

New example for additional green zone scenario 4 concerning time lag between a loss trustee beneficiary becoming entitled and that entitlement being satisfied

35. Doctor Evergreen controls the Top Trust and the Bottom Trust.
36. Doctor Evergreen is the specified individual in the Family Trust Elections made by each of the trustees of the Top Trust and the Bottom Trust.
37. The Top Trust undertakes investment activities.
38. The Bottom Trust undertakes a business that has made tax losses, with the trustee of the Bottom Trust indebted to other parties – the debts arose in the course of carrying on the business.
39. During the year ended 30 June 2023, the trustee of the Top Trust appoints all the income of that trust to Bottom Trust.
40. On 30 September 2023, the trustee of the Top Trust finalises its accounts for the year ended 30 June 2023 and ascertains that the unpaid trust entitlement owing to the trustee of the Bottom Trust is \$250,000 for that year. The trustee of the Bottom Trust is informed of the quantum of its trust entitlement on the same day.
41. On 31 October 2023, the trust tax return is lodged for the Bottom Trust. In that return, the trustee returns the \$250,000 as assessable income. The Bottom Trust has nil taxable income as its deductions exceed its assessable income.
42. On 1 December 2023, the trustee of the Top Trust receives cash in respect of a 6 month interest-bearing term deposit that has matured. \$250,000 is transferred by the trustee of Top Trust into the bank account of the Bottom Trust in satisfaction of the entitlement.
43. The trustee of the Bottom Trust uses the \$250,000 in first repaying debts incurred in carrying on the business it undertakes and uses the balance to make a capital distribution to the beneficiaries.
44. The arrangement does not have any features that excludes it from the green zone under paragraph 26. We would not dedicate compliance resources to this arrangement as it meets the conditions in the new green zone scenario of this Guideline.