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| **2021 Trust tax return checklist** | **Yes** | **No** | **N/A** |
| * 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. |  |  |  |
| * If the trust is an SBE, is it using the simplified depreciation rules? |  |  |  |
| * Has the vesting date of the trust been considered? (refer TR 2018/6) |  |  |  |
| * Has the trust made a family trust election? |  |  |  |
| * 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. * Net small business income (item 5, label V) * Each beneficiary’s ‘Share of net small business income’ (item 55, label Y) |  |  |  |
| **Income** |  |  |  |
| * Check for any cash earnings or payments that may not have been accounted for. |  |  |  |
| * Agree investment income e.g., dividends, interest with external source data. |  |  |  |
| * Have employee contributions for FBT purposes been taken up in the accounts and appropriate GST journal entries made? |  |  |  |
| * 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 could be relied upon in 2017-18 to 2020-21 where arrangements were entered into prior to 14 December 2017, see PCG 2021/D2 which applies from 1 July 2021). |  |  |  |
| * Where the trust received distributions from another trust, has the rule against perpetuities been considered? |  |  |  |
| **Expenses** |  |  |  |
| * Put through depreciation entries and agree asset balances to depreciation schedule (including journaling asset purchases and sales). |  |  |  |
| * For asset purchases:   + Have the rules both pre- and post-6 October 2020 been considered?   + Have the accelerated depreciation rules been considered?   + 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) |  |  |  |
| * Perform annual entries for lease and hire purchase transactions. |  |  |  |
| * Look for unusual balances of the profit and loss items (perhaps compare balances with the prior year). |  |  |  |
| * Accounting fees – check against billings. |  |  |  |
| * If fees are being paid to a service entity, ensure that the service fees are in line with TR 2006/2. |  |  |  |
| * 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? |  |  |  |
| * Where any part of a prepayment was non-deductible in 2020 as a result of the prepayment rules, is the amount deductible in 2021? |  |  |  |
| * Has entertainment expenditure been added back for tax purposes, unless it was included in the trust’s FBT return? |  |  |  |
| * Have other non-deductible expenses been added back for tax purposes? |  |  |  |
| * Have movements in provisions been adjusted for (e.g., provisions for annual leave and long service leave)? |  |  |  |
| * 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. |  |  |  |
| * Were employee superannuation contributions ‘made’ in the current income year per TR 2010/1 (to determine deductibility)? |  |  |  |
| * Do wages on the income statements agree to the general ledger and activity statements lodged? |  |  |  |
| * Has the payment summary information been lodged with the ATO (where required)? |  |  |  |
| * For single touch payroll purposes, has a finalisation declaration been performed for each employee? |  |  |  |
| * 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. |  |  |  |
| * If the trust is liable for workers compensation, have all payments been made in relevant year? |  |  |  |
| * If the trust is not registered for payroll tax, should it be? |  |  |  |
| * Has the June 2021 FBT instalment been deducted per TR 95/24? |  |  |  |
| * 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.? |  |  |  |
| * Ensure that the financials are in line with ATO benchmarks, and investigate discrepancies where necessary. |  |  |  |
| * If there are prior year losses, consider whether the trust loss rules are met. |  |  |  |
| **Balance sheet** |  |  |  |
| * Agree bank and loan balances against statements/bank reconciliations |  |  |  |
| * Agree hire purchase balances against schedule |  |  |  |
| * Agree debtor and creditor balances |  |  |  |
| * Verify with client all plant and equipment is still on hand (i.e., identify sales, purchases, items scrapped) |  |  |  |
| * Agree trading stock figures to stock take |  |  |  |
| * Verify all other balance sheet balances |  |  |  |
| **PSI** |  |  |  |
| * If the trust derived any personal services income (PSI), is the trust carrying on a personal services business (PSB)? * If no, consider the PSI that must be attributed to an individual. * If yes, consider whether the Commissioner could apply Part IVA to the arrangement. |  |  |  |
| **Capital gains** |  |  |  |
| * If the trust sold, redeemed, or disposed of an asset in any other way during the year, have exemptions, reductions, or rollovers been considered? |  |  |  |
| * 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) |  |  |  |
| **GST** |  |  |  |
| * If the trust is not registered for GST, should it be registered? |  |  |  |
| * If the trust is registered for GST, do the GST accounts reconcile to the BAS lodged? |  |  |  |
| * Does the income declared in the activity statements reconcile with the income disclosed in the tax return? |  |  |  |
| **International** |  |  |  |
| * Does the trust have transactions/loans with international related parties? If yes, consider the transfer pricing rules, and consider whether an [international dealings schedule](https://www.ato.gov.au/Forms/International-dealings-schedule-instructions-2020/) has been completed (at the time of writing, the 2021 form was yet to be released – link provided is to the 2020 form) |  |  |  |
| * Does the trust have a bank account in another country or buy/sell products offshore? If so, consider the foreign exchange rules. |  |  |  |
| **Trust distributions** |  |  |  |
| * Were distributions correctly allocated to income and capital beneficiaries by 30 June 2021 (or an earlier date if required by trust deed)? |  |  |  |
| * Is there a documented resolution for the distribution of trust income? |  |  |  |
| * Has the definition of trust income (distributable income) been identified? |  |  |  |
| * Has a determination of income been made where required and if the deed permits? |  |  |  |
| * Has the trust’s distributable income been adjusted for tax purposes? |  |  |  |
| * Does the deed permit streaming specific categories of income to particular beneficiaries? |  |  |  |
| * 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 2021 or 31 August 2021 for capital gains)? |  |  |  |
| * 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? |  |  |  |
| * Will beneficiaries of a discretionary trust be entitled to claim franking credits attached to distributions based on: * the small shareholder exemption; or * the trustee having a family trust election in place? |  |  |  |
| * Have the Division 7A provisions been considered in respect of unpaid distributions to companies? |  |  |  |
| * Where the distribution remains unpaid, does another person actually benefit from the trust income (e.g., trustee gives, or lends on interest-free terms, the money to another party)? If so, has s 100A ITAA 1936 (dealing with ‘[reimbursement agreements](https://www.ato.gov.au/General/Trusts/In-detail/Distributions/Trust-taxation---reimbursement-agreement/)’) been considered? |  |  |  |
| * If the trustee appointed income to tax exempt entities: * was full payment made or a written statement provided to the entity by 31 August 2021? (refer s 100AA ITAA 1936); and * does the taxable portion of the distribution breach the “benchmark percentage” set out in the anti-avoidance rules? (s100AB ITAA 1936). |  |  |  |
| * 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)? |  |  |  |
| * 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)? |  |  |  |
| * 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)? |  |  |  |
| * Is the trustee required to pay tax on behalf of any beneficiaries (e.g., non-residents, minors)? |  |  |  |
| * Where the trust has a family trust election in place, has any distribution been made to entities outside of the family group? |  |  |  |
| * Did the trustee obtain TFNs from all beneficiaries (excluding minors, non-residents and tax-exempt entities) prior to appointing income for the 2021 income year? |  |  |  |
| * Has the trust complied with the TFN reporting obligations for closely held trusts? |  |  |  |
| * 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)? |  |  |  |