



Tax Tips for Trusts 2023

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Whether you have a trust set up for investment or business purposes, there are some common elements to getting ready for the trust's tax return.

Contrary to popular opinion, a trust is not actually a legal entity; rather, it is a formal relationship between other entities, where one entity holds property for the benefit of another entity, which could be a business or individual.

Because a trust is not a person or business entity, its income is usually taxed differently, although this depends on the setup and type of the trust. But even though the tax return is different, many other administrative aspects are the same as for any taxpaying entity.

Trust Administration

One of the most important administrative tasks to attend to, is to hold a formal meeting **before midnight on 30 June** each year to document the basis of distributions to beneficiaries.

If you haven't already done this for the 2023 financial year, talk to us as soon as possible so we can check your accounts and advise you on the best arrangements for beneficiary distributions.

Record Keeping

The other essential element of trust administration is record keeping. Although a trust may not be a legal taxpaying entity in the same way a person or business is, all records related to income and expenses must be kept for five years after lodgment of the income tax return.

Particularly important are records for any property owned by the trust. If a trust owns multiple properties, you'll need to separate income and expenses according to each property.

If the trust earns income from overseas interests or investments, all these records must also be kept.

Capital gains, interest earned, and dividends received must also be documented.

The trustee must keep records of the trust deed, trustee contact details, trustee resolutions, statements of assets and liabilities, all business contracts, and for employing trusts, all records relating to wages and superannuation.

Trust Management

Trust management can be complex but well worth the time spent keeping good records to maintain asset protection, streamline the tax return process, and maximise the allowable tax deductions.

We'll help with record keeping, managing investments, checking trust deed compliance, and simplifying the administration. And remember, the ATO has changed the rules around distributions, so we'll advise you about the best way to allocate income to beneficiaries.

Talk to us now and start preparing for your next trust tax return.

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