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# VICCA NEWS

## TAX STRUCTURE ANALYSIS

## POST 1 JULY 2028 — 30% MINIMUM TAX ON DISCRETIONARY TRUSTS
## COMPARATIVE SCENARIOS & CORPORATE GROUP STRATEGY
## MAY 2026

### Assumptions

All scenarios trace $100 of net profit to the final net cash received by an individual. The following assumptions apply throughout:

- All individuals are at the top marginal rate of 47% (45% income tax + 2% Medicare levy)
- Company tax rate is 25% (base rate entity) unless otherwise stated
- Post 1 July 2028 rules apply (30% minimum tax on discretionary trusts)
- All dividends are fully franked where possible
- Family Trusts are discretionary trusts caught by the new 30% minimum tax
- Unit Trusts are fixed trusts (excluded from the 30% minimum tax)
- Intercorporate dividends between wholly-owned group companies are not assessable income to the receiving company under Division 1A

# PART A: COMPARATIVE SCENARIOS

### Scenario 1: Unit Trust → Family Trust → Bucket Company → Individual

| Step | Event | Tax Paid | Running Cash |
|---|---|---|---|
| **1** | Unit Trust earns $100 (fixed trust — flows through) | $0 | $100.00 |
| **2** | Family Trust receives $100. Trustee pays 30% minimum tax | $30.00 | $70.00 |
| **3** | Bucket Company receives $70. No credit. Pays 25% on $70 | $17.50 | $52.50 |
| **4** | Franked dividend to individual: $52.50 + $17.50 franking = $70 grossed up. Tax at 47% = $32.90 less $17.50 credit | $15.40 | $37.10 |

**Total tax: $62.90 | Effective rate: 62.9% | Net to individual: $37.10**

### Scenario 2: Trading Family Trust → Bucket Company → Individual

| Step | Event | Tax Paid | Running Cash |
|---|---|---|---|
| **1** | Trading Family Trust earns $100. Trustee pays 30% | $30.00 | $70.00 |
| **2** | Bucket Company receives $70. No credit. Pays 25% on $70 | $17.50 | $52.50 |
| **3** | Franked dividend to individual: $52.50 + $17.50 franking = $70 grossed up. Tax at 47% = $32.90 less $17.50 credit | $15.40 | $37.10 |

**Total tax: $62.90 | Effective rate: 62.9% | Net to individual: $37.10**

*Same result as Scenario 1 — the Unit Trust layer adds nothing because it is a flow-through.*

### Scenario 3: Company → Individual (Franked Dividend Only)

This is the benchmark — the imputation system working as designed with no double taxation.

| Step | Event | Tax Paid | Running Cash |
|---|---|---|---|
| **1** | Company earns $100, pays 25% company tax | $25.00 | $75.00 |
| **2** | Fully franked dividend to individual: $75 + $25 franking = $100 grossed up. Tax at 47% = $47 less $25 franking credit | $22.00 | $53.00 |

**Total tax: $47.00 | Effective rate: 47% | Net to individual: $53.00**

### Scenario 4 (A) Company → Shareholder Family Trust → Bucket Company → Individual

| Step | Event | Tax Paid | Running Cash |
|---|---|---|---|
| **1** | Company earns $100, pays 25% tax | $25.00 | $75.00 |
| **2** | Fully franked dividend to Family Trust: $75 + $25 franking = $100 grossed up | — | $75.00 + franking |
| **3** | Trust trustee pays 30% on $100 less $25 franking credit = $5 net | $5.00 | $70.00 |
| **4** | Bucket Company receives $70. No credit. Pays 25% | $17.50 | $52.50 |
| **5** | Franked dividend to individual: $52.50 + $17.50 franking = $70 grossed up. Tax at 47% = $32.90 less $17.50 | $15.40 | $37.10 |

