarial Certificate, Invoice and Actuarial Application Summary

Note: For the purpose of this training, you will need to manually create a **Pension Policy** refer to **Task 5.3.**

Task 5.3 - Create a Pension Policy

Objective

A complete redesign of how the Actuary's (Tax Exempt) Percentage and how non-deductible expenses are managed in Simple Fund, has been undertaken based on user feedback. The main issues we sought to overcome were:

- The requirement to split the Fund's Tax Exempt percentage across member accounts where no breakdown was provided in an Actuarial Certificate
- Where a member breakdown was provided in an Actuarial Certificate and a member had multiple pension accounts in Simple Fund
- The inability to record the Exempt Income Percentage for multiple periods
- The inability to store the Non-Deductible Pension for multiple years
- The inability to input a different Non-Deductible Expenses percentage for investment expenses
- The inability to automatically calculate the non-deductible expenses using the formulas in TR 93/17

From the Fund Details | Reporting screen, the fields relating to Actuary's Percentage, CGT calculations for pension funds and non-deductible expenses have been removed.

The Actuary's Percentage (Tax) field has also been removed from the Member's mode screen. You will no longer be required to enter any Actuary details into the member's screen.

A new tab named **Pension Policy** has been added to the Fund Details screen. This new tab will display all the policies which have been saved for the fund. The details which were previously stored in the Fund Details | Reporting screen will be automatically brought across upon updating to version 2013.1 or later.

Deductible and Non-Deductible expenses

The Pension Expense Percentage has now been split between General and Investment Expense percentages. Simple Fund will allow for two different formulas to be used in the calculation of your non-deductible expenses.

There are three options provided to users to calculate the General and Investment Expense percentages.

Manually Specify Percentage:

You are able to specify a percentage you have calculated, given that it is a fair and reasonable assessment.

When using the Actuarial Certificate Wizard in Simple Fund to obtain the Actuary Certificate. By default Simple Fund will create the Pension Policy and set the calculation method to **Manually Specify Percentage.**

Use Actuarial Percentage:

The Actuarial Percentage will be used as the proportion. For Investment Expenses this is quite often the same proportion as calculated using TR 93/17.

Calculate Using ATO Formula (TR 93/17):

During the Create Entries process the proportion will be automatically calculated (using the calculations prescribed in ATO TR 93/17) and applied.

General Expenses will use the guidance of ATO Interpretative Decision ATO ID 2012/47 which states that all types of contributions (including non-concessional) and Lump Sums rolled into the fund are included in the calculation of Assessable Income for the purposes of calculating the deductible proportion.

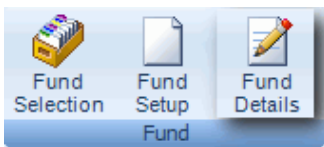Details of the calculation used will be displayed in the Create Entries Report.

By the end of this task, you will able to:

• Create a new or edit an existing policy.
• Input the actuary percentage.
• Account for deductible and non-deductible expenses.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**

Click the *Pension Policy* tab.

Click the [Add Policy] button.

1. Policy Dates	Generally this will be the entire financial year, flexibility has been added so that you can have multiple policies per year. Leave dates as 01/07/2010 to 30/06/2011.
2. What is your Actuarial (Tax Exempt) Percentage ?	Input **60 %**
3. Use segregated Method for CGT Calculations ?	If ticked all current year capital gain and loss events will be ignored. Leave **unticked.**
4. Apply Actuarial Percentage to Foreign Tax Offsets ?	If ticked Simple Fund apportions Foreign Tax Offsets by the Actuarial Percentage. By default it will be **unticked.**
5. What is Non-Deductible proportion of your General Expenses	Select **Use Actuarial Percentage**

6. What is Non-Deductible proportion of your Investment Expenses   Select **Use Actuarial Percentage**

---

1). Policy dates   Start 01/07/2010   End 30/06/2011

Exempt Current Pension Income

2). What is your Actuarial (Tax Exempt) Percentage ?   60_.___   %

3). Use segregated method for CGT calculations

4). Apply Pension Exemption to Foreign Tax Offsets ?

Deductible and Non-Deductible expenses

5). What is the Non-Deductible proportion of your General Expenses ?   60_.___   %   Use Actuarial Percentage

6). What is the Non-Deductible proportion of your Investment Expenses ? 60_.___   %   Use Actuarial Percentage

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Task 5.4 - Create Entries with the Pension Policy

Objective

In this task you will learn how to create entries for a fund with an unsegregated actuarial certificate.

By the end of this task, you will be able to:

• determine when to create entries in a part pension, part accumulation fund
• resolve any issues with negative members component once the create entries process is complete

Instructions

Once you have received the Actuary percentage, you must now recreate entries for the full year with the Actuary Percentage. Create entries to complete the fund for the full year.

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**
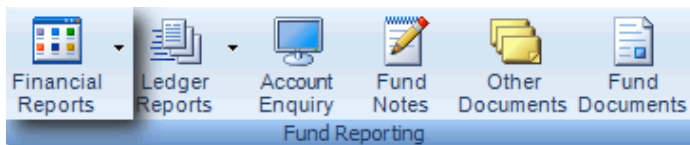
Step 1 - Reverse Entries created to 30/06/2011

Click

Click

Step 2 - Create Entries 01/07/2010 - 30/06/2011

Click

☑ **Allocate net income to preserved balances (Post 1/7/1999 preservation rules)**

Simple Fund will automatically select this check box if performing the create entries process after the 01/07/1999.

When selected, **Simple Fund** will allocate contributions received and the net income of the fund to the members preserved balance for fund balance dates after 1 July 1999.

If you do wish to allocate these amounts to non preserved balances (which is contrary to the preservation rules and would make the fund non complying) the check box can be left unchecked.

☑ **Reduce members balance used for profit/(loss) allocation by allocated assets.**

Select this check box. **Simple Fund** will deduct the members weighted allocated investments balance from the members weighted balance. If not selected, **Simple Fund** will ignore any allocated investments when performing the member's weighted account balance calculations.

☐ **Allocate Income Tax Expense to Pension Members**

Do not select this check box. If selected, **Simple Fund** will allocate the Income Tax Expense to pension members. Otherwise, it will be allocated normally to accumulation members only.

In a fund with both accumulation and pension members, when this option is selected, the deferred tax associated with member investments will be allocated to both the accumulation member's entitlements, and to the pension member's.

A pension member's total entitlement (member balance) continues to be affected (usually a reduction if investments have increased in value) by deferred tax payable provisions associated with investments allocated to that pension member.

This option will have no effect if it is:

• selected or unselected and there are no pension members in the fund; or
• selected or unselected and there are no accumulation members in the fund.

☐ **Display Member Allocation Worksheet**

Do not select this check box. If Selected **Simple Fund** will open a Member Allocation Worksheet where the profit and tax allocation to members can be changed from the weighted percentage calculated by the system to your own specifications.

☑ *Run Security Prices check* to ensure **Simple Fund** does a check if a security attached to an investment has a zero price, or if the security price date is different from the Create Entries date.

☑ **Prepare "Create Entries" report**

Select this check box. **Simple Fund** will display the Create Entries report each time entries is processed for the fund. It is strongly recommend that the Create Entries report be printed as it provides key information to users and auditors regarding the tax calculations and profit allocations performed by the Create Entries process.

☑ **Prepare PDF file of the "Create Entries" report**

Check this box for **Simple Fund** to create a PDF file of the Create Entries Report each time entries are processed for the fund.

Click

Step 3 - Review the Create Entries report

Review the Create Entries report for Exempt Pension Income and Non-deductible Expenses.

Calculation of Permanent Differences (non-deductible/non-assessable)

Item	Percent	Amount
Accounting Fees	60.000	1,200.00
Accounting Fees	60.000	1,200.00

The deductible amount for Accounting Fees will be $1600 [(Total Accounting Fees minus Total Amount for Non Deductible Expenses) 4,000 - 2,400] at Label **J** in the Tax Return.

Calculation of Exempt Pension Income

The following items should appear for John Jones: The total will appear at Label **K** in the SMSF Annual

Return.

| Item	Percent	Amount
Exempt Capital Gains	60.000	13,872.00
Cash at Bank interest	60.000	18,000.00
Unit 7, Grange Road rental income	60.000	7,200.00
Total		39,072.00

Capital Gains Schedule

Since the capital gains are above the $10,000 threshold, the Capital Gains Schedule will automatically be prepared when preparing the Tax Return.

Common Create Entries Messages

Warning message for accounts not linked
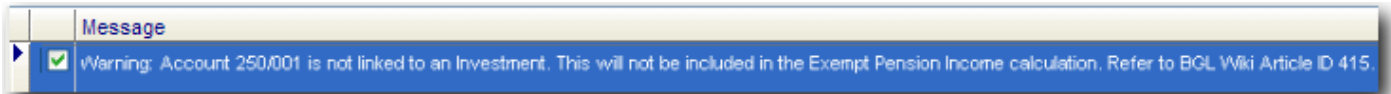
A warning message will appear at the Create Entries Review to identify income accounts that are not linked to an investment. If the fund is in pension phase, then these accounts will not be included in the Calculation of Exempt Pension Income. The message will display if the following conditions are met:

- There is at least one pension member in the fund

- There is a sub-account under 235, 236, 238, 239, 250, 265 and 280 which has an amount posted to it during the current year (or has a balance) and the sub-account is not linked to an investment.

Warning messages for accounts that contain tax information from a distribution
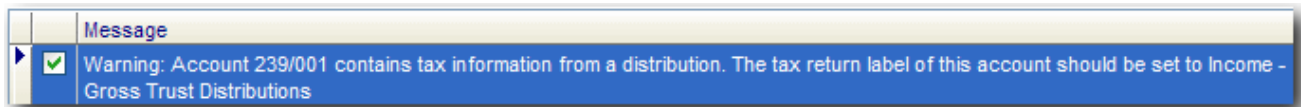
A new warning message has been added to the Create Entries Review to identify income transactions which contain Distribution Tax Information and the account has not been set up as a Distribution account. These transactions will cause issues with the Trust Distribution income label in the Tax return, Statement of Taxable Income and the Calculation of Exempt Pension Income.

