

## 2023 Trust tax return checklist

	Yes	No	N/A
<ul style="list-style-type: none"> <li>Is the trust a small business entity (SBE) (i.e., a business that meets the \$10 million aggregated turnover threshold)? If so, confirm which concessions the trust is entitled to.</li> </ul>			
<ul style="list-style-type: none"> <li>If the trust is an SBE, is it using the simplified depreciation rules?</li> </ul>			
<ul style="list-style-type: none"> <li>If the trust is not an SBE, does it meet the \$50 million aggregated turnover threshold? If so, confirm which concessions the trust is entitled to.</li> </ul>			
<ul style="list-style-type: none"> <li>Has the vesting date of the trust been considered? (refer TR 2018/6)</li> </ul>			
<ul style="list-style-type: none"> <li>Has the trust made a family trust election?</li> </ul>			
<ul style="list-style-type: none"> <li>If the trust's aggregated turnover is less than \$5 million, complete the 'net small business income' labels for 'small business income tax offset' purposes. <ul style="list-style-type: none"> <li>Net small business income (item 5, label V)</li> <li>Each beneficiary's 'Share of net small business income' (item 55, label Y)</li> </ul> </li> </ul>			
<b>Income</b>			
<ul style="list-style-type: none"> <li>Check for any cash earnings or payments that may not have been accounted for.</li> </ul>			
<ul style="list-style-type: none"> <li>Agree investment income e.g., dividends, interest with external source data.</li> </ul>			
<ul style="list-style-type: none"> <li>Have employee contributions for FBT purposes been taken up in the accounts and appropriate GST journal entries made?</li> </ul>			
<ul style="list-style-type: none"> <li>Has the trust made/received an allocation of profits from a professional firm? If yes, consider ATO former guidance 'Assessing the risk: allocation of profits within professional firms' (the guidelines can be relied upon in 2017-18 to 2021-22 where arrangements were entered into prior to 14 December 2017, see PCG 2021/4 which applies from 1 July 2022).</li> </ul>			
<ul style="list-style-type: none"> <li>Where the trust received distributions from another trust, has the rule against perpetuities been considered?</li> </ul>			
<b>Expenses</b>			
<ul style="list-style-type: none"> <li>Put through depreciation entries and agree asset balances to depreciation schedule (including journaling asset purchases and sales).</li> </ul>			
<ul style="list-style-type: none"> <li>For asset purchases: <ul style="list-style-type: none"> <li>Have the temporary full expensing rules been considered?</li> <li>Should the trustee consider opting out of temporary full expensing and/or accelerated depreciation? (Note the opt-out is not available to SBEs using simplified depreciation)</li> </ul> </li> </ul>			
<ul style="list-style-type: none"> <li>Perform annual entries for lease and hire purchase transactions.</li> </ul>			

