



Family trust elections – what you need to know

Learn about Family Trust Elections, Interposed Entity Elections and when Family Trust Distributions Tax applies.

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You may be contemplating whether your client should make a **family trust election (FTE)** or **interposed entity election (IEE)**. Making an FTE provides access to certain **tax concessions**, however there are important things to consider.

A valid FTE or IEE can only be made where the relevant tests are satisfied, and the election is in writing in the approved form. It's important to retain the original approved form, and to disclose the FTE and/or IEE in your client's income tax returns. You, or your client, can also lodge FTEs and IEEs with us to assist with recordkeeping.


It is important to understand the specified income year and the specified individual whose **family group** is to be considered. This is because once the election is in effect, **family trust distributions tax (FTDT)** is imposed when distributions are made outside the **family group** of the specified individual. FTDT is a 47% tax, payable by a trustee, director, or partner.

You and your clients should maintain strong governance of FTEs and IEEs and review these elections annually to ensure they remain appropriate. Your clients can revoke FTEs and IEEs, and vary FTEs, subject to certain conditions. These elections should be front of mind when administering your client's tax affairs.

Before making a distribution or annual trust resolutions, trustees should identify the members of the specified individual's family group. This will help your clients avoid FTDT liabilities.

When FTDT arises, your clients must include the **family trust distribution tax payment advice** with each FTDT payment. The Commissioner has no discretion to ignore the application of FTDT. However, in some circumstances, your clients may be able to **reverse** FTDT by making an FTE or IEE specifying an earlier income year.

Attend our webinar

We want to improve you and your clients awareness of these rules to get this right. So join us at our webinar on 21 November at 11:30 am AEDT. We'll explain what you need to know about FTEs and IEEs, making and managing elections and what to do when FTDT applies. [Registrations are now open](#) .

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Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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