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VICCA NEWS

TAX STRUCTURE ANALYSIS & REVISION

Comparative Scenarios: Earlier Budget Reading vs Consultation Paper Gross-Assessment Model · Revision of 19/05/2026 Analysis · 10 July 2026

What Changed and Why the Tables are Revised

On 19 May 2026 the Newsletter analysis assessed Bucket Companies (i.e. Corporate Beneficiaries) on the net $70 cash received after the trustee's 30% minimum tax (25% × $70 = $17.50 — or, at the 30% corporate rate, $21.00: the '$30 + $21' reading). At that time, the 'net reading' was the dominant industry assumption in the weeks following the Budget; however, the Consultation Paper puts forward with absolute clarity what was always the intended outcome of the 2026 Budget. Hence the earlier tables are reproduced below reflecting the Treasurer's always-intended and ultimate position: the demise of the 'Bucket Company' regime.

Part A: Comparative Scenarios (Revised)

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

	Event	Earlier Budget Reading (Co. Taxed on Net $70)		Consultation Paper (Co. Taxed on Gross $100, No Credit)	
Step		**Tax**	**Cash**	**Tax**	**Cash**
1	Unit Trust earns $100 (fixed trust — flows through)	$0.00	$100.00	$0.00	$100.00
2	Family Trust receives $100. Trustee pays 30% minimum tax	$30.00	$70.00	$30.00	$70.00
3	Bucket Company. Earlier: assessed on $70 cash received, 25% = $17.50. CP: assessed on full $100 entitlement, no credit, 25% = $25.00	$17.50	$52.50	$25.00	$45.00
4	Fully franked dividend to individual at 47%. Earlier: $52.50 + $17.50 franking = $70 gross-up; $32.90 − $17.50. CP: $45.00 + $15.00 franking (cap: 45 × 25/75) = $60 gross-up; $28.20 − $15.00. $10.00 franking TRAPPED in company	$15.40	$37.10	$13.20	$31.80
	TOTAL — Effective Rate / Net to Individual	**$62.90**	**$37.10**	**$68.20**	**$31.80**

Scenario 2: Trading Family Trust → Bucket Company → Individual

	Event	Earlier Budget Reading (Co. Taxed on Net $70)		Consultation Paper (Co. Taxed on Gross $100, No Credit)	
Step		**Tax**	**Cash**	**Tax**	**Cash**
1	Trading Family Trust earns $100. Trustee pays 30%	$30.00	$70.00	$30.00	$70.00
2	Bucket Company. Earlier: 25% × $70 = $17.50. CP: 25% × $100 entitlement, no credit = $25.00	$17.50	$52.50	$25.00	$45.00
3	Fully franked dividend to individual at 47%. Earlier: $70 gross-up, $32.90 − $17.50. CP: $60 gross-up ($45 + $15 franking), $28.20 − $15.00; $10.00 franking trapped	$15.40	$37.10	$13.20	$31.80
	TOTAL — Effective Rate / Net to Individual	**$62.90**	**$37.10**	**$68.20**	**$31.80**

Scenario 3: Company → Individual (Franked Dividend Only) — Benchmark

	Event	Earlier Budget Reading (Co. Taxed on Net $70)		Consultation Paper (Co. Taxed on Gross $100, No Credit)	
Step		**Tax**	**Cash**	**Tax**	**Cash**
1	Company earns $100, pays 25% company tax	$25.00	$75.00	$25.00	$75.00
2	Fully franked dividend to individual: $75 + $25 franking = $100 gross-up. 47% = $47.00 − $25.00 credit	$22.00	$53.00	$22.00	$53.00
	TOTAL — No Discretionary Trust, No Bucket Company: UNCHANGED	**$47.00**	**$53.00**	**$47.00**	**$53.00**