The warning message will display if the 2 following conditions are met:

- There is a transaction posted to a sub account under 235, 236, 238, 239, 250, 265 and 280

- The transaction has an amount (less than or greater than zero) in one of the following fields:

- Tax Free
- Tax Exempt
- Tax Deferred
- Indexed Gains
- Discounted Gains
- Other Gains
- Discounted Foreign Gains
- Other Foreign Gains
- The tax return label of the income has NOT been set to "Income - Gross Trust Distribution (M).

Refer to **Appendix 3** for further information on Exempt Pension Income.

Step 4 - Review the Members Statement

Review the member's statement for John Jones. You might have a balance in preserved although John's balance was transferred to unrestricted non preserved in **Task 2.4**. This is caused because the entries up to the 30th of September 2010 were reversed and the entries were recreated for the full financial year.

To resolve this issue, transfer balances to unrestricted non preserved again after completing the create entries process on the 30/06/2011.

> **Wiki** *REFER TO ARTICLE 415 FOR MORE INFORMATION ON A PENSION FUND WITH TAXABLE INCOME*

End of Task 5.4. Proceed to **Task 5.5**.

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Task 5.5 - Balance Forward

Objective

In this task you will learn how to balance the fund ledger forward to the next accounting period.

By the end of this task, you will be able to balance forward using the **Fund Details** screen.

Instructions

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**

Click   ➡ Balance Forward
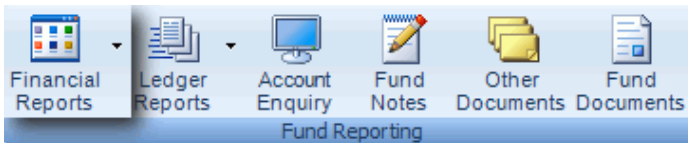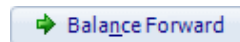
Simple Fund requires you to confirm that:

Check	☑	*Has all processing been completed?*
Check	☑	*Have all reports been printed?*
Check	☑	*Have you backed up your data?*
Start Date	This should display *01/07/2011*	
End Date	This should display *30/06/2012*	

Click   ✓ Process
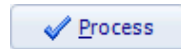
Check the *Reporting* tab in **Fund Details** and check the Financial Period now displays 01/07/2011 - 30/06/2012.

Click   **Exit** .

Wiki   *REFER TO ARTICLE 79 & 80 IF YOU EXPERIENCE PROBLEMS BALANCING FORWARD*

End of Lesson 5. Proceed to **Lesson 6.**

Lesson 6 - Pension Accounts

Objective

In this lesson you will learn how to create a Transition to Retirement pension in **Simple Fund** and record additional salary sacrifice contributions for the member.

By the end of this lesson, you will be able to:

- setup a member that is commencing a transition to retirement pension
- use the pension screen to calculate pension payments
- post pension payment journals
- create an additional accumulation member account in **Simple Fund**
- post salary sacrifice contributions to the new additional accumulation member

Overview

This lesson commences the following pension.

Transition to Retirement pensions

These pensions apply for members aged 55 and over who are still working. They must withdraw between a minimum of 4% and maximum of 10% each year, and the pension income is taxable, and subject to PAYG withholding.

The following tasks require you to:

1. commence a Transition to Retirement pension for a member over 55 who is still working; and
2. record additional contributions made by this member.

Learning Tasks

Task 6.1 - Commence a Transition to Retirement Pension

Mary is 59 years old at 1 July 2011. Commence a Transition to Retirement pension on 1 July 2011.

Task 6.2 - Salary Sacrifice Contributions

Record additional contributions from a member who has entered a Transition to Retirement pension.

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Task 6.1 - Commence a Transition to Retirement Pension

Objective

In this task you will learn how to create a transition to retirement income stream.

By the end of this task, you will be able to:

- convert an accumulation member to a transition retirement income stream
- use the pension screen to calculate pension payments
- change the minimum pension amount calculated by **Simple Fund**
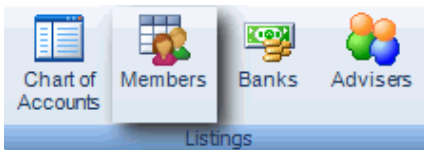- post pension payment journals

Details

Mary is 59 years old at 1 July 2011. Commence a Transition to Retirement pension on 1 July 2011.

NOTE: A transition to retirement pension is a non commutable pension. Refer to the **ATO's website and fact sheet** for more information

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**

Step 1 - Change Mary to Pension Mode

Highlight **Mary Jones** and click ✶ *Mode*.

Click	⦿ *Pension Mode*
Mode date	Input **01/07/2011**
Tax Free Proportion	Leave this blank. We will update this after calculating the pension income stream for this member.

REFER TO ARTICLE 424 FOR MORE INFORMATION ON TRANSITION TO RETIREMENT PENSIONS

Click	☑ *Transition to retirement income stream*

Do not click ☐ *Transfer members balances to Unrestricted Non Preserved accounts*

Click ✔ Process

Click 🗔 *Exit*.
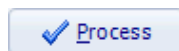
Step 2 - Calculate Pension Income Stream amounts

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**

Click 🗋 *New*

Highlight *Mary Jones* and click ✔ *Select*

The *Original Member Data* tab will display the following:

Pension Start Date	Leave this as *01/07/2011*.

Click on the *Pension Calculation* tab

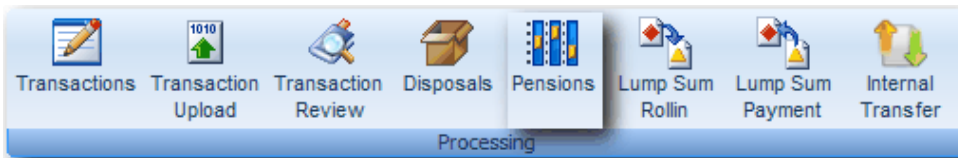| Pension Type	Change this to *Minimum Account Based Pension*
Payment Frequency	Leave this as *Yearly*. This can be changed to quarterly, monthly or weekly which will change the pension tax calculations accordingly.
Transition to Retirement?	Leave this checked. This is a Transition to Retirement pension in which case, **Simple Fund** will calculate the maximum as 10% of the member's balance.
Minimum (Year 1)Amount	**$11,090.00** being the minimum amount. **Note:** This amount has been reduced to 3% for the 2011/2012 financial year.
Annual Pension Amount	Change this to `15,000`
Tax Free Proportion	This is the percentage of Mary's pension payments that will be Tax Free. This is calculated from her Tax Free proportion / Total member balance. Mary's Tax Free balance is $2,500 Mary's Total balance is $369,823.57. Her Tax Free %: = 2,500 / 369,823.57 = 0.68%

Member Details:

Member	Jones, Mary	Date of Birth	17/08/1951	Age		59
Pension Start Date	01/07/2011	Opening Balance at 1/07/2011				369,823.57

Pension Options:

Pension Type   Minimum Account-Based Pension ▼

Payment Frequency   Yearly ▼   Rebateable Proportion   100.00   %   Taxable Weeks   _6.86

Transition to retirement pension ?   ✓   Tax-free threshold NOT claimed   ☐   Tax Free Weeks   45.14

The following calculations are for the year ending 30/06/2012

Minimum Account-Based Pension

- Minimum (Year 1)   11,090.00   - Maximum (Year 1)   36,980.00

Annual Pension Amount   __15000__.__   Pension Rollover ?   ☐

Tax Free Proportion   __0.68   %   Pension to rollover   ▼

Death Benefit Pension ?   ☐   Beneficiary 🔍 ✖

Pension is reversionary ?   ☐

Click   📊 Calculate Pension

Simple Fund will fill out the *Pension Payable* based on the Annual Pension amount.

Member Details:

Member	Jones, Mary	Date of Birth	17/08/1951	Age	59
Pension Start Date	01/07/2011	Opening Balance at 1/07/2011			369,823.57

Pension Options:

Pension Type — Minimum Account-Based Pension

Payment Frequency — Yearly — Rebateable Proportion 100.00 % — Taxable Weeks 6.86

Transition to retirement pension ? ☑ — Tax-free threshold NOT claimed ☐ — Tax Free Weeks 45.14

The following calculations are for the year ending 30/06/2012

Minimum Account-Based Pension

- Minimum (Year 1)   11,090.00   - Maximum (Year 1)   36,980.00
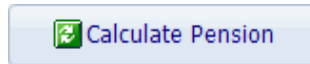
Annual Pension Amount   15000.   Pension Rollover ?   ☐

Tax Free Proportion   0.68 %   Pension to rollover

Death Benefit Pension ?   ☐   Beneficiary 🔍 ✖

Pension is reversionary ?   ☐

Pension Payable	Year 1	Annual	
Pension Amount	15000.00	15000.00	**Calculate Pension**
Deductible Amount	102.00	102.00	
Assessable Amount	14898.00	14898.00	
Gross Tax	0.00	0.00	Deductible Amount
Rebate	294.81	294.81	Relevant Number
Tax Payable	0.00	0.00	Quarterly PAYG Remittance 0.00
Net Pension	15000.00	15000.00	Net Monthly Pension 1,250.00

Tax Free Pension Amount	The tax free amount of Mary's pension is the Total Pension x Tax Free %:
	= 15,000 x 0.68%
	= $102.00
Taxable Pension Amount/Assessable Amount	Total Pension amount less Tax Free Pension amount:
	= $15,000 - $102.00
	= $14,898.00

Step 3 - Create Standing Journals (optional)

Click the *Prepare Reports/Post Entries* tab

Posting Reference	Input **81**
Posting Frequency	Leave this as *Yearly*

General Reports

🖥 1   Pensions Report   Earning Rate __0.00 %
🖥 1   Pension Member PAYG Summaries
🖥 1   Pensions Calculation Summary Report
🖥 1   Centrelink / DVA Information Schedule

Pension Commencement Reports

🖥 1   Trustee Minute/Resolution for Pension Commencement   ⦿ New Pension   ○ Pension Rollover

🖥 1   Pension Commencement Notification Letter   ⦿ Member ○ Trustee   📝 Min/Res Data

Pension Continuation Reports

🖥 0   Trustee Minute/Resolution for Continuing Pension   📝 Min/Res Data
🖥 0   Continuing Pension Notification Letter

Post Pension Entries

Posting Reference   81____

Posting Frequency   Yearly ▼

💾 Post Standing Journal

Click   💾 Post Standing Journal

Confirm

❓ Post standing journal(s) ?

