

Changes to Trust Reporting



Kia ora

Changes to the annual reporting requirements for domestic trusts

Changes have been made to the annual reporting requirements for domestic trusts to better understand and monitor the use of trusts and their financial positions.

Trustees will need to provide additional information about a trust's earnings, financial position, settlements, settlors, distributions, beneficiaries, and powers of appointment.

Any trust that derives assessable income in a year will be required to provide these additional disclosures for that year (some exclusions apply). The extra information is required for the 2021-2022 tax year and every year after that.

Why you're receiving this letter

Our records show that your trust is active. If no exclusions apply (exclusions can be found in the enclosed information sheet), the trust must now provide the additional disclosures for each year it derives income starting from the 2021/2022 tax year.

More information about the additional requirements

The information sheet enclosed also shows which trusts need to comply with the new rules, who is excluded, and what extra information is required if you do need to do the additional reporting.

If you do need to comply with the rules

When you complete your 2021-2022 income tax return you will need to disclose:

- your earnings and financial position (assets, liabilities, and equity)
- the details of anyone who is a settlor of the trust
- the amount and nature of any settlement made during the year, and the details of the person who made the settlement
- the details of any beneficiary who has received a distribution during the year, the amount and nature of the distribution, and any movements in the beneficiary's account.

If you file electronically all the new disclosures are captured in the return, if you complete a paper return:

- financial information is captured on the IR6,
- details of settlors and settlements is included on the new IR6S,
- additional information for beneficiaries is included in the IR6B.

You also need to tell us the details of any person who has power of appointment for the trust. This is not included with the annual return in myIR, instead, within the income tax panel **click on More...** and select Manage Power of Appointment under the Manage account subheading. Alternatively, you can send us a completed form, the IR6P.

If you normally file a paper return and didn't receive a tax pack this year, you can download and print a copy of the return from our website.

You can find copies of these forms on our website under "Forms and guides".

Ngā mihi,

Tony Morris

Customer Segment Leader, Inland Revenue



NZ domestic trust disclosure rules

Changes have been made to the annual reporting requirements for domestic trusts to better understand and monitor the use of trusts and their financial positions. For the 2021-2022 year onwards, more information will be required about a trust's earnings, financial position, settlements, settlors, distributions, beneficiaries, and powers of appointment.

Who needs to comply?

All trusts who receive income in a year will need to comply with the new rules and provide additional information when they file their return.

The only trusts that are excluded are:

- Non-active
- Foreign
- Charitable
- Eligible to be a Māori authority
- Widely-held superannuation funds
- Exempt employee share schemes
- Debt funding special purpose vehicles
- Energy lines trusts
- An estate, as long as property isn't being held on trust for beneficiaries.

Find out more: www.ird.govt.nz/trusts

How to let us know you don't need to comply

When you complete your return in myIR answer YES to the question: "I do not need to comply with the additional reporting requirements for NZ domestic trusts".

If you are filing a paper return tick the box at question 33.

Tell us if you are non-active

If the trust has only minor income and expenses for the year, you may be eligible to make a non-active trust declaration. For more information search "IR 633" on our website: www.ird.govt.nz.

You can complete the declaration in myIR if you have Owner, Administrator or Restricted Administrator access to the trusts myIR account. Your tax agent can do this for you if they have full authority to act on your behalf. Alternatively, complete the IR633 online and attach it to a web message in myIR, or send it in by post.

Once you complete a non-active declaration, we won't ask you to file an income tax return until you let us know that you are active again.



How to comply

You'll notice new sections to complete when filing via myIR or on paper. Depending on your situation, new forms will also need to be completed and attached. Read on to find out about these.

If you have a tax agent filing on your behalf, then they will need to provide this extra information.

Financial information

You will need to prepare financial statements and copy information from them into your income tax return.

Statement of profit or loss:

- Net profit or loss before tax
- Tax adjustments (to reconcile the profit to the taxable income)
- Any untaxed realised gains or receipts.

Equity:

- Owner's equity – the total capital and corpus of the trust
- Drawings – total amount withdrawn or enjoyed by all beneficiaries during the year
- Current account year-end balances – total amount owing to all beneficiaries at year-end
- Movements in each beneficiary account.

Assets:

- Associated persons financial arrangements owing to the trust
- Land (and the valuation methodology used)
- Buildings (and the valuation methodology used)
- Shares and ownership interests (and the valuation methodology used)
- Total assets – including any other assets not shown in the categories listed above.

Valuation methodology:

The acceptable valuation methodologies are explained in the Tax Administration (Financial Statements - Domestic Trusts) Order 2022 and include: historical cost, tax value or market value.

Liabilities:

- Associated persons financial arrangements owing by the trust
- Total liabilities – including any other liabilities not shown in the category listed above.

Connected persons & transactions

You will need to provide details of people connected to the trust, and transactions between the trust and those people. To do this complete the recommended new form(s) and attach to your return.

Settlers:

A settlor is anyone who has transferred value to a trust, whether money or moneys worth. They do not need to be named in the trust deed to be a settlor.

For anyone who is a settlor of the trust you will need to tell us their:

- Name
- Date of birth
- Jurisdiction of tax residency
- IRD number or Tax Identification number (TIN).

Make this disclosure in myIR or on the new IR65

Settlements

For anyone who has made a settlement on the trust during the year (excluding settlements that are minor and incidental to the operation of the trust) you will need to disclose the persons details (listed above), and the amount and nature of the settlement, annualised into the following categories:

- Cash
- Financial arrangements
- Land
- Buildings
- Shares and ownership interests
- Services
- Any amounts settled on the trust that have been valued at NIL
- Other, with a description of the most significant transaction you have included in this category (if there are many).

Beneficiaries & distributions

A distribution is any transfer of value, whether money or moneys worth, from a trust to a person because they are a beneficiary of the trust.

For any beneficiary who receives a distribution during the year you will need to disclose their:

- Name
- Date of birth
- Jurisdiction of tax residency
- IRD number or Tax Identification number (TIN).

Make this disclosure in myIR or on the new IR6B

Movements in beneficiary accounts

You will need to tell us the amount and nature of any distributions made during the year (unless they are non-cash and are minor & incidental to the operation of the trust), and all movements in beneficiary accounts:

- Opening balance
- Plus: distributions of:
 - Accounting income or any other amount not listed in a category below
 - Corpus
 - Capital
 - Use of trust property for less than market value
 - Distribution of trust assets
 - Forgiveness of debt
- Less: Amounts withdrawn by the beneficiary during the year.
- Equals the closing balance.



IMPORTANT

If you're required to disclose the details of settlers who have made a settlement this year, beneficiaries who have received a distribution, or persons with powers of appointment you will need their IRD number/TIN.

If you don't know it, you will need to ask them.

Powers of appointment

A person with power of appointment is anyone who has the power to appoint or dismiss a trustee, to add or remove a beneficiary, or to amend the trust deed.

You will need to disclose the persons:

- Name
- Date of birth
- Jurisdiction of tax residency
- IRD number or Tax Identification number (TIN).

You also need to let us know the date the person received the power of appointment, and when they cease to hold those powers.

You can update this information any time in myIR or by sending us an IR6P. Once you have provided these details you only need to let us know if they change.