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

	Event	Earlier Budget Reading (Co. Taxed on Net $70)		Consultation Paper (Co. Taxed on Gross $100, No Credit)	
Step		**Tax**	**Cash**	**Tax**	**Cash**
1	Company earns $100, pays 25% tax	$25.00	$75.00	$25.00	$75.00
2	Fully franked dividend to Family Trust: $75 + $25 franking = $100 gross-up	—	$75.00	—	$75.00
3	Trustee pays 30% on $100 less $25 franking credit (mandatory first use) = $5 net	$5.00	$70.00	$5.00	$70.00
4	Bucket Company. Earlier: 25% × $70 = $17.50. CP: assessed on $100 entitlement, no credit for trustee tax or franking already absorbed at trust level, 25% = $25.00	$17.50	$52.50	$25.00	$45.00
5	Fully franked dividend to individual at 47%. Earlier: $70 gross-up, $32.90 − $17.50. CP: $60 gross-up, $28.20 − $15.00; $10.00 franking trapped	$15.40	$37.10	$13.20	$31.80
	TOTAL — Effective Rate / Net to Individual	**$62.90**	**$37.10**	**$68.20**	**$31.80**

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

	Event	Earlier Budget Reading (Co. Taxed on Net $70)		Consultation Paper (Co. Taxed on Gross $100, No Credit)	
Step		Tax	Cash	Tax	Cash
1a	Company earns $100, pays 25%	$25.00	$75.00	$25.00	$75.00
1b	Family Trust receives $75 + $25 franking = $100. Trustee 30% less $25 franking = $5 net	$5.00	$70.00	$5.00	$70.00
1c	Individual at 47% on $100 = $47.00, less $30 non-refundable trust credit = $17 top-up	$17.00	$53.00	$17.00	$53.00
	TOTAL — No Bucket Company in Chain: UNCHANGED	**$47.00**	**$53.00**	**$47.00**	**$53.00**

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

	Event	Earlier Budget reading (co. taxed on net $70)		Consultation paper (co. taxed on gross $100, no credit)	
Step		Tax	Cash	Tax	Cash
A	Cycle A: Company → Family Trust → Individual (as Scenario 4(B))	$47.00	$53.00	$47.00	$53.00
B	Cycle B: Individual invests $53 in new company; company earns $100 new profit; franked dividend to individual	$47.00	$53.00	$47.00	$53.00
	TOTAL Each Cycle — No Bucket Company: UNCHANGED	**$47.00**	**$53.00**	**$47.00**	**$53.00**

Summary: All Five Scenarios, Both Readings

#	Structure	Earlier Reading — Eff. rate	Net on $100	CP Reading — Eff. rate	Net on $100
1	Unit Trust → Family Trust → Bucket Coy → Individual	62.9%	$37.10	68.2%	$31.80
2	Trading Family Trust → Bucket Coy → Individual	62.9%	$37.10	68.2%	$31.80
3	Company → Individual (Franked); Company → Family Trust → Individual	47.0%	$53.00	47.0%	$53.00
4	Company → Family Trust → Bucket Coy → Individual	62.9%	$37.10	68.2%	$31.80
5	Company → Family Trust → Individual → New Company → Individual	47.0%	$53.00	47.0%	$53.00

At the 30% corporate rate: the same correction runs $30 + $21 → $30 + $30 at the entity levels. Full cascade: bucket company cash $40 after tax; maximum franking on a $40 dividend = $17.14 (40 × 30/70), trapping $12.86; individual top-up $9.71; all-in effective rate **69.7%** (vs 65.9% on the earlier reading at that rate).

Conclusion

The Consultation Paper does not soften the treatment of distributions to Bucket Companies.

Any chain in which a Discretionary Trust distributes to a Corporate Beneficiary now hits **68.2% (BRE – base rate entity) / 69.7% (at 30% rate)** if the model is enacted unchanged, versus 47% for company-direct or trust-to-individual paths. The 19/05 conclusions therefore stand: ***the bucket company strategy is dead***; keep money circulating within the Corporate Group (subscribed capital or intercompany loans between Holding Company and Subsidiaries) and let it touch the Discretionary Trust only when it must reach an individual — at which point Scenario 4(B) mechanics deliver 47% with the trust credit fully absorbed.

Warning*: These measures are not yet law; assessment mechanics, credit design, excess / trapped franking and pre-2028 UPE transition are all live consultation items. If the exposure draft adopts a net-assessment or credit model for corporate beneficiaries, the grey columns become the operative numbers. The table figures exclude Medicare levy interactions at entity level, Div 7A on any retained UPEs, and state duties on restructures.*