Yes   No

Click *Yes.* Simple Fund has now added these journals as standing journals to be posted in the future. The following message will appear:

Click **No.** We will not post these amounts to the ledger at this time.

Note: If you wish to post the journals , click on Yes and follow the steps in Task 3.2

Click 🖫 **Save**

The following prompt will appear:
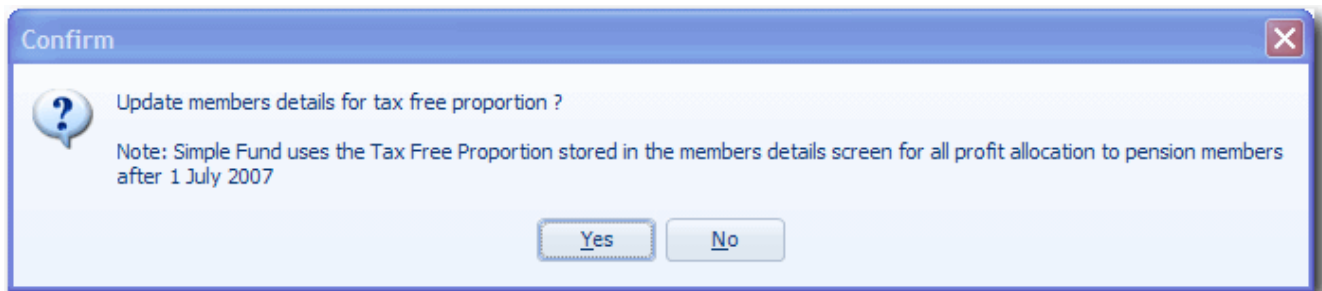
Click **Yes**. **Simple Fund** will now update the Tax Free Proportion percentage in the member's mode screen with 0.69%.

You should now have the following income streams calculated:

	Members Name ▲	Income Stream	Account	Start Date	Cease Date	RBL Date	Amount
▶ ☐	Jones, John	Minimum Account-Based	501	01/10/2009		01/07/2009	736222.46
☐	Jones, Mary	Minimum Account-Based	502	01/07/2010		01/07/2010	364171.82

End of Task 6.1. Proceed to **Task 6.2**.

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Task 6.2 - Salary Sacrifice Contributions

Objective

In this task you will learn how to record contributions for members in pension mode.

By the end of this task, you will be able to:

- create an additional accumulation member account in **Simple Fund**
- post salary sacrifice contributions to the new additional accumulation member

Details

Since 1 July 2007 a common strategy for members 55 or over, but still working, has been to commence a transition to retirement income stream to take advantage of tax-effective income, but continue to work and contribute to superannuation.

Mary is 58 years old, has commenced a superannuation income stream, but has made the maximum concessional salary sacrifice contribution of $50,000 on 10/07/2011.

Step 1 - Add an additional accumulation account for Mary

Step 2 - Record the following contribution

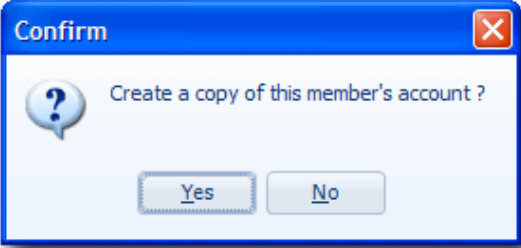|	
Bank	605 ANZ Cash Management Account
Date	10/07/2011
Ref	83
Account	242/003 - Employer Contributions - Concessional
Amount	$ 50,000

Instructions

Step 1 - Add a new accumulation account for Mary Jones

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**
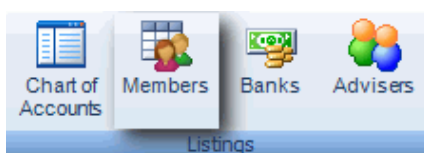
Highlight *Mary Jones* and click *Copy*.

Click *Yes*. **Simple Fund** will copy Mary's details to the next available member account number (503). The following details will be copied to Mary Jones account 503:

• Member start date
• TFN
• Address
• Member Mode
• Member Mode date

Note: Mary Jones 503 should be in *Accumulation* Mode. Change Mary Jones Account 503 to Accumulation.

Highlight *Mary Jones 503* and click **Mode**

Click	⦿ *Accumulation Mode*
Mode date	Leave this blank.
Tax Free Proportion	Leave this blank.
Do not click	☐ *Transition to retirement income stream*
Do not click	☐ *Transfer members balances to Unrestricted Non Preserved accounts*

Click   ✓ Process

Mary Jones 503 will be added to the Members list.

		Members Name ▲	Account	Date Joined	Date Ceased	Mode/Account	Pool Name	Pool %
	☐	Jones, John	501	14/06/1994		Pension	N/A	
	☐	Jones, Mary	502	14/06/1994		Pension	N/A	
▶	☐	Jones, Mary	503	14/06/1994		Accumulation	N/A	

Status: All   Find

Click   📙 *Exit* (ALT + X).

Step 2 - Record employer contributions for Mary Jones

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Transactions**

Transactions | Transaction Upload | Transaction Review | Disposals | Pensions | Lump Sum Rollin | Lump Sum Payment | Internal Transfer

Processing
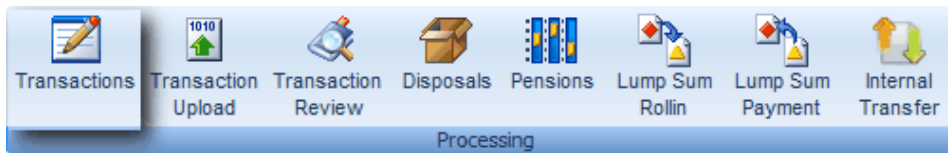
Click	📄 *New.*
Transaction Type	Select *Receipts* or press R
Bank	Input **605**
Transaction Date	Input **10/07/2011** and press Tab.
Reference	Input **83** and press Tab.
Account	Input **242 003** and press Tab.
Amount	Input **50 000**
Note	Input **Employer Contributions**

Click		💾 **Save**
Click		🔳 **Exit** (ALT + X).

End of Lesson 6. Proceed to **Lesson 7.**

Lesson 7 - Commutation

Objective

In the lesson you will learn how to commute a pension account and start an accumulation account.

By the end of this lesson, you will be able to:

- cease an income stream
- transfer balances from the existing pension account to a new accumulation account using **Internal Transfer Wizard**
- cease the existing pension account

Overview

To commute a minimum account based pension, you must ensure at least the minimum amount is paid from the pension.

The minimum payments must occur in the financial year in which the commutation is to take place.

Refer to ATO's website for more information -
http://www.ato.gov.au/super/content.asp?doc=/content/00120916.htm&page=1&H1

The **Internal Transfer Wizard** in **Simple Fund** allows you to record journals to commute a pension or transfer part/all of a member's balance to another account.

The **Internal Transfer Wizard** will:

- post journals to transfer out balances from an existing account
- post journals to transfer in balances to a new account or to an existing account
- create a new account to transfer transactions

Learning Task

Task 7.1 - Commutation of a Member

John Jones account 501 will be commuting his existing pension and returning to work.

Commuting his pension requires the following steps:

Step 1 - Enter a cease date for the income stream.

Step 2 - Use the Internal Transfer Wizard to transfer the balance from John Jones 501 to John Jones new accumulation account

Step 3 - Enter in a "Date left Fund" for John Jones 501

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Task 7.1 - Commutation of a Member

Objective

In this task you will learn how to commute a pension using the **Internal Transfer Wizard**.

By the end of this task, you will be able to complete the commutation using the following steps:

- Step 1 - Enter a cease date for the income stream.
- Step 2 - Use the Internal Transfer Wizard to transfer the balance from John Jones 501 to John Jones new accumulation account.
- Step 3 - Enter in a "Date left Fund" for John Jones 501.

Details

John Jones account 501 will be commuted and a new accumulation account will be opened for John Jones. The commutation occurs on the 01/07/2011.

Legislation states that if a pension that commenced after 19 September 2007 is to be commuted, you must ensure that at least a minimum amount is paid from the pension beforehand.

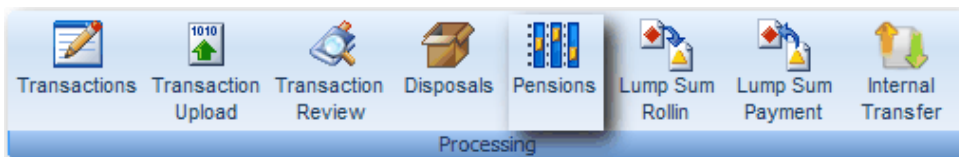The minimum payment must occur in the financial year in which the commutation is to take place.

Instructions

Record a minimum pension payment if required.

Step 1 - Enter a cease date for the income stream.

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Pensions**

Highlight *Jones, John* (Account 501) pension on 01/10/2008 and click 📝 *Edit*

Click   the *Data/Calculation* tab

Pension Cease Date   Input **01/07/2011** as the Pension Cease date

Click   💾 *Save*

Click   🚪 *Exit*

Step 2 - Use the Internal Transfer Wizard to transfer the balance from John Jones 501 to John Jones new accumulation account

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Processing** group, click **Internal Transfer**
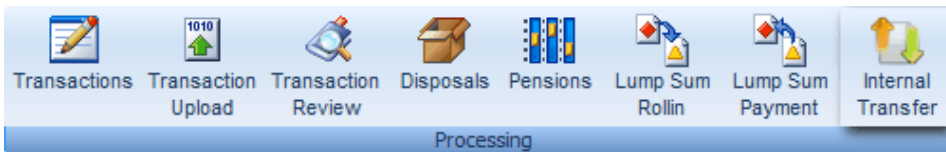
Click   📄 New Internal Transfer

Click   *OK* to the following Information screen.

