WP WRIGHTPARTNERS PTY LTD
ACCOUNTANTS AND REGISTERED TAX AGENTS

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2026 Business Tax Return Checklist

Name of taxpayer: ______________________________

Preferred contact no ______________ Email: ______________

Please ensure you have all the information needed to complete the Return, as having to put your Return aside can cause unnecessary delays in completion. The checklist is a guide to assist in this task, which although by no means exhaustive, should prove useful.

Client Records Required	**Information Provided/Notes**
Stock on Hand at 30th June & the basis of valuation i.e. cost, market value etc.	
Accounting information, including any trial balance, profit & loss and balance sheet (if applicable)	
Accrued expenses (e.g. audit fees and bonuses) and unearned revenue	
Asset register detailing depreciating assets bought and sold or scrapped during the year and any other capital assets purchased during the year	
Bank statements *(Reconciled in Software)*	
Cashbook (if maintained)	
CGT register (if maintained)	
Cheque butts and deposit books (if maintained)	
Copies of Instalment Activity Statements and/or Business Activity Statements lodged for the income year	
Copies of invoices for fees paid to registered tax agent or auditor (if another firm provided services)	
Copies of invoices or documentation for material amounts or which relate to extraordinary transactions plus Purchase of assets	
Copies of sell notes and settlement statements for shares purchased and sold (including original contract notes and settlement statements, if possible)	
Copies of sell notes for units in managed funds purchased and sold (including original purchase notes, if possible)	
Details of any investments purchased during the year	
Details of any leases entered into and terminated during the year	
Details of provision for long service leave, annual leave or any other provision or reserve	

Single Touch Payroll (STP) Finalisation Report/Payroll reconciliation reports	
Insurance Payout for your business or business premises	
Superannuation Reconciliation	
Transactions involving Crypto currency (eg Bitcoin, NFT's)	
Education & Training expenses	
Balance of Petty Cash as of 30th June 2026	
Details of work-in-progress (at cost basis) (if applicable)	
Distribution statements, annual tax statements and capital gains statements from managed funds	
Dividend statements	
Documentation relating to acquisition or disposal of CGT assets (e.g. purchase contracts and sale contracts)	
Listing of trade creditors with amounts owing	
Listing of trade debtors with amounts outstanding	
Rental statements	
Statements from lenders detailing the opening and closing balances of existing loans during the financial year (and any repayments made)	
Details of government grants received during the year i.e. Solar; Heating & Cooling; Upgrade/Repairs; Disaster Loans	
Details of employee/s training with registered organisations. i.e First Aid certificate etc	

NOTE: *To ensure that you will obtain the maximum deductions to which you are entitled, and in consideration of the penalty provisions, **full details of any claims should be provided and supporting documentation be available. Documentation must comprise receipts, dockets, diary notations and extensive details of any estimates.***

ALL TAX REFUNDS WILL NOW ONLY ISSUE DIRECTLY TO A BANK ACCOUNT. PLEASE BRING YOUR BANK ACCOUNT DETAILS TO APPOINTMENT.

What’s new

Federal Budget 2026-27

The Government handed down the 2026–27 Federal Budget on 12 May 2026, which included a broad range of significant proposed tax reform measures.

The key measure that is significant for most discretionary trusts is the Government’s proposed a minimum tax 30% tax on discretionary trust distributions from 1 July 2028. With the 30% minimum tax imposed at trust level, the intention is that individuals and other non-corporate beneficiaries will receive a non-refundable tax credit for the tax paid by the trustee. This is not intended to be the case for corporate beneficiaries, which is likely to discourage their use.

To alleviate the impact of this proposed measure, the Government has announced a limited form of CGT rollover relief for three years from 1 July 2027 for those who wish to restructure out of a discretionary trust into a company or fixed trust.

Other key announcements that are relevant for trusts include:

- Proposed changes to negative gearing, limiting deductions for residential property investments to new builds from 1 July 2027,
- The replacement of the 50% CGT discount with inflation adjusted indexation from 1 July 2027, together with the introduction of a proposed minimum 30% tax rate on capital gains. This also includes a proposed measure to bring pre-CGT assets acquired before 20 September 1985 within the CGT net targeting any gains accruing from 1 July 2027.

