Interests

The **Interest on Funds** row shows the **income your maintenance fund earns** from the money held in the account.

It is based on the **average balance** of the fund during the year, reflecting a realistic estimate of the interest earned over time.

How it’s calculated

1. **Average balance**: The system calculates the average of the **opening balance** and the **closing balance** for the year.
2. **Interest rate on funds**: The average balance is multiplied by the **interest rate** you set in the settings.
3. **Corporate tax rate**: Tax is deducted from the interest earned, leaving the **net interest** that actually contributes to your fund.

Formula (simplified):

Net Interest = (Opening Balance + Closing Balance) ÷2 × Interest Rate × (1 − Corporate Tax Rate)

Net interest

- **Gross interest** – the total interest earned before taxes
- **Tax on interest** – the corporate tax applied to interest
- **Net interest** – the remaining interest after taxes, which increases your fund’s available balance

This ensures your **cashflow projections** reflect the real growth of your fund, not just the theoretical interest.

Example

Item	Amount
Opening Balance	$50,000

Item	Amount
Closing Balance	$52,000
Average Balance	$51,000
Interest Rate	2%
Gross Interest	$1,020
Tax (28%)	$285.60
Net Interest	$734.40

- The **$734.40** is the net amount added to the fund for the year.
- This value is then used when calculating contributions and closing balances.

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