<ul style="list-style-type: none"> <li>• Look for unusual balances of the profit and loss items (perhaps compare balances with the prior year).</li> </ul>			
<ul style="list-style-type: none"> <li>• Accounting fees – check against billings.</li> </ul>			
<ul style="list-style-type: none"> <li>• If fees are being paid to a service entity, ensure that the service fees are in line with TR 2006/2.</li> </ul>			
<ul style="list-style-type: none"> <li>• When prepayments were made during the year that cover services in the following tax year, has deductibility been determined in accordance with the prepayment rules?</li> </ul>			
<ul style="list-style-type: none"> <li>• Where any part of a prepayment was non-deductible in 2022 as a result of the prepayment rules, is the amount deductible in 2023?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has entertainment expenditure been added back for tax purposes unless it was included in the trust’s FBT return?</li> </ul>			
<ul style="list-style-type: none"> <li>• Have other non-deductible expenses been added back for tax purposes?</li> </ul>			
<ul style="list-style-type: none"> <li>• Have movements in provisions been adjusted for (e.g., provisions for annual leave and long service leave)?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has the trust paid the required superannuation guarantee contributions for employees? If not, ensure that a Superannuation guarantee charge statement has been lodged with the ATO.</li> </ul>			
<ul style="list-style-type: none"> <li>• Were employee superannuation contributions ‘made’ in the current income year per TR 2010/1 (to determine deductibility)?</li> </ul>			
<ul style="list-style-type: none"> <li>• Do wages on the income statements agree to the general ledger and activity statements lodged?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has the payment summary information been lodged with the ATO (where required)?</li> </ul>			
<ul style="list-style-type: none"> <li>• For single touch payroll purposes, has a finalisation declaration been performed for each employee?</li> </ul>			
<ul style="list-style-type: none"> <li>• Did the trust fail to meet its PAYGW obligations to withhold or notify the Commissioner? If so, a deduction is denied unless the taxpayer voluntarily discloses the issue to the ATO.</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trust is liable for workers compensation, have all payments been made in relevant year?</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trust is not registered for payroll tax, should it be?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has the June 2023 FBT instalment been deducted per TR 95/24?</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trust is engaging contractors, have you checked whether they would be classified as employees for the purposes of PAYG withholding, superannuation guarantee, workers compensation, payroll tax, etc.?</li> </ul>			
<ul style="list-style-type: none"> <li>• Ensure that the financials are in line with ATO benchmarks and investigate discrepancies where necessary.</li> </ul>			
<ul style="list-style-type: none"> <li>• If there are prior year losses, consider whether the trust loss rules are met.</li> </ul>			

<b>Balance sheet</b>			
<ul style="list-style-type: none"> <li>• Agree bank and loan balances against statements/bank reconciliations</li> </ul>			
<ul style="list-style-type: none"> <li>• Agree hire purchase balances against schedule</li> </ul>			
<ul style="list-style-type: none"> <li>• Agree debtor and creditor balances</li> </ul>			
<ul style="list-style-type: none"> <li>• Verify with client all plant and equipment is still on hand (i.e., identify sales, purchases, items scrapped)</li> </ul>			
<ul style="list-style-type: none"> <li>• Agree trading stock figures to stock take</li> </ul>			
<ul style="list-style-type: none"> <li>• Verify all other balance sheet balances</li> </ul>			
<b>PSI</b>			
<ul style="list-style-type: none"> <li>• If the trust derived any personal services income (PSI), is the trust carrying on a personal services business (PSB)?</li> <li>• If no, consider the PSI that must be attributed to an individual.</li> <li>• If yes, consider whether the Commissioner could apply Part IVA to the arrangement.</li> </ul>			
<b>Capital gains</b>			
<ul style="list-style-type: none"> <li>• If the trust sold, redeemed, or disposed of an asset in any other way during the year, have exemptions, reductions, or rollovers been considered?</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trust holds any pre-CGT assets, have there been any significant changes to the underlying ownership of the assets since 20 September 1985? (relevant for unit trusts)</li> </ul>			
<b>GST</b>			
<ul style="list-style-type: none"> <li>• If the trust is not registered for GST, should it be registered?</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trust is registered for GST, do the GST accounts reconcile to the BAS lodged?</li> </ul>			
<ul style="list-style-type: none"> <li>• Does the income declared in the activity statements reconcile with the income disclosed in the tax return?</li> </ul>			
<b>International</b>			
<ul style="list-style-type: none"> <li>• Does the trust have transactions/loans with international related parties? If yes, consider the transfer pricing rules, and consider whether an <a href="#">international dealings schedule</a> has been completed (at the time of writing, the 2023 form was yet to be released – link provided is to the 2022 form)</li> </ul>			
<ul style="list-style-type: none"> <li>• Does the trust have a bank account in another country or buy/sell products offshore? If so, consider the foreign exchange rules.</li> </ul>			
<b>Trust distributions</b>			
<ul style="list-style-type: none"> <li>• Were distributions correctly allocated to income and capital beneficiaries by 30 June 2023 (or an earlier date if required by trust deed)?</li> </ul>			
<ul style="list-style-type: none"> <li>• Is there a documented resolution for the distribution of trust income?</li> </ul>			

