

TRUST TAX

CGT

- Gain distributed to an exempt entity - The trust is taxed
- Asset to an exempt entity - Disregard CGT

TAX RATE

The tax rate of a trust is always 45%

TOP TIP 1

- Understand the nature and characteristics of the income arising in the trust.
- Income retains its form as the trust acts as a funnel

3 Main Taxpayers are created through income received by a trust:

- The donor
- The Beneficiary
- The Trust

KEY PRINCIPLE

Income retains its identity even if distributed by the trust. Therefore a capital income distributed is capital income received.

TOP TIP 2

- Section 7 only applies to donated items.
- The idea is to avoid the tax shifting and erosion of the SA tax base

7(8) NON-RESIDENT

- The resident will be taxed on income from a donated asset that accrues to the non-resident

7(5) RETAINED

- Income not vested
- Then retained in the trust and therefore taxed in the donor's hands

VESTED RIGHTS

This indicates that the income will definitely be received by the beneficiaries as per the trust deed / donor conditions

TOP TIP 3

- Remember tax retained in the trust is only taxed ONCE.
- In the future even if distributed is seen as capital in nature

LOW INTEREST LOANS

- Low interest / no interest loans
- Market interest - Interest charged
- Donation tax is applied to the interest amount

7(2) - SPOUSE

- An Income Producing asset is donated to a trust where the spouse is a beneficiary.
- Donor is taxed on income from asset

DONATIONS TO TRUST

Section 7 **always** applies should a donation be made to a trust