

18 May 2017

Good morning,

## Action Required for Discretionary Trusts: Resolution to Distribute Income

We are reminding you that the Trustee(s) for discretionary trusts must resolve to distribute the income of the trust no later than the 30<sup>th</sup> June, 2017. The resolution formally documents in writing the decision of the trustee, determining which beneficiaries will receive the income of the trust and pay tax on it.

### Practically, what does this involve?

This will require us (or you may attend to this yourself) to:

- ✓ Understand the terms of your trust deed (as all trusts deeds are different and can have different clauses that can affect the way the distribution is recorded);
- ✓ Understand the ATO requirements to make a valid resolution to distribute income of the trust in accordance with the trust deed;
- ✓ Draft an effective trustee resolution or minute;
- ✓ Communicate the income of the trust and the distribution strategy - including if some income (dividends and capital gains) will be streamed to different beneficiaries.

### Consequences of not have a valid resolution in place by 30<sup>th</sup> June.

If a valid resolution distributing the trust's income is not made by 30 June, any later resolution made will be ineffective resulting in:

- ✓ No opportunity to effectively plan distributions to minimise tax;
- ✓ The trusts default beneficiary is taxed on the income at their marginal rate even if they are not the recipient of the cash;
- ✓ Or if there is no default beneficiary the trustee will be taxed at the top marginal rate (currently 49% including Medicare Levy)

**What to do next?**

1. Engage us to attend to the distribution minute on your behalf and complete the checklist (see below).
2. If you would like to attend to the requirements yourself, please complete an effective and valid resolution to distribute income and provide a copy to us by the 9<sup>th</sup> June for our records (please note we will not be able to check if the resolution is valid or tax effective if you choose to prepare it yourself)

If you have any questions please do not hesitate to call or email.

Yours faithfully



Sarah Wallace, CPA

**Enclosed: Checklist**

## Information Required

Please complete the following and return to our office before the 9<sup>th</sup> June 2017.

- ✓ If we have recently prepared tax planning for you we will already have this information and there is no need to complete the questions, please sign and return the authority on the next page.
- ✓ The below questions are relevant for the period 1 July 2016 to 30 June 2017

	Questions	Your Answers										
1.	<p>Please advise what your estimated net income (profit) of your trust is.</p> <ul style="list-style-type: none"> <li>✓ Write the answer in the adjacent column; <b>or</b></li> <li>✓ You have given us access to your online accounting program</li> </ul>	<p>Estimated Net income is: \$ _____</p> <p><b>or</b></p> <p>Please access our information online (circle)</p>										
2.	<p>Do you or any of the trust's beneficiaries have additional income (other than that earned in your trust/business)?</p> <p>Examples include wages, interest, dividend income, rental property income, capital gains.</p> <p>If yes, please estimate this additional income for each person in your family in adjacent column.</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Name:</td> <td style="width: 50%;">Income:</td> </tr> <tr> <td>Name:</td> <td>Income:</td> </tr> <tr> <td>Name:</td> <td>Income:</td> </tr> <tr> <td>Name:</td> <td>Income:</td> </tr> <tr> <td>Name:</td> <td>Income:</td> </tr> </table>	Name:	Income:	Name:	Income:	Name:	Income:	Name:	Income:	Name:	Income:
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3.	<p>Are there any family members that you have not distributed to in prior years that you would like to be considered as potential beneficiaries? (this is especially relevant if you have family members who do not work and do not receive any Centrelink benefits).</p>	<p>Names:</p>										
4.	<p>Do you have any children / minors with a disability?</p>	<p>Yes / No (circle)</p>										
5.	<p>Has your trust received any franked dividends from shares or managed funds?</p>	<p>Yes / No (circle)</p>										
6.	<p>Has your trust made any capital gain or loss? Please note – the date for the capital gain is determined by the contract date rather than the year money is received.</p>	<p>Yes / No (circle)</p>										
7.	<p>Do you have any questions or wish to provide any other additional information?</p>											

## Authority to Proceed

Trust Name: \_\_\_\_\_

I request Wallace Partners to prepare a distribution resolution on our behalf based on the information we have provided at a fixed fee of \$187 including GST.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Email completed copy to [clientservices@wallacepartners.com.au](mailto:clientservices@wallacepartners.com.au) or upload to your client portal. Thankyou.

### Important note

If you have any entities with potential tax losses please call us to discuss.  
Attending to the preparation of this minute does not constitute tax planning.

### Need Help?

Please give us a call on 07 55263888, we here to help you.