Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Division/Agency: Tax Analysis Division
Question No: 495
Topic: Taxation treatment of family trusts
Reference: Hansard page 79 (19 October 2016)
Senator: Whish-Wilson, Peter

Question:

Senator WHISH-WILSON: [...] What is the loss to government revenue—or do you forecast—due to family trusts being tax-exempt, compared with if family trusts were taxed as companies? Can you address that question—or have you done any work on that?
Mr Ewing: I am not sure off-hand. To the extent that we did do such work, it will be kept in our tax expenditure statement, which is the annual publication we put out that reviews all of the variations of tax law from the baseline tax treatment that we say is the benchmark. I would have to take on notice whether any particular elements within that tax expenditure statement go specifically to those categories that you mentioned.

Answer:

Under the comprehensive income tax benchmark used in the Tax Expenditures Statement (TES), trusts are not separate tax units. Rather, income earned by trusts is taxable in the hands of recipients. Consequently, the TES does not report the taxation arrangements applying to trusts as a tax expenditure.