

JAS PARTNERS

CHARTERED ACCOUNTANTS

BUSINESS ADVISERS – TAXATION PROFESSIONALS – SUPERANNUATION CONSULTANTS

NEW TFN REPORTING RULES CLOSELY HELD TRUSTS

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As Part of the 2009-2010 Federal Budget, the Government announced that the current Tax File Number (TFN) withholding arrangements would be extended to cover Closely Held Trusts. On 1 July 2010, these TFN reporting and withholding measures commenced with effect from the 2011 income year.

As a result of these new measures, as a Trustee you are now under an obligation to report the TFN of beneficiaries whom you wish to distribute income to. If you fail to report the TFN within the specified time frame, you will be required to withhold tax at 46.5% from any physical distribution of income or from any present entitlement to income. Please note however that minor beneficiaries are excluded and not required to report TFN'S.

In the case of a **Physical Distribution** of Income, for example, money withdrawn by the beneficiary, during the income year, the TFN must be provided **to the Trustee before the time of the distribution**.

In the case of a beneficiary who becomes **Presently Entitled** to a distribution during the income year, for example, it is determined that the beneficiary will receive a share of the Profit of the Trust, the TFN must be provided **to the Trustee prior to the end of that income year**.

Ordinarily, you will be required to report the beneficiaries TFN to the ATO within one month after the end of the quarter in which the TFN was quoted to the Trustee as specified above.

However, as a transition to this new legislation, we were given two options for reporting details of the current beneficiaries of a Trust, either on the 2010 tax return if it was not already lodged, or by lodging a form with the tax office in the first 2 months of the new financial year.

If you fail to report the TFN in the required time frame and are required to withhold an amount you will also be required to:

- Submit an Annual Withholding Report within three months of the end of the income year
- Provide the beneficiary with a payment summary within 14 days of lodgement of the Annual Withholding Report
- Pay the amount withheld within 28 days of lodgement of the Annual Withholding Report

Even if you do meet the reporting requirements and are not required to withhold any tax, you will still be required to submit an Annual Report by the due date for lodgement of the Trust's Income Tax Return in each Income year.

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