Since the Budget was handed down, legislation relating to some of the key tax measures has now been introduced into Parliament on 28 May 2026 but they are not yet law and the final form of the rules might end up changing.

We recommend that you avoid making significant restructuring or transaction decisions based solely on the current announcements without speaking with us first. We will continue to monitor developments and provide updates as further detail becomes available.

ATO interest charges

General Interest Charges (GIC) and Shortfall Interest Charges (SIC) imposed by the ATO are no longer tax-deductible if they are incurred from 1 July 2025.

As these amounts are no longer deductible, the actual cost associated with ATO interest charges will be higher now for many taxpayers. This means that the costs associated with leaving tax debts outstanding will often be higher, making it even more important to let us know if you are struggling to pay debts that are owed to the ATO.

The ATO still retains discretion to remit GIC and SIC in appropriate, but this isn't guaranteed and you should never assume that the ATO will release you from interest charges.

Areas of ATO scrutiny

The way in which trusts distribute income has come under intense scrutiny in recent years. As a result of this scrutiny, the ATO has issued new guidelines and warnings dealing with trust distribution arrangements which need to be carefully considered by trustee before taking steps to appoint or distribute income to beneficiaries.

Generally, the ATO will look for arrangements where amounts are allocated or appointed to beneficiaries, but they don't receive the real financial benefit of the distribution. If the arrangement has the effect of reducing the overall tax paid on the income of the trust, then this will normally increase the level of risk involved.

Areas likely to attract the ATO's interest include:

- **Circular trust distributions** – where income is appointed from Trust 1 to Trust 2, with some or all of that amount being distributed back to Trust 1 (directly or indirectly). Alternatively, where a company pays dividends to a trust shareholder, which then distributes some of those dividends back to the company. See the red zone risk rating in *Section 100A guidelines and enforcement* below and *Anti-avoidance and 'round robin' trust distributions* in trust housekeeping below.
- **Differences between distributable income and taxable income** – the risk increases when it appears that deliberate attempts have been made to create or take advantage of these differences.
- **Distributions of franked dividends** - franking credit integrity rules are not applied or applied incorrectly when making or receiving franked distributions. The ATO has raised concerns in relation to corporate beneficiaries accessing franking credits in situations where a trust receives a franked dividend and subsequently distributes the dividends to a corporate beneficiary that was incorporated after the original dividend was paid.
- **Distributions to SMSFs** – the tax treatment of non-arm's length income, entitlements as a result of loans from a related party, and a low rate of return received by an SMSF from its investments.
- **Distributions to tax-preferred beneficiaries** – distributions to tax-exempt entities where the amount is not actually paid across to the beneficiary, where losses are claimed against an entity's share of the trust's net income, where capital and carried forward losses are applied against the entity's share of the trust's capital gains, distributions to entities that pay no or very low rates of tax, distributions to foreign beneficiaries or entities, etc. See also *Tax exempt entities* in trust housekeeping below.
- **Family trust distributions tax** – where distributions made by a trust that has made a family trust election are to someone who is outside of the family group as defined in the tax rules.
- **Income recharacterisation arrangements** – where special purpose trusts recharacterise ordinary income as discountable capital gains, and where the character of trust income is changed to access the withholding tax provisions.
- **Loss trust moved into group** – where a trust with significant capital losses is moved into a group and related entities attempt to offset gains against the trust's losses.
- **Non-lodgment** – failure to lodge tax returns and meet compliance requirements.
- **Non-resident capital gains** – where capital gains are attributed to a non-resident beneficiary.

- **Potential reimbursement agreements** – where distributions are made to low taxed beneficiaries but the actual payment or economic benefit is directed to another person or entity. See the red zone risk rating in *Section 100A guidelines and enforcement* below.
- **Unit trusts** – where private companies invest in a unit trust and the cost of the units appear inflated, and where entitlements are retained in the trust or used to make loans or payments to shareholders or associates of shareholders of the private company.

