

New green zone scenario 3A – distributions involving a trustee undertaking a farming business

7. The McDonald Family Trust is a discretionary trust controlled by Old McDonald.
8. The trustee of the McDonald Family Trust carries on a farming business.
9. The management of the farming business is undertaken by Old McDonald and his daughter Young McDonald.
10. It is intended that Young McDonald will take control of the McDonald Family Trust when her father passes away.
11. During the year ended 30 June 2023, Old McDonald and Young McDonald each draw on funds from the trust bank account to meet their private outgoings.
12. On 30 June 2023, the trustee of the McDonald Family Trust makes Old McDonald and Young McDonald each presently entitled to a 50% share of the income of the trust for that year.
13. The entitlements of both Old McDonald and Young McDonald are first set-off against the amounts each drew throughout the year with the balance remaining unpaid. The funds representing the unpaid entitlements are retained by the trustee and used to maintain and improve the farm.
14. It is intended that Old McDonald and Young McDonald will each call on so much of their trust entitlements to meet future private outgoings, with funds representing any unpaid entitlements used by the trustee in the farming business which benefits them through future profitability of the enhanced business.
15. The arrangement does not have any features described in paragraph XX. We would not dedicate compliance resources to this arrangement as it meets the conditions in green zone scenario 3A of this Guideline.
16. The diagram on the next page illustrates the circumstances in this example.

