

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 20-21 February 2008

Question: aet 22

Topic: Family Trusts - Legislation

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Senator CHAPMAN asked:

Senator CHAPMAN—I refer to an article that appears in the *Australian Financial Review* on Saturday, 12 January, which was headlined ‘Rudd to reverse changes to family trust rules’, which in essence says that the new government intends to reverse the legislation that was passed last year providing greater flexibility for distribution from family trusts, in particular in relation to the requirement for family trust election which previously limited distributions down the family line as far as grandchildren, but the legislation allowed distribution to all descendants of the test person because of the problems that the previous legislation had created. Has the tax office given any advice to the government on this issue?

Mr D’Ascenzo—Again, we would be working very closely with Treasury on any legislative proposals but really at the moment this is a matter for Treasury and government in terms of advice to government.

Senator CHAPMAN—Has Treasury given advice on this issue?

Mr Ray—Senator—

Senator CHAPMAN—It was an election commitment.

Mr Ray—I think that is correct.

Senator CHAPMAN—I have searched diligently and I cannot find any.

Mr Ray—Yes, it was an election commitment. We released a costing on 14 November.

Senator CHAPMAN—What is the costing on that, please?

Mr Ray—The government has not made any further announcements on that measure.

Senator CHAPMAN—Are you aware of the intergenerational difficulties this will create, particularly for farmers and small business people who hold their businesses or farms in trusts which also may hold shares in those trusts and obviously wish to receive the franking credits? Therefore future generations will be precluded from that as a result of reversing this legislation, as this was something that was considered long and hard by the previous government before these changes were made.

Mr Ray—That is the sort of a question that really needs to go to the government.

Senator CHAPMAN—Senator Conroy?

Senator Conroy—That is a detailed question on quite a complex issue as I am sure you understand. I am happy to take that on notice and seek the Treasurer’s advice.

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Senator CHAPMAN—Will you be consulting with people in finance, financial advisers, accountants and the like, for further consideration to be given to this issue?

Senator Conroy—I will take that on notice and seek the information from the Treasurer.

Answer:

As part of its pre-election commitments, the Government announced that it would reverse the family trust changes made by the former Government in *Tax Laws Amendment (2007 Measures No 4) Act 2007*. The announcement was made along with other cost savings measures of November 2007 to fund more urgent budget priorities. Reversing the family trust changes would provide savings of up to \$8 million per annum.

The Government is currently considering the implementation details of the measure in the context of the 2008-09 Budget. The benefits of the family trust changes will be considered in light of the expected savings. The Government has been consulting the tax professional bodies.