<ul style="list-style-type: none"> <li>• Has the definition of trust income (distributable income) been identified?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has a determination of income been made where required and if the deed permits?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has the trust's distributable income been adjusted for tax purposes?</li> </ul>			
<ul style="list-style-type: none"> <li>• Does the deed permit streaming specific categories of income to particular beneficiaries?</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trustee has attempted to stream franked dividends or capital gains for tax purposes, was a written record made by the relevant dates to make beneficiaries specifically entitled (30 June 2023 or 31 August 2023 for capital gains)?</li> </ul>			
<ul style="list-style-type: none"> <li>• Is the trust in a positive income position – both trust (distributable) income and net (taxable) income so that franking credits can pass through to the beneficiaries?</li> </ul>			
<ul style="list-style-type: none"> <li>• Will beneficiaries of a discretionary trust be entitled to claim franking credits attached to distributions based on: <ul style="list-style-type: none"> <li>▪ the small shareholder exemption; or</li> <li>▪ the trustee having a family trust election in place?</li> </ul> </li> </ul>			
<ul style="list-style-type: none"> <li>• Have the Division 7A provisions been considered in respect of unpaid distributions to companies? See TR 2010/3 and PS LA 2010/4 for distributions to 30 June 2022 and TD 2022/11 which applies from 1 July 2022.</li> </ul>			
<ul style="list-style-type: none"> <li>• Does someone other than the presently entitled beneficiary actually benefit from the trust income (e.g., trustee gives, or lends the funds to another party)? If so, has s 100A ITAA 1936 (dealing with <a href="#">'reimbursement agreements'</a>) been considered? See <a href="#">ATO guide</a> (for position to 1 July 2022), TR 2022/4 and PCG 2022/2 (in effect from 1 July 2022).</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trustee appointed income to tax exempt entities: <ul style="list-style-type: none"> <li>▪ was full payment made or a written statement provided to the entity by 31 August 2023? (refer s 100AA ITAA 1936); and</li> <li>▪ does the taxable portion of the distribution breach the 'benchmark percentage' set out in the anti-avoidance rules? (s 100AB ITAA 1936).</li> </ul> </li> </ul>			
<ul style="list-style-type: none"> <li>• Are beneficiaries presently entitled to all income of the trust (i.e., determine whether the trustee is liable for tax on any portion of the income)?</li> </ul>			
<ul style="list-style-type: none"> <li>• If trust (distributable) income is different to taxable income, has the taxable income allocated to each beneficiary been calculated using the proportionate method (adjusted for streamed franked dividends and capital gains)?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has the proportionate method been applied in accordance with the Commissioner's guidelines in TR 2012/D1 (particularly relevant where trust income includes franking credits)?</li> </ul>			

<p>Is the trustee required to pay tax on behalf of any beneficiaries (e.g., non-residents, minors)? Warning: A discretionary trust distribution to a non-resident beneficiary comprising capital gains on non-taxable Australian property (e.g., listed shares) is assessed to the trustee under s 98(3) ITAA 1936. See <i>Peter Greensill Family Co Pty Ltd (trustee) v FCT</i> [2020] FCA 559 and TD 2019/D6.</p>			
<ul style="list-style-type: none"> <li>• Where the trust has a family trust election in place, has any distribution been made to entities outside of the family group?</li> </ul>			
<ul style="list-style-type: none"> <li>• Did the trustee obtain TFNs from all beneficiaries (excluding minors, non-residents and tax-exempt entities) prior to appointing income for the 2023 income year?</li> </ul>			
<ul style="list-style-type: none"> <li>• Has the trust complied with the TFN reporting obligations for closely held trusts?</li> </ul>			
<ul style="list-style-type: none"> <li>• If the trust has distributed to another trust, have the trustee beneficiary reporting rules been complied with (only necessary where there is no family trust election in place)?</li> </ul>			