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CREATE CHANGE

# Dissecting the Australian Labor Party's tax policy on family trusts

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## Context of the paper

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- Taxation of trusts, unresolved for many years
- Greens 2016, and Labor 2017 policies on discretionary trusts
- Labor
  - Minimum 30% flat rate of tax on distributions
  - No evidence of franking credits for tax paid
  - Exception for ‘farm trust’
- Post 2018 Federal election, is it still important?
- Why it matters to my research

# Feedback about 3 research themes

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1. Are trading trusts = commercial success and wealth?
  - 👉 Turnover
  - 👉 Net profit before tax
  - 👉 Employment data
2. Consideration of 'family' in income tax law?
3. 'Farm trust'
  - 👉 Reason for special treatment?
  - 👉 Definition?
  - 👉 Other concessions available for primary producers

# Are trading trusts = commercial success and wealth?

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- Trusts hold \$590 billion of assets
- 272,929 (44%) of trusts, *main* source of income from trading
- 12% of all active businesses = discretionary trusts
- 90% (319,772) of all discretionary trusts with trading income have business income between \$1 and \$2 million
- 61.5% of trusts with main source of income from trading recorded no salary or wage expenses

## Position in trusts with business income < \$2 million

	# of trusts	Average total gross income	# with net profit for tax	Average net income for tax	Average free cash available
Agriculture, forestry and fishing	24,073	\$436,094	14,813	\$115,609	-\$303,781
Total	319,772	\$342,672	234,582	\$86,723	-\$88,235

# 'Family' in income tax law

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- 70% of all AU businesses = family businesses
- Data on legal structures not available
- Family groups taxed?
- Are family businesses different?
- Law of trusts v Family business v Access to cash
- Family Trust Election

# 'Farm trust'

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Reasons for special treatment:

- ALP speeches and media statements, 'lumpy income'

Definition:

- Business structures used in primary production?
- Land ownership v business operations
- Agistment trends in QLD
- Cash flow v entitlements

Other concessions for primary producers

# Thoughts

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- Fundamental difference between trading trusts and other small family businesses?
- Actual cash flow is unclear
- Lack of understanding of position of primary producers
- 'Unwinding' trusts, problematic



# Questions?

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