LCR 2016/4 - Attribution Managed Investment Trusts: 'carry-forward trust component deficit'

Australian Government
Australian Taxation Office

Attribution Managed Investment Trusts: 'carry-forward trust component deficit'

Relying on this Ruling

This publication is a public ruling for the purposes of the *Taxation Administration Act 1953*.

This Law Companion Ruling describes how the Commissioner will apply the law as amended by the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2015*.

If you rely on this Ruling in good faith, you will not have to pay any underpaid tax, penalties or interest in respect of matters it covers if it does not correctly state how a relevant provision applies to you.

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What this Ruling is about

1. This Ruling explains how to work out a *'trust component deficit'* where an attribution MIT (AMIT)[1] has a '*carry-forward trust component deficit'* as these terms are used in Division 276 of the *Income Tax Assessment Act 1997* (ITAA 1997)[2] (the attribution regime for MITs).

Date of effect

2. This Ruling is a public ruling, effective for those who rely on it in good faith in respect of assessments for income years starting on or after:

- 1 July 2016, or
- if the trustee has made an irrevocable choice to apply the new tax system for its 2015-16 income year which starts on or after 1 July 2015 – 1 July 2015.

[1] An AMIT is a managed investment trust that has elected in to the attribution regime for the taxation of MITs contained in Division 276.

[2] All legislative references in this Ruling are to the ITAA 1997 unless otherwise indicated.

Carry-forward trust component deficit

3. In working out the trust component of a particular character of assessable income, an AMIT decreases that trust component by the amount of any carry-forward trust component deficit of that character.[3] This decrease may itself give rise to a trust component deficit because the carry-forward trust component deficit is one of the amounts applied in working out any trust component deficit of that income year.[4] That trust component deficit, if any, may then be allocated against the AMIT's other trust components of a character of assessable income for that income year.[5]

Example

4. In year 1, an AMIT has a carry-forward trust component deficit of $1,000 of a character of rental income. In year 2, the AMIT has a trust component of rental income of $100. As a result, the trust component of that character for year 2 is nil, and the trust component deficit is $900. The trust component deficit of $900 may be allocated against the AMIT's other trust components in year 2. It is only if the AMIT chooses not to do so, or if those ***other*** *trust components are less than $900, that the AMIT will have a carry-forward trust component deficit of a character of rental income in year 2.*[6]

Commissioner of Taxation
5 May 2016

References

ATOlaw topic(s)	Income tax ~~ Trusts ~~ Other
Legislative references	ITAA 1997 ITAA 1997 Div 276 ITAA 1997 Subdiv 276-F ITAA 1997 276-320 ITAA 1997 276-325(3) ITAA 1997 276-330(3) Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2015

[3] Subsection 276-325(3).
[4] Section 276-320.
[5] Subsection 276-330(3).
[6] Subsection 276-330(5).