                                                 © BGL Corporate Solutions
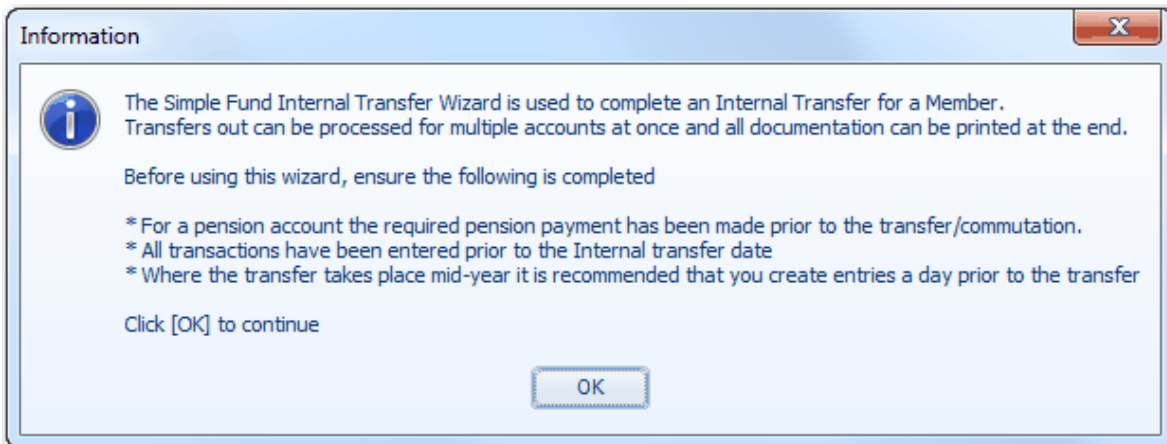
Enter the **Transfer Details**

Step 1 - What is the date of the transfer?

Input   01/07/2011

Step 2 - Which member is the Internal Transfer for?

Select   Jones, John

Step 3 - Which of the member's accounts are being transferred out of?

Click   ☑ Account 501 - 14/06/1994 - Pension.

Step 4 - Which Account is the total balance being transferred into?

Click   ☑ Create a New Account. **Simple Fund** will automatically create a new accumulation account for John Jones.

Note: If you are transferring balances to an existing member account, you will need to select the account code to transfer to.

Step 5 - For account selected in Step 4, which component would the amounts be transferred to?

Click   ☑ Maintain current preservation component(s)

Click [Next] to record the Transfer Out details.

Enter the **Transfer Out** details.

Step 6 - Select the total transfer amount will be?

Select   Entire Balance

Note: To transfer part of the balance, select Part of Balance and click [icon] to input the balance details.

Step 6. Select what the total transfer amount will be ?

Total Transfer Out amount : $780,672.23

Account 501 - Jones, John
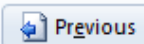
Balance as at 01/07/2011 is $780,672.23
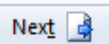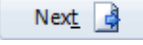
◉ Entire Balance   ○ Part of the Balance

Amount to be transferred out $780,672.23

[Previous]   [Next]

Click [Next] to confirm transactions.

View **Transaction Confirmation/Summary**.

Please confirm the transfer below before the transactions are posted
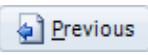
Member: Jones, John
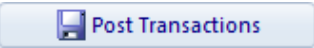
Amounts being Transferred In

Account	Preserved	Res Non Pres	Unres Non Pres	Total	Taxable	Tax Free	Total
504	0.00	0.00	780,672.23	780,672.23	410,895.46	369,776.77	780,672.23

Amounts being Transferred Out

Account	Preserved	Res Non Pres	Unres Non Pres	Total	Taxable	Tax Free	Total
501	0.00	0.00	780,672.23	780,672.23	410,895.46	369,776.77	780,672.23

Previous | Post Transactions

Click **Previous** to make any changes.

Click **Post Transactions** once all transactions have been confirmed.

Click *Yes* to the following confirmation message:
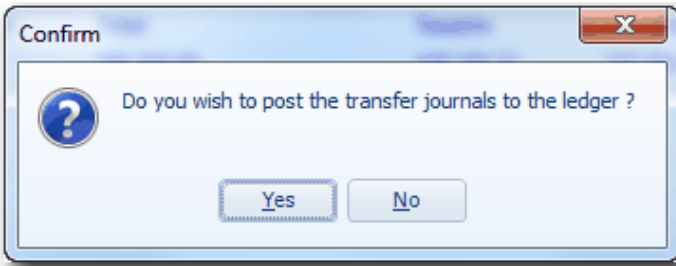
View **Reports**

Click   🖥️ *Preview* to the left of any of the reports in this screen.
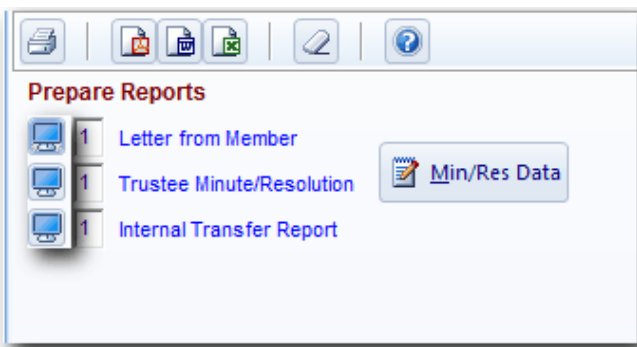
Click 📗 *Exit twice.*

Simple Fund will post the following Transfer Out and Transfer In journals:

Date	Ref	Code	Type	Units	Debits	Credits	Bank	Narration
01/07/2011	010711	501/174	J		369776.77			Internal Transfer Out – 501- UNP/TaxFree
01/07/2011	010711	504/164	J			369776.77		Internal Transfer In – 504- UNP/TaxFree
01/07/2011	010711	501/173	J		410895.46			Internal Transfer Out – 501- UNP/Taxable
01/07/2011	010711	504/163	J			410895.46		Internal Transfer In – 504- UNP/Taxable

Simple Fund will also automatically create a new accumulation account for John Jones.

Members Name	Account	Date Joined	Date Ceased	Mode/Account	Pool Name	Pool %
Jones, John	501	14/06/1994		Pension	N/A	
Jones, John	504	14/06/1994		Accumulation	N/A	
Jones, Mary	502	14/06/1994		Pension	N/A	
Jones, Mary	503	14/06/1994		Accumulation	N/A	

Step 3 - Enter in a "Date left Fund" for John Jones 501

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**
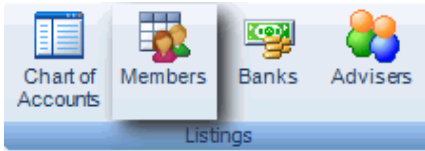
Highlight *Jones, John* (Account 501) pension and click [icon] *Edit*

Date left Fund   Input `01/07/2011` as the Date left Fund.

Click   [icon] *Save*

Date Ceased will appear on the members screen.

	Members Name ▲	Account	Date Joined	Date Ceased	Mode/Account
▶	Jones, John	501	14/06/1994	01/07/2011	Pension
	Jones, John	504	14/06/1994		Accumulation
	Jones, Mary	502	14/06/1994		Pension
	Jones, Mary	503	14/06/1994		Accumulation

Optional Step- Convert John Jones to Pension

If John was converting his accumulation account back to a pension, you will need to follow the steps covered in **Task 2.5**.

An income stream can also be created for John Jones 504 using the steps in **Lesson 3**.

Wiki   *REFER TO ARTICLE 360 FOR MORE INFORMATION ON PENSION COMMUTATION*

End of Lesson 7. Proceed to **Lesson 8.**

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Lesson 8 - Allocating Assets to Pools

Objective

In this lesson you will learn how to segregate assets to members using asset pools.

By the end of this lesson, you will be able to:

• remove an actuary percentage from the members screen and the fund details (Pension Policy) screen
• create up to five asset pools
• link members to assets pool in the members screen
• allocate investments to asset pools in the chart of accounts
• remove asset pools from investments in the chart of accounts

Details

The Trustee's of the BGL Training Fund have elected to allocate (segregate) assets to John Jones, these assets will form his **segregated current pension assets**. An actuarial certificate is not required if all pension assets are segregated at all times during the income year and the pensions are only account based pensions. More information on segregated funds can be found in Section 295-385 of the ITAA 1997.

Refer to the following links on the ATO's website for more information:

• Self-managed super funds and tax exemptions on pension assets
• What are the requirements for claiming the tax exemption?

Allocating assets can also be a useful tool in **Simple Fund**. It allows for better monitoring and reporting, especially when diverse investment strategies are undertaken, and can often be a better choice where there are other accumulation members in the fund. For example in the BGL Training Fund, John Jones wants to maintain a higher cash portion with his investments due to his differing risk and liquidity requirements.

Simple Fund requires a **linked income** account to be setup for any asset or investment account that is to form part of segregated current pension assets. This includes Bank or Cash Management Accounts allocated to pension members, otherwise the income derived from these **segregated current pension assets** will not be correctly allocated by the create entries process, nor will the income be exempt from 15% Income Tax.

Learning Tasks

To complete this task, you need to set up and allocate three pension pools.

Task 8.1 - Create a Pension Policy for segregated assets

Create a Pension Policy when the SMSF assets are segregated. The purpose of the Pension Policy is for Simple Fund to calculate your deductible and non-deductible expenses

Task 8.2 - Set up Asset Pool Names

Set up the following Asset Pool Names for the BGL Training Fund:

• Pool 1 - John (Accumulation)
• Pool 2 - Mary (Pension)

• Pool 3 - Mary (Accumulation)

Task 8.3 - Linking Members to an Asset Pool

Allocate the investments of the fund to separate asset pools.

