



# TRUST ALP TO CHANGE TUNE ON TAX

*Labor's singing from a new song sheet as it reaches deeper into Australians' pockets*

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Trusts have been a feature of the legal system since Roman times. They play an important part in our tax law, enabling a trustee to hold assets on behalf of others.

There are trusts for businesses, charities, deceased estates and special disability support.

Trusts are useful vehicles for asset protection, estate planning and providing flexibility to manage cash flow.

For decades, trusts have enjoyed bipartisan political support. Bill Shorten, as minister for financial services and superannuation, said in 2011: "We don't believe trusts are any form of tax avoidance. We see trusts as a legitimate feature of how Australians conduct their financial affairs."

Having junked his previous support for negative gearing and capital gains tax concessions, as well as income and company tax cuts, Shorten has also backflipped on the taxation of trusts. In a

desperate tax grab, Labor has announced it will tax the distributions of discretionary trusts at a minimum 30 per cent, a rate equivalent to that imposed on large companies.

Individuals receiving distributions will then pay additional tax at their marginal rate, where it is above 30 per cent.

This is a fundamental shift in the way trusts operate, where the recipients of the distributions pay tax at their marginal rate rather than the trust level.

Labor has refused to release the detail behind its costings but is banking on this measure raising more than \$17 billion.

Labor's new tax will hit about 300,000 small businesses that operate discretionary trusts and have a turnover up to \$10 million a year.

For example, under Labor a family carpentry business that uses a discretionary trust to distribute \$110,000 between two family members working in the business could pay almost \$15,000 a year more in tax between them.

Of the small businesses affected by Labor's new tax, more than 110,000 are in Labor electorates, with three of the top five elector-

ates where discretionary trusts are used by a small business being held by Labor or the Greens.

Labor is kicking another own goal.

In the words of the peak body representing small business, the Council of Small Business Organisations of Australia: "This is clearly just a case of the Labor Party going after hardworking small business owners because they are a soft target."

Labor tries to make a virtue of the fact it is exempting farm businesses because of their seasonal volatility. But what makes a farm business any different to an agribusiness or a tourism business that may also be subject to seasonal fluctuations and cash flow?

Other than a desperate cash grab, there is no logic to Labor's approach.

In justifying the new tax on small business, Labor claims it is targeting "the wealthiest" households, which are using trusts, in Shorten's words, "solely for tax minimisation".

This is a direct contradiction of what he said as a minister when he defended trusts as "legitimate tax arrangements" that "are an important and growing part of Australia's economy".

What is more, he said as minister he was "not looking at taxing trusts as companies".

However, this is the very thing he is now proposing to do.

Both the Board of Taxation and Labor's own Henry tax review

rejected taxing trusts in the same way as companies, with the Henry review saying "taxing trusts as companies would be poorly targeted".

What Labor will not tell you, because it doesn't suit its class-warfare rhetoric, is that there already exists an anti-avoidance provision in tax law which prevents tax distributions that are designed for the sole or dominant purpose of avoiding tax.

Indeed, on the Coalition's watch a dedicated tax-avoidance taskforce has been established at the Australian Taxation Office, cracking down on unlawful behaviour and in the process raising more than \$1bn in additional revenue and conducting more than 1000 reviews and audits.

The Coalition will maintain its vigilance in ensuring the integrity of our tax system without imposing punishing new taxes.

With more than \$200bn of new taxes, there is no limit to how far Labor will go in targeting aspiration. It has now even abandoned any pretence of wanting to keep taxes under control, recently dropping its previous support for a tax-to-GDP limit.

Whether you own your home or rent a home, whether you save for retirement or are in retirement, whether you are earning a wage or running a small business, you can't trust Shorten and Labor.

*Josh Frydenberg is the federal Treasurer.*