

BUSINESS STRUCTURES EXPLAINED

Unit Trusts

Ownership & equity funding

| Advantages | Disadvantages |
|--|---------------|
| Ownership can be defined by units issued & split | |
| Relatively easy to increase funding from unit holders | |
| Relatively easy to reduce level of units (if unit holders agree) | |
| Relatively easy to transfer units | |

Control

| Advantages | Disadvantages |
|---|--|
| Allows control to be defined where unrelated parties involved | Often has limited life |
| Control can be clearly separated from ownership of units | Change of trustees can be time consuming unless use of a company & just change the directors |
| Trust deed governs changes in control | |

Establishment, maintenance & windup of structure

| Advantages | Disadvantages |
|---|---|
| Relatively inexpensive to establish (corporate trustee will make it more expensive) | Often has limited life |
| Relatively simple to wind up | Can be difficult to understand & this (combined with a corporate trustee) can make maintenance costs relatively expensive |

Risk management

| Advantages | Disadvantages |
|--|--|
| Unit holders can be limited to loss of their investment in the units | Trustee can be exposed to high level of risk |
| Corporate trustees can limit risk of day to day controllers | |

Return on investments (to stakeholders)

| Advantages | Disadvantages |
|--|--|
| Non taxable profits can be retained | Undistributed taxable profits are taxed at 45% + medicare levy |
| Share of income can be defined | Although easy to distribute tax free capital profit, they may be taxed in hands of unit holder |
| Relatively easy to reduce issued units | |
| Relatively easy to transfer or issue units | |

Tax efficiency

| Advantages | Disadvantages |
|---|---|
| 50% general exemption & flows through to unit holders | No flexibility for distribution |
| Ability to pass on tax credits | R & D concessions not available |
| Scrip for scrip rollover available | Undistributed taxable income taxed at 45% |
| Rollover to company available | Small business discounts are not fully passed through to unit holders |
| Access to FBT concessional treatments | Controller requirements of small business CGT concessions failed if units held by discretionary trust |
| | Not able to stream income |
| | Trust loss provisions apply |

Contact us to find out more about Unit Trusts and whether it is the right structure for your circumstances.

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