

New disclosure requirements for Trusts

The government have introduced new disclosure requirements for domestic trusts that will apply from the 2022 tax year.

The new rules set out minimum reporting requirements which means that most trusts are now required to prepare a set of financial statements. These trusts will also need to disclose additional information in the income tax return.

Please note the following types of trusts are exempt from the new disclosure requirements:

- Non-active trusts
- Foreign trusts (subject to the foreign disclosure rules)
- Charitable trusts and Maori Authorities
- Widely held superannuation funds
- Trustees of employee share scheme trusts

New reporting requirements

- Profit or loss and balance sheet required
- Must be prepared using double entry accounting
- Must disclose valuation method used (ie cost or market value)

Certain small trusts will be able to adopt simplified reporting requirements. These trusts can choose to report on a cash basis rather than an accruals basis for example.

New disclosure requirements

Settlements

- Must disclose the amount and nature of each settlement made during the year.
- Must disclose the name, date of birth, tax residence and IRD number of each of the settlors.

Beneficiaries

- Must disclose details of beneficiary distributions made during the year.
- Must disclose the name, date of birth, tax residence and IRD number of each of the beneficiaries.

Appointors

- Must disclose the name, date of birth, tax residence and IRD number of each person who has the power to appoint or dismiss a trustee, add or remove a beneficiary or amend the trust deed.

Please note these additional requirements are likely to increase our annual fees. In addition, we will now need to prepare annual financial statements for those trusts that have not needed to do this in the past.

If you have any concerns regarding how these new rules will apply to you, please contact us.