Pool	Member	Percentage
John (Accumulation)	504 - John Jones	100%
Mary (Pension)	502 - Mary Jones	100%
Mary (Accumulation)	503 - Mary Jones	100%

Task 8.4 - Allocating Assets to a Pension Pool

John (Accumulation) 504	Value
604 - Cash at Bank	$417,987.00
772/001 - Unit 7, 270 Grange Road, Toorak	$375,000.00
782/001 - General Property Trust	$40,132.00
Mary (Pension) 502	**Value**
605 - ANZ Cash Management Account	$259,850.00
776/001 - BHP Biliiton Limited	$87,600.00
776/003 - ABC Limited	$12,360.00
Mary (Accumulation) 503	**Value**
724/001 - Westpac Term Deposit	$40,000.00

Task 8.1 - Create a Pension Policy for segregated assets

Objective

In this task you will learn to create a Pension Policy when the SMSF assets are segregated. The purpose of the Pension Policy is for Simple Fund to calculate your deductible and non-deductible expenses.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**

Click the *Pension Policy* tab.

Click the [Add Policy] button.
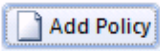
1. Policy Dates	Generally this will be the entire financial year, flexibility has been added so that you can have multiple policies per year. Leave dates as 01/07/2011 to 30/06/2012.
2. What is your Actuarial (Tax Exempt) Percentage ?	Input **0 %**
3. Use segregated Method for CGT Calculations ?	If ticked all current year capital gain and loss events will be ignored. Leave **unticked.**
4. Apply Actuarial Percentage to Foreign Tax Offsets ?	If ticked Simple Fund apportions Foreign Tax Offsets by the Actuarial Percentage. By default it will be **unticked.**
5. What is Non-Deductible proportion of your General Expenses	Select **Calculate Using ATO Formula (TR 93/17)**
6. What is Non-Deductible proportion of your Investment Expenses	Select **Calculate Using ATO Formula (TR 93/17)**

1). Policy dates   Start 01/07/2011   End 30/06/2012

Exempt Current Pension Income

2). What is your Actuarial (Tax Exempt) Percentage ?   __0.___ %

3). Use segregated method for CGT calculations   ☐

4). Apply Pension Exemption to Foreign Tax Offsets ?   ☐

Deductible and Non-Deductible expenses

5). What is the Non-Deductible proportion of your General Expenses ?   N/A.___ %   Calculate Using ATO Formula (TR 93/17) ▼

6). What is the Non-Deductible proportion of your Investment Expenses ?   N/A.___ %   Calculate Using ATO Formula (TR 93/17) ▼

End of Task 8.1. Proceed to **Task 8.2**.

Task 8.2 - Set up Asset Pool Names

Objective

In this task you will learn how to create names for asset pools.

By the end of this task, you will be able to create names for up to five pools.

Details

Investments can be set up in a Pool and members then allocated to the Pool. **Simple Fund** defines these pools as Pool 1 to Pool 5. However you may set up more meaningful names for these asset pools.

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Fund** group, click **Fund Details**
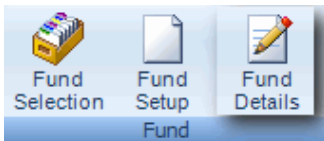
Click the *Pools* tab

Pool 1   Input **JOHN (ACCUMULATION)**

Pool 2   Input **MARY (PENSION)**

Pool 3   Input **MARY (ACCUMULATION)**

Click   💾 *Save*.

End of Task 8.2. Proceed to **Task 8.3**.

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Task 8.3 - Linking Members to an Asset Pool

Objective

In this task you will learn how to allocate members to asset pools.

By the end of this task you will be able to link members to assets pools in the members screen. The total allocation for each pool must be 100%.

Details

Allocate the members to the asset pools set up in **Task 8.2**.

Pool	Member	Percentage
John (Accumulation)	John Jones (504)	100%
Mary (Pension)	Mary Jones (502)	100%
Mary (Accumulation)	Mary Jones (503)	100%

Instructions

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Members**
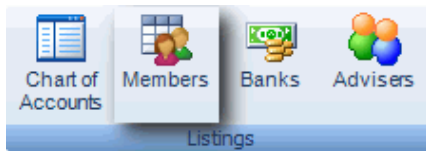
Highlight *John Jones Account 504*

Click	📝 *Edit*
Click	*Financial*
Member Pool	Select *John (Accumulation)*

Pool Income Percentage	Input **100**
Click	🖫 *Save*

Now repeat these steps to allocate the remaining pools to the other member accounts:

Pool	Member	Percentage
Mary (Pension)	Mary Jones (502)	100%
Mary (Accumulation)	Mary Jones (503)	100%

End of Task 8.3. Proceed to **Task 8.4**.

Task 8.4 - Allocating Assets to a Pool

Objective

In this task you will learn how to allocate investments to the asset pools.

By the end of this task, you will be able to:

• allocate asset pools to investments in the chart of accounts
• identify when an investment is attached to a pool in the chart of accounts
• remove asset pools from investments in the chart of accounts

Details

Assets can be allocated in two ways. They can be individually allocated to members, or investments can be set up in a Pool and members then allocated to the Pool.

This task requires you to set up an asset pool for John Jones accumulation account and Mary Jones pension and accumulation account.

Allocating assets allows for the linked income from these investments to be specifically allocated to the member linked to that pool. Any earnings on unallocated assets are automatically allocated by **Simple Fund** to the members based on their weighted balances.

Instructions

BGL Training Fund now has segregated assets, and will segregate assets using the Pool method. This is the preferred method where each member has a fixed percentage ownership of a single pool. The Direct Allocation method is covered in the **Simple Fund Advanced Training Manual Task 7.3** and can be applied where a member may have a different percentage allocation for different assets.

John (Accumulation) 504	Value
604 - Cash at Bank	$417,987.00
772/001 - Unit 7, 270 Grange Road, Toorak	$375,000.00
782/001 - General Property Trust	$40,132.00
Mary (Pension) 502	**Value**
605 - ANZ Cash Management Account	$259,850.00
776/001 - BHP Biliiton Limited	$87,600.00
776/003 - ABC Limited	$12,360.00
Mary (Accumulation) 503	**Value**
724/001 - Westpac Term Deposit	$40,000.00

From the **Ribbon Toolbar**:

On the **Fund Data Input** tab, in the **Listings** group, click **Chart Of Accounts**
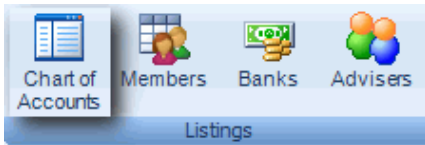
Allocate Assets to Pool 1.

Highlight the *604 - Cash at Bank*

Click   *Edit*

Asset Pool   Select *John (Accumulation)*.
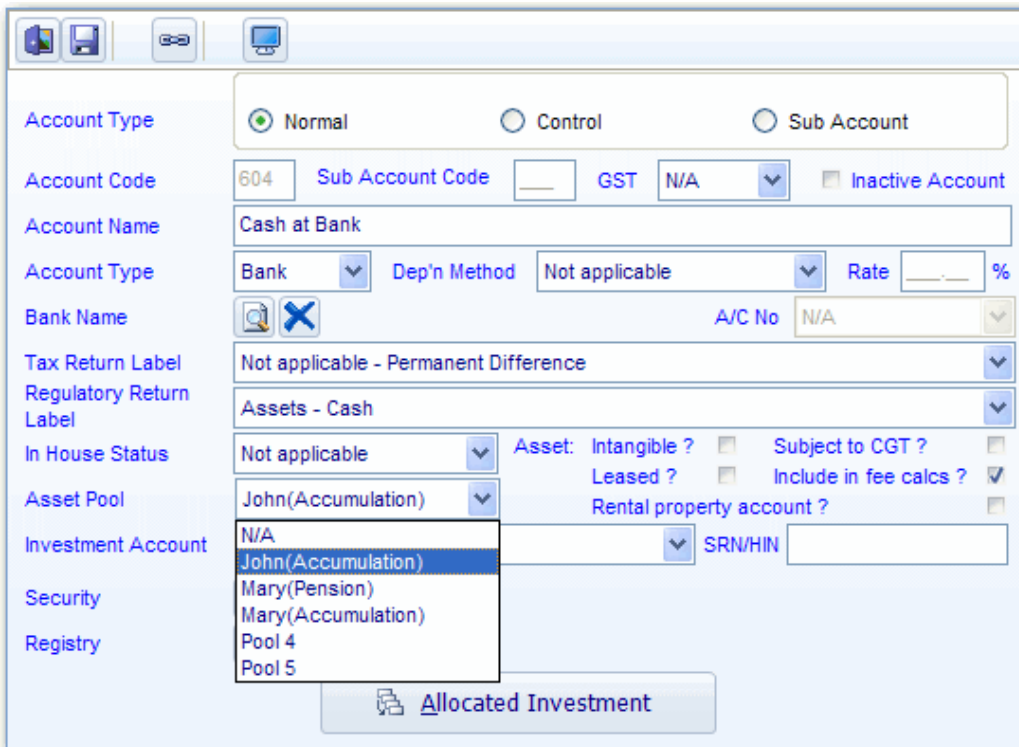
Click *Save*. **Simple Fund** will update the asset accounts and its linked accounts names to include the wording **"John (Accumulation)"**.

> **CLICK ON THE RED CROSS ✖ ICON IN THE CHART OF ACCOUNTS TO DELETE THE ALLOCATIONS.**

Repeat the steps above to allocate the remaining assets of the fund. To check all accounts have been allocated, you can view the Trial Balance through *Ledger Reports*.

John (Accumulation)	Value
772/001 - Unit 7, 270 Grange Road, Toorak	$375,000.00
782/001 - General Property Trust	$40,132.00
Mary (Pension) 502	**Value**
605 - ANZ Cash Management Account	$259,850.00
776/001 - BHP Biliiton Limited	$87,600.00
776/003 - ABC Limited	$12,360.00
Mary (Accumulation) 503	**Value**
724/001 - Westpac Term Deposit	$40,000.00

> ⚠ **ALL INVESTMENTS MUST BE ALLOCATED. ALL MEMBERS WILL RECEIVE A SHARE OF INCOME FROM ANY UNALLOCATED INVESTMENTS**

End of Lesson 8. Proceed to **Lesson 9.**

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Lesson 9 - Uploading XML Data

Objective

In this lesson you will learn how to upload data into **Simple Fund** using the BGL Import data source from the Transaction Upload screen.

