



## Family trust distributions tax – what you need to know

Learn when family trust distributions tax (FTDT) applies and how to limit your exposure to it leading up to 30 June.

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When considering trustee resolutions in the lead up to 30 June, it's important for trustees of family trusts who have made a Family Trust Election (FTE), or entities with an Interposed Entity Election (IEE) to:

- review their FTEs and IEEs
- understand who is in their family group.

This is critical to help lower the risk of any FTDT liabilities arising.

Once a valid FTE or IEE is made, it's important to be mindful of who the specified individual is (for each election). This is because there is a strict legal definition of **family group**, and it's based on who the members of the 'specified individual's' family group are. Often in private groups, there may be multiple family trusts with different specified individuals (which means there will be differences in who is in the 'family groups'). There may have also been expansion of the business with new entities or changes in family members (e.g. if there was a divorce). While the election is in effect, FTDT will apply if any distributions are made outside the family group. FTDT is a 47% tax, payable by a trustee, director, or partner.

To ensure you don't trigger FTDT liabilities, before making distributions, trustees should:

- maintain strong governance and record-keeping practices
- understand what FTE or IEE elections an entity or group has in place
- identify the members of the specified individual's family group.

Trustees should review this information on an annual basis and keep these elections front of mind when administering their tax affairs.


The Commissioner has no discretion to ignore the application of FTDT, cannot limit the period FTDT applies and has no power to extend the time to revoke or vary elections.

If you've not made an FTE or IEE before, or are considering making one at the end of the financial year, it's important to consider both the current and future impacts of making the election. While the concessions from making elections can be advantageous, there can be future limitations, constraints and potentially significant financial impacts for the private group for generations to come.

We're seeing an increase in FTDT issues due to inadequate record keeping, succession planning, intergenerational expansion of businesses and evolving private groups. We encourage trustees and their advisers to review now.

If you're unsure about any matters related to FTE or IEEs you should speak to your registered tax agent.

### **Resources**

- Webinar: [Family trust elections – What you need to know](#)  – our webinar explains what you need to know about FTEs and IEEs, making and managing elections, and what to do when FTDT applies.

### **Web content:**

- **Family trusts concessions** – our web content covers FTEs, IEEs, the benefits of family trusts and FTDT.
- **Trusts** – favourite or bookmark our comprehensive Trusts web content so you can access it whenever you need it.

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