



# Trust Distributions

What to do year end and how to cater for the cash flow bonus

22 June 2020

# From Treasury Fact Sheet

“The Government is providing temporary cash flow support to small and medium businesses and not-for-profit organisations that employ staff during the economic downturn associated with COVID-19 (novel coronavirus). This will be done through two sets of cash flow boosts delivered from 28 April 2020 to support employers to retain employees.

The Government will provide tax-free cash flow boosts of between \$20,000 and \$100,000 to eligible businesses, delivered through credits in the activity statement system, when eligible businesses lodge their activity statements. Eligible businesses do not need to apply with a separate form. Upon lodgment of their activity statement, the first amount will automatically be credited to the business’ account, but no earlier than 28 April 2020. A business that lodges early will not receive the cash flow boost before this date.”

# Key Features for a Trust



- What does the trust deed legally require in relation to trust distributions? Have you mapped your deed?
- How is income determined – what happens to franking credits and accounting income that is not net income under section 95 of the ITAA 1936
- Who are beneficiaries and how can income be allocated?
- Who is the default beneficiary?
- It is not too late to vary – review of TD 2012/21 on resettlement as some deeds pre-date the High Court decision in *Bamford v FCT*





# Resident Minors Tax Rates

2017-18, 2018-19, 2019-20, 2020-21 – Resident

Eligible income	Resident tax rate
\$0 to \$416	Nil
\$417 to \$1,307	66% of excess over \$416 <sup>(1)</sup>
Over \$1,307	45% of the <b>entire</b> amount of eligible income <sup>(2)</sup>



# If upgrading – choose a Family Protection Trust

- 👍 Taxation and income splitting
- 👍 Bankruptcy Protection
- 👍 Litigation Protection
- 👍 Family Law Protection
- 👍 Family Provisions Protection
- 👍 Bloodline limitation
- 👍 Protection and looking after disabled or special needs children
- 👍 Wide choice for income

# How is Cash Flow Bonus treated?

- The initial cash flow boosts will be delivered as credits in the activity statement system from 28 April 2020.
- Eligible entities who received initial cash flow boosts will receive additional cash flow boosts, for the periods June to September 2020, equal to the total amount of initial cash flow boosts received.
- *All cash flow boosts are tax free (non-assessable non-exempt income) and are not required to be paid back when the business' cash flow improves.*
- *Is it the same as a grant, a repayment of expenses or a simple gift!!!!*

# What's coming up

- **Virtual Strategy Summit coming on 14 and 15 July** with some great speakers and content. Not just technical but business, marketing, media and a whole lot more. See the link and for LYD users with no CPD requirements choose General Admission and use code LYNOCPD for free ticket. If you want 11 hours CPD then LYCPD for \$99 and will be a great event
- *Don't forget every Tuesday at 11am we have our VIP strategy session where you can ask me any question and watch out – no holds barred! Next week I am building two wills from client case studies from a LYD Strategist member. Claim a ticket from Sophia – [sophia@ilovesmsf.com](mailto:sophia@ilovesmsf.com)*



Email:  
[support@lightyeardocs.com.au](mailto:support@lightyeardocs.com.au)



Skype:  
smsfbuddha



Facebook:  
[@ILoveSMSF](#) [@LightYearDocs](#)



LinkedIn:  
[@GrantAbbott](#)



Web:  
[lightyeardocs.com.au](http://lightyeardocs.com.au)