**Total tax: $62.90 | Effective rate: 62.9% | Net to individual: $37.10**

*Same outcome — the moment a discretionary trust distributes to a corporate beneficiary, you land at 62.9%.*

## Vs

### Scenario 4 (B) Company → Shareholder Family Trust → Individual

| Step | Event | Tax Paid | Running Cash |
|---|---|---|---|
| **1a** | Company earns $100, pays 25% | $25.00 | $75.00 |
| **1b** | Family Trust receives $75 + $25 franking = $100. Trustee pays 30% less $25 franking = $5 net | $5.00 | $70.00 |
| **1c** | Individual at 47% on $100 = $47, less $30 non-refundable trust credit = $17 top-up | $17.00 | $53.00 |

**Total tax: $47.00 | Effective rate: 47% | Net to individual: $53.00**

### Scenario 5: Company → Family Trust → Individual → New Company → Individual

This is two separate cycles. The individual extracts cash, invests it personally in a new company, and the company earns $100 new profit.

### Cycle A — Getting money to the individual:

| Step | Event | Tax Paid | Running Cash |
|---|---|---|---|
| **1a** | Company earns $100, pays 25% | $25.00 | $75.00 |
| **1b** | Family Trust receives $75 + $25 franking = $100. Trustee pays 30% less $25 franking = $5 net | $5.00 | $70.00 |
| **1c** | Individual at 47% on $100 = $47, less $30 non-refundable trust credit = $17 top-up | $17.00 | $53.00 |

**Tax on Cycle A: $47.00 | Individual has $53.00 to invest**

### Cycle B — Individual invests $53 in new company, company earns $100 new profit:

| Step | Event | Tax Paid | Running Cash |
|---|---|---|---|
| **2a** | New company earns $100, pays 25% | $25.00 | $75.00 |
| **2b** | Fully franked dividend to individual: $75 + $25 franking = $100. Tax at 47% = $47 less $25 credit | $22.00 | $53.00 |

**Tax on Cycle B: $47.00 | Net to individual: $53.00**

*When the individual invests directly in a company, imputation works perfectly and you are back to 47%. The new rules do not penalise the company-to-individual relationship.*

### Summary: All Five Scenarios Compared

| # | Structure | Effective Rate | Net on $100 |
|---|---|---|---|
| 1 | Unit Trust → Family Trust → Bucket Coy → Individual | **62.9%** | **$37.10** |
| 2 | Trading Family Trust → Bucket Coy → Individual | **62.9%** | **$37.10** |
| 3 | Company → Individual (franked) ***and*** Company → Family Trust → Individual | **47%** | **$53.00** |
| 4 | Company → Family Trust → Bucket Coy → Individual | **62.9%** | **$37.10** |
| 5 | Company → Family Trust → Individual → New Company → Individual | **47%** | **$53.00** |

**Key Takeaway:** Any chain that includes a discretionary trust distributing to a corporate beneficiary hits a minimum 62.9% Tax loss assumes the taxpayer is in the highest marginal rates of Tax. Remove the bucket company and you are back to 47%. The Government has effectively made the company-direct-to-individual structure the most tax-efficient path.

**Moving Forward:** The key insight is to keep money circulating within the corporate group and never let it touch the discretionary trust until it absolutely has to reach an individual. Where the Holding Company shares are held by a discretionary trust, money can only move from Holding Company to a new subsidiary via two pathways: subscribed capital or an intercompany loan. Each has its benefits. The holding company should only accumulate dividend distributions from subsidiaries and invest in low risk assets or per the diagram below keep the moneys circulating with in Corporate Structures utilising new subsidiaries.

## Structure Diagram

```
      Shareholder Family Trust (Discretionary)
                         │
            Holding Company (non-trading)
              ┌──────────┼──────────┐
Trading    Trading    NEW Subsidiary Asset
 Sub 1      Sub 2       Accumulation Co
```

**The bucket company strategy is dead. The corporate group strategy continues to be the best operating structure and asset retention model.**