By the end of this lesson, you will be able to:

• understand the benefits of using data upload
• be able to identify the various data upload sources
• be able to identify the two main data file formats - xml and csv
• create your own xml file using the transaction upload spreadsheet in your SFUND folder

Details

You will be uploading transactions that are in an XML format.

The transaction that will be imported using BGL Import include:

Receipts

Transaction 1:

Bank	604 - Cash at Bank (John - Accumulation)
Date	2 July 2011
Account	280/001 Rent - Unit 7
Amount	$11,000

Transaction 2:

Bank	604 - Cash at Bank (John - Accumulation)
Date	3 July 2011
Account	238/001 Distribution - GPT
Amount	$2,000
Imputed Credit	$ 385
Tax Free	$ 110

Transaction 3:

Bank	605 - ANZ Cash Management Account (Mary - Pension)
Date	4 July 2011
Account	250/003 Interest - ANZ
Amount	$1,000

Transaction 4:

Bank	605 - ANZ Cash Management Account (Mary - Pension)
Date	5 July 2011
Account	239/001 Dividends - BHP
Amount	$3,500 Fully Franked
Imputed Credits	$1,500

Payments

Transaction 1:

Bank	604 - Cash at Bank (John - Accumulation)
Date	6 July 2011
Account	301 Accounting Fees
Amount	$2,000

Transaction 2:

Bank	604 - Cash at Bank (John - Accumulation)
Date	7 July 2011
Account	302 Administration Costs
Amount	$1,000

Disposal

Transaction 1:

Bank	605- Cash at Bank (Mary- Pension)
Date	8 July 2011
Account	776/001 BHP
Amount	$20,000

The Transaction upload source that will be used is **BGL IMPORT**.

YOU CAN CREATE YOUR OWN XML FILE WITH DATA FROM AN EXCEL SPREADSHEET USING THE SF_Transaction_Upload_ver1.6.xls IN YOUR SFUND FOLDER

Learning Tasks

Task 9.1 Upload XML Data using Transaction Upload

The file is located in ?:\SFUND\DATAIN Folder

Name of File : *pension transaction upload.xml*

Reference number: *EXCEL*

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Task 9.1 - Uploading XML data

Objective

In this task you will learn how to upload data into **Simple Fund** using the BGL Import data source from the Transaction Upload screen.

By the end of this task you will be able to:

- create your own XML file using the SF_Transaction_Upload_ver1.5.xls file in the SFUND folder
- identify the reference number in an XML file
- upload an XML file into a fund

Details

We will be uploading transactions that are in an XML format.

The transaction that will be imported using BGL Import include:

Receipts

Transaction 1:

Bank	604 - Cash at Bank (John - Accumulation)
Date	2 July 2011
Account	280/001 Rent - Unit 7
Amount	$11,000

Transaction 2:

Bank	604 - Cash at Bank (John - Accumulation)
Date	3 July 2011
Account	238/001 Distribution - GPT
Amount	$2,000
Imputed Credit	$ 385
Tax Free	$ 110

Transaction 3:

Bank	605 - ANZ Cash Management Account (Mary - Pension)
Date	4 July 2011
Account	250/003 Interest - ANZ
Amount	$1,000

Transaction 4:

Bank	605 - ANZ Cash Management Account (Mary - Pension)
Date	5 July 2011
Account	239/001 Dividends - BHP
Amount	$3,500 Fully Franked
Imputed Credits	$1,500

Payments

Transaction 1:

Bank	604 - Cash at Bank (John - Accumulation)
Date	6 July 2011
Account	301 Accounting Fees
Amount	$2,000

Transaction 2:

Bank	604 - Cash at Bank (John - Accumulation)
Date	7 July 2011
Account	302 Administration Costs
Amount	$1,000

Disposal

Transaction 1:

Bank	605- Cash at Bank (Mary- Pension)
Date	8 July 2011
Account	776/001 BHP
Amount	$20,000

The Transaction upload source that will be used is **BGL IMPORT**

The file is located in ?:\SFUND\DATAIN Folder

Name of File : *pension transaction upload.xml*

Reference number: *EXCEL*

_____

Instructions

Enter the reference number

From the **Ribbon Toolbar**:

On the **Data In/Out** tab, in the **Transaction Import** group, click **Transaction Upload**
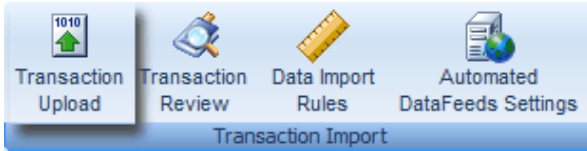
Select   the *Account/Reference List* tab

Select Data Source   Select **BGL Import** from the drop down list

Enter Reference   Input **EXCEL** and click   [Add To List]

Click   🖫 *Save*

NOTE : The reference code is found in the XML file, to retrieve the code, open the file in either notepad or Internet Explorer. The code is found in between the **"ENTITY CODE"** tag.

Open the *pension transaction upload.xml* found in the SFUND\DATAIN folder.
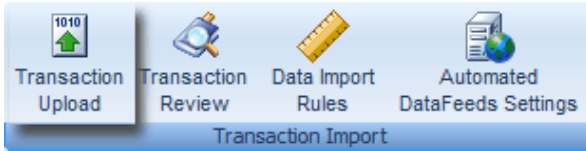
The following will open :

Upload the transactions from the XML file into Simple Fund

From the **Ribbon Toolbar**

On the **Data In/Out** tab, in the **Transaction Import** group, click **Transaction Upload**

Click the '**Transaction Upload** tab.

Step 1. Select the source of the Transaction file

Data Source   Click on drop down and select **BGL IMPORT**

Step 2. Select the file on your server or computer

File Name   Click 📁 **Folder** and browse to c:\SFUND\DATAIN and select the file: *pension transaction upload.xml*

Step 3. Review the Advanced Upload Options below

NOTE : Depending on the **Data Source** selected in **Step 1**, **Simple Fund** will select the options in **Transaction Options**, **Chart of Accounts Options** and **Reporting Options** that apply for this data source.

Transaction Options

Transaction   Select **Bank Statements**
Type

Check   ☑ *Process disposals automatically*

                     Simple Fund will automatically post all disposal entries to the relevant investment account, capital gains account,income accounts , 491 account and the bank account.

Leave *Do not load 998 entries with the same amount?* ☑ checked

Chart of Accounts Options

Balance   Leave this as *998 Data Upload Clearing Account*
Account

Leave *Add new accounts in proper case?* ☑ checked

Reporting Options

Period   Leave this as *From*: **01/07/2011** *To*: **30/06/2012**

Leave *Prepare Data In report?* ☑ checked

Leave *Use Transaction Upload Validation screen?* ☑ checked

Click

The transaction upload validation screen will appear.

Click ⊟ **Save** to view the transaction listing report

You will receive the following message to confirm the disposal transaction :

	Error Description	Date	Transaction Type	Code	Details	Units	Amount	ASX Code	Security Type
☑	Valid Transaction	08/07/2011	Automated Disposal	491	DISPOSAL OF 500 BHP	-500.00	-20,000.00	BHP	Shares in Listed Company (Australian)

Confirm

? The file you have selected to upload contains 1 disposal transactions. Would you like to process ALL of these disposals now ?

[Yes] [No] [Select Disposals to Automate]

Click **Yes**.

Simple Fund will now process all transactions including the disposal journals.

Click   **Exit** .

Review your transaction screen to view the transactions that you have just uploaded

The following transactions should appear:

	Date	Ref ▽	Code	Type	Units	Debits	Credits	Bank	Narration
☐	08/07/2011	776001	491	J		20000.00			Disposal of 500.0000 unit(s) in Bhp Billiton Limit...
☐	08/07/2011	776001	235/001	J			9353.33		Disposal of 500.0000 unit(s) in Bhp Billiton Limit...
☐	08/07/2011	776001	236/001	J			4676.67		Disposal of 500.0000 unit(s) in Bhp Billiton Limit...
☐	08/07/2011	776001	776/001	J	-500.0000		5970.00		Disposal of 500.0000 unit(s) purchased on 17/0...
☐	08/07/2011	080711	491	B			20000.00	☑	DISPOSAL OF 500 BHP SHARES
☐	08/07/2011	080711	605	B		20000.00		☑	PROCEED FOR DISPOSAL OF 500 BHP SHARES
☐	07/07/2011	070711	604	B			1000.00		ADMINISTRATION COSTS
☐	07/07/2011	070711	302	B		1000.00		☑	ADMINISTRATION COSTS
☐	06/07/2011	060711	604	B			2000.00		ACCOUNTING FEES
☐	06/07/2011	060711	301	B		2000.00		☑	ACCOUNTING FEES
☐	05/07/2011	050711	605	B		3500.00		☑	DIVIDEND – BHP
☐	05/07/2011	050711	239/001	B			3500.00	☑	DIVIDEND – BHP
☐	04/07/2011	040711	605	B		1000.00		☑	INTEREST – ANZ
☐	04/07/2011	040711	250/003	B			1000.00	☑	INTEREST – ANZ
☐	03/07/2011	030711	604	B		2000.00			DISTRIBUTION – GPT
☐	03/07/2011	030711	238/001	B			2000.00	☑	DISTRIBUTION – GPT
☐	02/07/2011	020711	604	B		11000.00			RENT – UNIT 7
☐	02/07/2011	020711	280/002	B			11000.00	☑	RENT – UNIT 7

NOTE: To reverse the transaction upload process and delete transactions imported into **Simple Fund**, click

on **Data In/Out | Transaction Upload** and select [⏰ Previous Uploads] .

End of Lesson 9. Proceed to **Lesson 10**.

