

## Family trusts law reform

In his recent speech to the 26th annual Taxation Institute of Australia's National Convention, Assistant Treasurer Bill Shorten announced the Government will adopt two recommendations to clarify the tax law for over 600,000 trusts in Australia.

The Government has released a discussion paper for public consultation about two recommendations from the Board of Taxation that addresses two key areas of uncertainty for trusts:

1. Better align the concept of 'income of the trust estate' with 'net income of the trust'
2. Enable the streaming of capital gains and franked distributions.

The changes will apply for the 2010-11 and later income years.

"It is important to implement the Board's recommendations so businesses and individuals using trusts can continue to do so with confidence and enjoy more certainty, particularly in relation to streaming of capital gains and franking credits," Mr Shorten said.

The Government is aware that these interim changes will not resolve all of the issues with the current operation of the trust income tax provisions as highlighted by the High Court's decision in *Commissioner of Taxation v Bamford*. However, the Government understands there is urgent need for certainty on the key issues recommended by the Board.

"As I announced on 16 December 2010, the Government has made a commitment to update and rewrite Australia's trust taxation laws more broadly. Drawing on the expertise of the private sector, Treasury will develop options for public consultation that tackle these broader issues."

The consultation paper is available on the Treasury website [www.treasury.gov.au](http://www.treasury.gov.au). Submissions are requested by close of business Friday, 18 March 2011.

Following this, a further round of public consultation on exposure draft legislation and associated explanatory materials will be released as soon as possible. It is expected that legislation will be introduced into the winter sittings of Parliament.