



FAMILY TRUST ELECTIONS – DOES YOUR TRUST HAVE ONE?

As tax time approaches, it is time to think about whether your family trust is in order.

A trust can make a family trust election provided it passes the family control test. A family trust election makes a trust a family trust for tax purposes.

Broadly, the family control test will be satisfied if the trust is controlled by the family of the person named in the election.

In this context, family includes (but is not limited to) spouses, parents, grandparents, siblings, children, nephews or nieces. In some circumstances, companies, partnerships and trusts can also be considered to be members of the family.

The benefits of making a family trust election may include:

- access to franking credits;
- ability to utilise prior year losses and bad debt deductions;
- simplification of the continuity of ownership test; and
- simpler trustee beneficiary reporting rules.

A family trust election is usually lodged with the trust's income tax return in the year from which the election is to take effect. The election will then apply for all future years. However, in limited circumstances the election can be revoked.

Each year the Commissioner of Taxation releases an approved form which can be used to make the election. The election does not have to be made on the approved form. However, where it is not, it must contain all the information requested on that form.

If you would like further information or require assistance in relation to the above please do not hesitate in contacting our office on 02 9555 1309.

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