

Passive Income for Minors

The rules have changed from 1 July, 2011 regarding the amount of passive income that minors can earn. It is being reduced to \$416 per child. Passive income is interest, rent, trust distributions and unfranked dividends which are income earned without effort.

This means that the investment accounts, shares held in your children's names will need to be reviewed to ensure that less than \$416 is earned per child. If more than \$416 is earned from passive income excessive tax rates up to 60% apply.

For the year ended 30 June 2012, business owners and investors who use a family trust and distribute taxable income to minors will only be able to distribute \$416 at the most to each child.

This is as previously advised in our 2011 budget newsletter, but a timely reminder to make sure you have taken appropriate action if required. If this rule affects you and you need help or advice, please call or email us.

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