


# ***IT 2126 - Trust stripping settlement guidelines***

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TAXATION RULING NO. IT 2126

TRUST STRIPPING SETTLEMENT GUIDELINES

F.O.I. EMBARGO: May be released

REF

H.O. REF: 84/6229-1

DATE OF EFFECT: 14.12.84

B.O. REF: MELB - VJ 192/20

DATE ORIG. MEMO ISSUED:

SYD - 13/DIRC/AF 4064/6/2

PARR - A.48/5/18

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ADEL - M 336/4/71

PER - J36/243/1

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ACT - 04/GTA 4/11

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1122243

INCOME TAX AVOIDANCE  
TRUST STRIPPING  
SETTLEMENT GUIDELINES

DIVISION 6  
26(a)

PREAMBLE

This ruling is to be read in conjunction with Taxation Rulings No. IT 2100 and 2106 and with the Commissioner's Press Release 84/18 dated 17 December 1984.

2. Following representations by taxpayers wishing to make settlement offers but who were unable to do so by 1 December 1984, it has been decided to extend the terms of settlement as follows:

- (a) Where an otherwise acceptable offer of settlement is made on or before 31 December 1984 additional tax under section 226 will be remitted, but only to an amount equal to 10% of the amount that would otherwise be required to be paid.
- (b) Where an otherwise acceptable offer is made after 31 December 1984, but on or before 31 January 1985, additional tax under section 226 will be remitted to an amount equal to 25% of the amount that would otherwise be required to be paid.
- (c) Where an otherwise acceptable offer is made after 31 January 1985, but on or before 28 February 1985, additional tax under section 226 will be remitted to an amount equal to 50% of the amount that would otherwise be required to be paid.

3. In offers made after 28 February 1985, further remission of section 226 additional tax that would otherwise be payable would not be warranted.

4. To take an example, the maximum penalty under section 226(2) for a beneficiary in a trust stripping scheme who may have a liability of \$10,000 primary tax on his share of trust income omitted from his 1979 return - \$20,000 - would ordinarily be remitted to an amount of the order of \$11,300 (comprising a flat component of 40% of the tax sought to be avoided and a per annum component calculated from the due date of the 1979 assessment). If an acceptable settlement offer is made by 31 December 1984, the additional tax otherwise payable - \$11,300 - would be reduced to \$1,130. A settlement offer in January would mean additional tax of \$2,825, in February \$5,650 and after that \$11,300.

COMMISSIONER OF TAXATION

18 December 1984

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