

## Using Deemed Segregation

This setting tells us how to treat the parts of a year when the Fund is entirely in retirement phase.

From the 2021/22 tax year, new rules have come into force that allow the trustee(s) of a Fund to *elect* to:

- Use the proportionate method (also known as the unsegregated method) for the whole of the tax year (that is, *not* to use deemed segregation during periods when the fund is entirely in retirement phase); or
- Use deemed segregation (if segregation is permitted for the Fund).

The table below summarises when you should select “Yes” or “No” to this question.

Tax Year	Response	When it Applies
2021/22 and subsequent years	No	<p>If:</p> <ul style="list-style-type: none"> <li>• The Fund <b>is</b> entirely in retirement phase for a part of the year; and</li> <li>• The Fund <b>does not have</b> Disregarded Small Fund Assets; and</li> <li>• You elect to apply the proportionate method to the Fund for the whole of the tax year.</li> </ul> <p>Then:</p> <ul style="list-style-type: none"> <li>• You should respond “No”.</li> </ul> <p>By selecting “No”, you are indicating you <b>do not</b> want to treat any parts of the year when the Fund is entirely in retirement phase as being deemed to be segregated. The Fund will be treated as unsegregated for the whole of the tax year.</p>
	Yes	<p>If:</p> <ul style="list-style-type: none"> <li>• The Fund <b>is</b> entirely in retirement phase for a part of the year; and</li> <li>• The Fund <b>does not have</b> Disregarded Small Fund Assets; and</li> <li>• You want to allow deemed segregated during all parts of the year when Fund is entirely in retirement phase.</li> </ul> <p>Then:</p> <ul style="list-style-type: none"> <li>• You should respond “Yes”.</li> </ul> <p>By selecting “Yes”, you are indicating you <b>do</b> want to treat all parts of the year when the Fund is entirely in retirement phase as being deemed to be segregated.</p>
	Either Yes or No	<p>If the Fund either:</p> <ul style="list-style-type: none"> <li>• Has Disregarded Small Fund Assets; and/or</li> <li>• Does not have any periods during the year when the Fund is entirely in retirement phase.</li> </ul> <p>Then this setting does not impact on the actuarial certificate. You can respond either “Yes” or “No”.</p>
2020/21 and earlier years	Yes	<p>For these tax years you should respond “Yes”.</p> <p>For these tax years, the Fund cannot <i>elect</i> which approach to take. The approach is determined by the Fund’s circumstances.</p>

If you have any questions about the new rules applying from 2021/22, please email us at [enquiries@verusactuaries.com.au](mailto:enquiries@verusactuaries.com.au), or call us on 1800 978 328.

Updated November 2024