

Ask a Techspert

Are full accumulation periods 100% taxable?

Q: I have a fund that starts off the year in full accumulation phase and then moves into full retirement phase on 1 January 2023. After that, a member receives a contribution on 1 February 2023. Both members have a Total Super Balance of less than \$1.6 million so deemed segregation is possible. Will the full accumulation period of 1 July 2022 – 31 December 2022 be 100% taxable?



Rosemarie

A: Hi Rosemarie, great question! Periods solely supporting accumulation phase are considered unsegregated and the actuary's percentage will apply to assessable income received in all unsegregated periods including the periods solely supporting accumulation phase. Therefore, in your example the period 1 July 2022 – 31 December 2022 will not be 100% taxable and instead, the actuary's percentage will apply to income received during that period.

It is important to note that 'Deemed Segregation' can only be applied to periods solely supporting retirement phase (assuming the fund is eligible to use the Segregation Method). Deemed Segregation cannot be applied to periods solely supporting accumulation phase.

Scenarios where an accumulation period would be 100% taxable is if all unsegregated assets in the fund were supporting accumulation accounts. For example, the fund was solely supporting accumulation phase for the entire financial year or there were no periods during the financial year where there is a combination of retirement phase and accumulation interests (e.g. the fund went from full accumulation to a deemed segregated retirement phase period).

I should also point out that technically speaking, Trustees can choose to elect to segregate accumulation assets in advance and treat the income received as 100% taxable under the Segregated Method, however this requires a different type of actuarial certificate ([section 295.395 of ITAA](#)). We have never seen anyone apply for this type of actuarial certificate before; I guess who wants to go to the effort of segregating accumulation assets and paying for an actuarial certificate to tell you it's 100% taxable!



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