Section 100A guidelines and enforcement

In 2022 the ATO issued some updated guidance which deals with the potential application of the integrity rules in section 100A to trust distribution arrangements. As the guidelines have been in place for a couple of years we now expect the ATO to be looking closely to ensure that they are being applied appropriately.

Section 100A is aimed at situations where income of a trust is appointed in favour of a beneficiary but the real economic benefit of the distribution is provided to another individual or entity. If trust distributions are caught by section 100A, then this generally results in the trustee being taxed at penalty rates rather than the beneficiary being taxed at their own marginal tax rates.

Section 100A doesn't apply when distributions are made to minor beneficiaries or when the arrangement is part of an ordinary family or commercial dealing. The ATO guidelines look at a range of common scenarios and whether they would be fall within some specific 'risk zones'; white, green and red. Each zone determines the level of compliance resources that the ATO will dedicate to reviewing the arrangement:

White zone	Pre-1 July 2014 arrangements. The ATO will not look into these arrangements unless it is part of an ongoing investigation or for arrangements that continue after this date.
Green zone	Low risk arrangements unlikely to be reviewed by the ATO, assuming the arrangement is properly documented. For example, when a trust appoints income to an individual, but the funds are paid into a joint bank account that the individual holds with their spouse then this would ordinarily be a low-risk scenario. Or, where the trust income appointed to the beneficiary is paid within two years and used for their own benefit. Another example of a low-risk arrangement is where the funds are retained by the trust and used as working capital in the trust's business and the beneficiary controls the trustee.
Red zone	High risk arrangements that will be reviewed in detail. **Adult children** High on the ATO's list of red zone arrangements are where an adult child's entitlement to trust income is paid to a parent or other caregiver to reimburse them for expenses incurred before the adult child turned 18. For example, school fees at a private school. Or, where a loan (debit balance account) is provided by the trust to the adult child for expenses they incurred before they were 18 and the entitlement is used to pay off the loan. **Circular arrangements** Circular arrangements could also fall within the scope of section 100A. For example, section 100A could be triggered if: • The trustee resolves to appoint income to a company at the end of year 1.

- The company includes its share of the trust's net income in its assessable income for year 1 and pays tax at the corporate rate.
- The company pays a fully franked dividend to the trustee in year 2, sourced from the trust income, and the dividend forms part of the trust income and net income in year 2.
- The trustee makes the company presently entitled to some or all of the trust income at the end of year 2 (which might include the franked distribution).
- These steps are repeated in subsequent years.

It is essential to ensure that all trust distribution arrangements are reviewed with reference to the ATO's guidance to determine the level of risk. It is also vital to ensure that appropriate documentation is in place to demonstrate how funds relating to trust distributions are being used or applied for the benefit of beneficiaries.

Trust 'housekeeping'

Payment deferrals

If you are having trouble paying your tax liability, please let us know as soon as possible so we can negotiate a deferral or payment plan with the ATO on your behalf.

TFN reporting

Has your trust lodged TFN reports for all beneficiaries?

Trustees of closely held trusts have some additional reporting obligations outside the lodgement of the trust tax return each year. The Australian Taxation Office (ATO) is currently reviewing trustees to ensure their compliance with these obligations, particularly the requirement to lodge TFN reports for beneficiaries.

Where TFN provided

Where beneficiaries have quoted their TFN to the trustee, trustees are required to lodge a TFN report (once) for each beneficiary. The TFN report must be lodged by the end of the month following the end of the quarter in which a beneficiary quoted their TFN. For example, if the trustee receives a beneficiary's TFN in April, they must lodge a TFN report by the end of July.

Where TFN not provided

Where a TFN has not been provided by a beneficiary, the trustee is required to withhold tax at a rate of 47% on distributions made to the beneficiary and pay this to the ATO. The trustee must also lodge an annual report of all amounts withheld.

Failure to comply with the TFN reporting and withholding requirements may trigger penalties.

TB Statement

If you're a trustee of a closely held trust (that is not classified as an excluded trust), you might need to make a correct TB statement if distributions are being made to another trust.