Lesson 10 - Create Entries Process for Pooled Assets

Objective

In this lesson you will learn how to create entries in a segregated fund.

By the end of this lesson, you will be able to:

 • create entries in a segregated fund
 • review the exempt pension income in the create entries report
 • review the non-deductible expenses for pension funds with segregated assets
 • generate member investment reports for pooled assets

Overview

When assets are segregated between members, the Create Entries process ensures the pension member account operates separately from the accumulation accounts. Instead of earnings being distributed on a daily weighted account balance method, investment earnings are instead segregated and directly allocated to the members account and payments. Investment expenses are deducted from the balance of the pension member account. Any unallocated asset earnings are then allocated between members using the weighted account balance method.

Learning Tasks

Task 10.1 - Create Entries process for Pooled Assets

Create Entries for the accounting period 01/07/2011 to 30/06/2012 and prepare the Create Entries Report.

Task 10.2 - Investment Reports for Pooled Assets

Prepare the following Member Segregated Investment Reports for Member John Jones

 • Investment Summary Report
 • Investment Change Report
 • Projected Investment Disposal Profit/(Loss) Report
 • Investment Income Report
 • Total Investment Return Report

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Task 10.1 - Create Entries Process for Pooled Assets

Objective

In this task you will learn how to create entries for a fund with pooled assets.

By the end of this task you will be able to create entries and review the exempt pension income and non-deductible expenses for a segregated fund.

Details

> ⚠️ *IF YOUR MEMBER IS COMMENCING PENSION PART WAY THROUGH THE YEAR IN A SEGREGATED FUND, YOU MUST STILL CREATE ENTRIES AT LEAST ONE DAY BEFORE THE PENSION COMMENCEMENT DATE*

Create Entries for the full year from 01/07/2011 to 30/06/2012 and prepare the Create Entries Report.

Instructions

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**
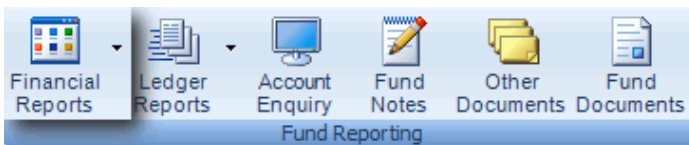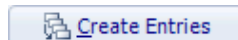
Click	🗐 Create Entries
Period: From	Leave this as *01/07/2011.*
Period: To	Leave this as *30/06/2012.*

Click

After entries have been created, a full set of financial reports can be prepared.

REFER TO ARTICLE 425 IF YOU HAVE A NEGATIVE TAXABLE COMPONENT IN YOUR MEMBERS STATEMENT

End of Task 10.1. Proceed to **Task 10.2**.

Task 10.2 - Investment Reports for Pooled Assets

Objective

In this task you will learn how to prepare Member Investment Reports for pension members with pooled assets.

By the end of this task you will be able to prepare various member specific investment reports for both pooled assets and directly allocated assets.

Details

When you allocate/segregate assets to a member it is possible to display a wider range of Investment Reports. The Member Reports screen allows you to select which investment reports are prepared on a member-by-member basis. These reports will show the allocation of segregated investments between members.

Prepare the following Member Investment Reports:

- Investment Summary Report
- Investment Change Report
- Projected Investment Disposal Profit/(Loss) Report
- Investment Income Report
- Total Investment Return Report

Instructions

From the **Ribbon Toolbar**:

On the **Reports and Documents** tab, in the **Fund Reporting** group, click **Financial Reports**
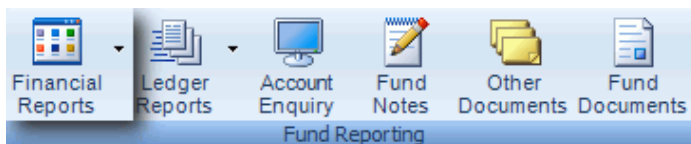
Click the *Member Reports* tab.

Click   *Clear* to clear the number of copies to *0*.

Click   ✔ *Pooled Investments*
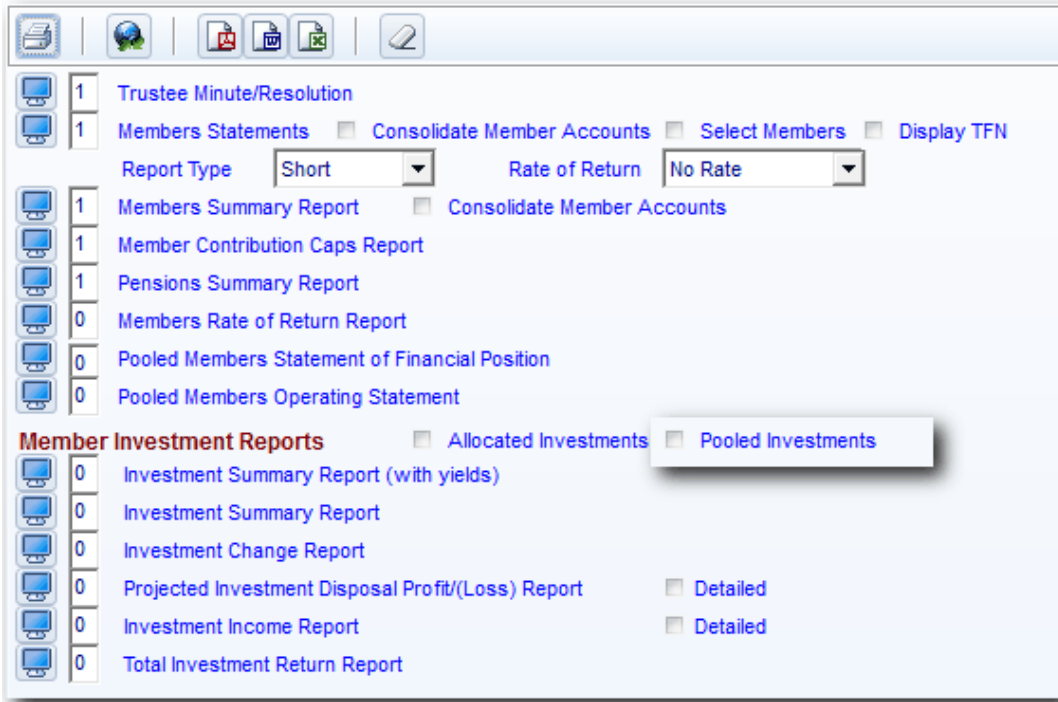
Click   **Preview** to the left of these reports to view them on the screen.

Click   **Print** if you wish to print the selected member reports.

Note: To push this document manually to **Portal**, you must ensure you save a copy of the document. Once a copy has been saved, you can push the document by following the steps in **Task 10.2** of the **Simple Fund Advanced Training Manual.**

End of Lesson 10.

Appendix 1 - Exempt Pension Income

Exempt pension income can be reconciled using the Create Entries Report under the section *Calculation of Exempt Pension Income.*

For segregated funds, Simple Fund applies the allocated asset percentage to any taxable income posted after pension commencement. Any income recorded before pension commencement will be taxed at the fund's tax rate.

For example, if a distribution is recorded to 238/xxx for $5000 - with $200 tax free, $300 tax deferred and $300 discounted gains, Simple Fund will only display the exempt portion of the taxable income in the Exempt pension Income heading in the Create entries report.

Simple Fund will display 60% of $4400.

The remaining balance will display under calculation of permanent/timing difference and calculation of capital gains on the Create Entries Report.

Calculation of timing differences

30/06/2008	238/001	General Property Trust		300.00

Calculation of permanent differences

01/01/2008	238/001	General Property Trust - Cap Dist		200.00

Calculation of Net Capital Gains

Discounted Gains

25/04/2008	235/002	Onesteel Limited (Discounted method)	23,120.00	23,120.00
25/04/2008	236/002	Onesteel Limited (Discounted method)	11,560.00	11,560.00
01/01/2008	238/001	General Property Trust (Discounted method)	300.00	300.00

Exempt Pension Income and Capital Gains for Unsegregated Funds

For unsegregated funds, Simple Fund applies the actuary's percentage to any taxable income received during the year.

Any capital gains incurred in an unsegregated fund are treated as normal assessable income and will be included in the calculation of exempt pension income. Simple Fund works out how much of the capital gains is exempt from tax using the fund's actuary percentage and includes it in the total balance of the exempt pension income (see example below).

From the example below, total net capital gain is $23 320. Simple fund will apply the actuary percentage of 60% to this amount, calculating exempt capital gains of $ 13 992. This amount is then included in the exempt pension income.

Calculation of Exempt Pension Income

Jones, John

30/06/2008		Exempt Capital Gains		13,992.00
30/06/2008	250/001	Cash at Bank	60.000	18,000.00
30/06/2008	280/001	Unit 7, 270 Grange Road, Toorak	60.000	7,200.00
30/06/2008	238/001	General Property Trust	60.000	2,520.00
		Member Total Amount		**41,712.00**
		Total Amount		**41,712.00**

Calculation of Net Capital Gains

Discounted Gains

25/04/2008	235/002	Onesteel Limited (Discounted method)	23,120.00	23,120.00
25/04/2008	236/002	Onesteel Limited (Discounted method)	11,560.00	11,560.00
01/01/2008	238/001	General Property Trust (Discounted method)	300.00	300.00
		Total Amount - Discounted Gains		**34,980.00**

Other Items

30/06/2008		Capital Gains Discount		(11,660.00)
		Total Amount - Other Items		**(11,660.00)**
		Total Net Capital Gain (Assessable)		**23,320.00**
01/10/2007	501	Jones, John - Pension Members Percent: 60.000%	23,320.00	13,992.00
		Total Amount - Exempt Capital Gains		**13,992.00**

However on your SMSF Annual Return, the total net capital gains will display on Section 10 A. The non taxable amount will then be included in the exempt pension income Section 11 K.

Section B : Income

Net capital gains   **A**   _____23320

Section C : Deductions

Exempt current pension income   **K**   _____41712

For more information on exempt pension income and capital gains, please refer to http://www.ato.gov.au/print.asp?doc=/content/00180869.htm

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Appendix 2 - Hybrid Fund

What is a Hybrid Segregation Fund ?