If you fail to make a correct TB statement in respect of a beneficiary when required, you're liable to pay trustee beneficiary non-disclosure tax on some or all of the distribution or you might be guilty of an offence under section 8C of the *Taxation Administration Act 1953*.

You don't have to make a TB statement if the trust:

- Has a valid family trust election in place
- Has a valid interposed entity election in place
- Forms part of a 'family group' as defined in the tax rules;
- You're within a class of trustees that the ATO has determined by legislative instrument is not required to do so.

Trust distributions

Validity of trust distributions

A recent Supreme Court case provides a warning around trust distribution decisions.

The Court found the trustee had failed to give real and genuine consideration to the position of the two beneficiaries of a discretionary trust. Those beneficiaries were largely estranged from the family and did not receive trust distributions for the relevant years.

The distributions were found to be invalid, and this case has potential ramifications for trustees exercising their discretion in appointing trust income, especially where some beneficiaries are being excluded due to personal relationships. In turn, if the trust distributions are found be invalid, this could have flow-on tax implications.

Timing of resolutions

Trustees (or directors of a trustee company) need to consider and decide on the distributions they plan to make by 30 June 2026 at the latest (the trust deed may actually require this to be done earlier). Decisions made by the trustees should be documented in writing, preferably by 30 June 2026.

If valid resolutions are not in place by 30 June 2026, the risk is that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax would normally apply).

Anti-avoidance and 'round robin' trust distributions

Anti-avoidance measures prevent family trusts engaging in 'round robin' circular trust distributions with other closely held trusts.

The rules impose penalty rates of tax in situations where trust income is distributed to one or more other trusts and ends up being distributed back to the first trust. Trusts that have made a family trust election are no longer excluded from these rules.

Distributions to non-resident beneficiaries

In some circumstances, non-resident beneficiaries can be taxed in Australia on gains relating to foreign assets, which would not have been taxed in Australia had they been made by the beneficiary directly.

If a resident discretionary trust makes a capital gain, the ATO expects that this will normally be taxed in Australia, even if the gain is distributed to a non-resident beneficiary, even if the gain does not relate to Taxable Australian Property (TAP) and even if the gain has a foreign source. Given that non-resident beneficiaries will be taxed at non-resident tax rates and may not have access to the full CGT discount, it is important for trustees to consider this carefully when deciding on distributions for trusts that have a mixture of resident and non-resident beneficiaries.

The ATO's determinations do not take into account the possible application of any double tax agreements. This is another issue that would need to be considered to reach a conclusion on how distributions are likely to be taxed in the hands of non-resident beneficiaries.

Low-income tax offset and minors reminder

The low-income offset is not available to minors who only receive 'unearned' income (e.g. distributions from a discretionary trust). Minors who only receive 'unearned' income will normally be subject to penalty rates of tax on income that exceeds $416.

Normal marginal tax rates can potentially still apply to minors who receive distributions from a deceased estate or testamentary trust. However, recent amendments to the rules in this area are aimed at ensuring that minors are only taxed at adult marginal tax rates in respect of the income a testamentary trust generates from assets of the deceased estate (or the proceeds of the disposal or investment of these assets).

Streaming of franked dividends and capital gains

Trustees are only able to stream franked dividends (and the franking credits that are attached to those dividends) to a particular beneficiary for tax purposes if the beneficiary's entitlement to the franked dividends is recorded in writing by 30 June 2026. For streaming of capital gains to be effective for tax purposes, the beneficiary's entitlement must be recorded in writing by 30 June if the capital gains form part of trust income for the year or 31 August if the capital gains do not form part of trust income.

We can assist you with this process if you do wish to stream franked dividends or capital gains to specific beneficiaries.

Tax exempt entities

If a trustee resolves to distribute income to a tax-exempt entity, the trustee will be assessed on that income at the top marginal tax rate unless:

- The trustee actually pays the entire distribution within 2 months of the end of the income year; or
- The trustee notifies the entity in writing of its entitlement within 2 months of the end of the income year.

Also, anti-avoidance rules tax the trustee on a portion of the income distributed to a tax-exempt entity where there is a mismatch between the net financial benefit to be received by the entity and the tax treatment of the distribution.