A Hybrid Segregation Fund (or partial segregation fund) is where a pension fund has a mixture of segregated and unsegregated assets. The unsegregated assets will require an Actuarial Certificate.

What do I need to do in Simple Fund ?

In Simple Fund, an actuary percentage will still need to be entered into the new Pension Policy screen once it has been obtained from an Actuary for the Unsegregated Assets.

Segregated assets will need to be allocated in the Chart of Accounts using either the direct percentage method or by setting up investment pools.

A Pension Expenses Percentages will need to be entered into the Pension Policy screen which caters for expenses incurred for the entire fund.

How will Exempt Pension Income be calculated ?

Income from assets that are unsegregated will be treated as exempt based on the actuarial percentage entered into the Fund Details (pension Policy) / Member's Screen.

Income from assets which are segregated will be treated as exempt based on the percentage of the assets which has been allocated to pension members (Direct Percentage) or treated as completely exempt if allocated to a Pension pool. The Actuary Percentage in Fund Details (Pension Policy tab) will not be applied to Segregated Assets.

Calculation of Exempt Pension Income

Jones, John

30/06/2008		Exempt Capital Gains		1,520.00
30/06/2008	250/001	Cash at Bank (Pooled)	100.000	30,000.00
30/06/2008	280/001	Unit 7, 270 Grange Road, Toorak	40.000	4,800.00
		Member Total Amount		**36,320.00**
		Total Amount		**36,320.00**

Calculation of Net Capital Gains

Discounted Gains

25/04/2008	235/002	Onesteel Limited (Discounted method)	23,120.00	
		- Pension Members Percent: 100.000%		
25/06/2008	235/004	General Property Trust (Discounted method)	3,800.00	3,800.00
25/04/2008	236/002	Onesteel Limited (Discounted method)	11,560.00	
		- Pension Members Percent: 100.000%		
25/06/2008	236/004	General Property Trust (Discounted method)	1,900.00	1,900.00
		Total Amount - Discounted Gains		**5,700.00**

Other Items

30/06/2008		Capital Gains Discount		(1,900.00)
		Total Amount - Other Items		**(1,900.00)**
		Total Net Capital Gain (Assessable)		**3,800.00**
01/07/2007	501	Jones, John	3,800.00	1,520.00
		- Pension Members Percent: 40.000%		
		Total Amount - Exempt Capital Gains		**1,520.00**

For further information on calculation of exempt pension income in **Simple Fund**, refer to **Appendix 3 - Exempt Pension Income**.

You can also refer to the ATO's website: **http://www.ato.gov.au/content/00180869.htm**

Appendix 3A - New Tax Free Proportioning Rule

Objective

To demonstrate how the Tax Free component is calculated for superannuation income streams from 1 July 2007.

Details

Post 30 June 2007 proportioning rule to calculate the Tax Free pension amount

When a benefit is paid from a superannuation fund, the benefit will include both **tax-free** and **taxable** components. These amounts are calculated using the tax-free proportion of the member.

Example 1 Applying the proportioning rule when paying a benefit

Mary is 58 and her superannuation income stream started on 1 August 2007. When Mary's income stream began, the total value of her superannuation balance was $400,000. The interest includes a tax-free component of $100,000 made up solely from the crystallised segment, and a taxable component of $300,000.

Mary receives a superannuation income stream benefit of $2,000 on 1 September 2007.

Step 1:

Calculate the tax-free and taxable proportions of Mary's superannuation interest when the income stream began:

Tax free component = $100,000 = 25%

Value of the interest $400,000

The taxable percentage of Mary's superannuation interest would therefore be 75%

Step 2:

Apply that proportion to calculate to calculate the tax free component of Mary's benefit as follows:

$2,000 x 25% = $500.

The taxable component of this super income stream is $1,500 ($2,000 -$500).

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Appendix 3B - Converting a Deductible Amount to Tax Free Amount

Objective

To demonstrate how the 'deductible' proportion of an existing superannuation income stream converts to a 'Tax Free' component from 1 July 2007. This occurs automatically where the member is 60 at 1 July 2007, or will occur at any point after 1 July 2007 where the member turns 60, passes away or commutes the income stream.

Details

Converting the Deductible Amount to a Tax Free amount for Pensions commenced prior to 1 July 2007

If a pension commenced prior to 1 July 2007, and the member is 60, or turns 60 after 1 July 2007, the 'deductible amount' needs to be converted to a 'Tax Free' component.

The steps involved in this process are as follows.

1. Calculate the member's pension account balance just before the trigger event (turning 60, or at 1 July 2007 if the member has already turned 60.
2. Work out the unused undeducted purchase price (UPP) of the income stream.
3. Work out the pre-July 1983 component of the superannuation interest.

Tax-free component = total of steps 2 and 3.

Taxable component = member's balance less the tax-free component.

The tax-free and taxable components of the income stream benefit are in the same proportions as they are within the superannuation interest from which the benefit is paid.

Example:

John is 67 and has an allocated pension which started before 1 July 2007. The account balance of John's pension was $230,000 at 1 July 2007. John's undeducted purchase price (UPP) is $100,000.

The annual deductible amount applying to John's income stream immediately prior to 1 July 2007 is $5,000. Between the start of John's income stream and 30 June 2007, John has been entitled to claim $18,000 as an annual deductible amount in relation to his income stream.

The start date of John's eligible service period is 1 July 1970.

Step 1

John's account balance at 1 July 2007 is $230,000

Step 2

Calculate the unused undeducted purchase price (UPP) just prior to 1 July 2007.

For John's income stream the unused UPP is $82,000 (ie $100,000 - $18,000).

Step 3

Calculate the pre-July 1983 component of his account balance. In the calculation the last date for John's service period would be 30 June 2007.

John's pre-July 1983 component is the lesser of:

$230,000 x 4,748 days/13,514 = $80,808

and

$230,000 - $82,000 = $148,000

Step 4

The tax-free component of the superannuation interest is the total of the amounts calculated in Step 2 and Step 3.

$82,000 + $80,808 = $162,808

The taxable component of the superannuation interest is the amount remaining after subtracting the tax-free component from the superannuation interest.

$230,000 - $162,808 = $67,192

Step 5

The tax-free and taxable proportions of the superannuation interest are calculated as follows:

Tax-free proportion of John's income stream

$162,808/$230,000 x 100= 70.79%

Taxable proportion of John's superannuation income stream

100% - 70.79% = 29.21%

Appendix 4 - Pension Fund Showing Taxable Income

As a quick troubleshooting guide to the above problem, check:

1. Check the Actuary Percentages / Allocations

Where the assets are SEGREGATED, ensure in the Chart of Accounts that all assets have been allocated to a member or pool.

2. Check the Linked Income accounts

Simple Fund only includes linked income accounts in the calculation of exempt pension income. The income account must be linked to an investment account that the fund holds at least one unit during the year.

In version 11.2, the Create Entries Review will display any amounts posted to accounts 235, 236, 239, 238, 250, 265 and 280 which are not linked to an Investment account.

YOU CHECK WHETHER ALL INCOME ACCOUNTS ARE LINKED BY DOING THE FOLLOWING RECONCILIATION

> i. Print the Create Entries Report
> ii. Print the Trial Balance
> iii. Compare the **Calculation of Exempt Pension Income** section on the Create Entries Report against your **Income on your Trial Balance**.

If an income account (dividend, distribution, interest, rental or other income) does not appear in the Calculation of Exempt Pension Income section, but does appear on the Trial Balance, then the most likely cause is that a link has not been created between the Investment and the Income account.

Please Note: The only circumstance where this would not occur is if a distribution is a write back of tax deferred or consists entirely of a non taxable component such as Tax Deferred. To check the linked accounts for an Investment, you can either:

> a. from the Chart of Accounts, edit the Investment and click   , or
> b. from the Simple Fund Explorer, click **Account Enquiry** and select the Investment account

If you have income that has no related investment, such as ATO Interest, therefore the income account has no link from an investment account, you can:

> a. Create a dummy investment account, under 'Other Investments' and link the income account to this, or;
> b. Through the Chart of Accounts, change the 'Tax Return' label in this income account, to 'Not applicable - permanent difference'. This will exclude the account from tax.

3. Incorrect Tax Return and Regulatory Return labels

If your income account does not have the correct selection for the Tax Return or Regulatory Return label, this may not be included in Exempt Pension Income.

4. Dividends with tax components

Ensure no Distribution tax information such as *tax free* or *tax deferred* amounts have been posted to dividend accounts (239) or accounts with the Tax Return Label set to "Income - gross dividends". Also check to ensure no capital gains (discounted, etc) are recorded to these accounts. These amounts should only be posted to distribution accounts (238), or accounts with the Tax Return Label set to "Income - Gross Trust Distributions".

In version 11.2, the Create Entries Review screen will display any transactions which have tax information for a distribution and the Tax Return label is not set to "Income - Gross Trust Distributions".

5. Write Backs of Tax Deferred

If there has been a Write Back of Tax Deferred to a non-distribution account you will need to change the Tax Return label of that account to "Income - Income from trusts" prior to creating entries.

6. Taxable Contributions

Assessable Contributions are not derived from pension assets and therefore do not receive an exemption from income tax.

Conclusion and Summary

Thank you for investing your time to complete this **Simple Fund Pension Training Manual**. Your efforts will be reflected in improved productivity and the efficient use of your **Simple Fund** software.

You will now be able to:

- understand the different taxation rules for members below or above 60
- commence minimum account-based pensions and transition to retirement pensions in **Simple Fund**
- record superannuation rollins
- record concessional and non-concessional contributions, and record government co-contributions
- writeback any deferred tax liabilities for pension members
- transfer members balances to unrestricted non preserved
- record pension payment journals
- calculate the tax free percentage for a members balance
- prepare PAYG summaries
- input actuary percentages and non-deductible expense percentages
- create additional member accounts for members who have commenced pensions but still make contributions
- commute a minimum account-based pension
- segregate assets between members
- upload data from external sources using the Transaction Upload function