

EXPOSURE DRAFT

2025-2026

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

EXPOSURE DRAFT

Income Tax Rates Amendment (Minimum Tax on Discretionary Trusts) Bill 2026

No. , 2026

(Treasury)

A Bill for an Act to amend the *Income Tax Rates Act 1986*, and for related purposes

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A Bill for an Act to amend the *Income Tax Rates Act 1986*, and for related purposes

The Parliament of Australia enacts:

1 Short title

This Act is the *Income Tax Rates Amendment (Minimum Tax on Discretionary Trusts) Act 2026*.

2 Commencement

(1) Each provision of this Act specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

No.	2026	Income Tax Rates Amendment (Minimum Tax on Discretionary Trusts)	1
Bill 2026			

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1

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of the Act	The first 1 January, 1 April, 1 July or 1 October to occur after the day this Act receives the Royal Assent.	

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Note: This table relates only to the provisions of this Act as originally enacted. It will not be amended to deal with any later amendments of this Act.

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(2) Any information in column 3 of the table is not part of this Act. Information may be inserted in this column, or information in it may be edited, in any published version of this Act.

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3 Schedules

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Legislation that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this Act has effect according to its terms.

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Schedule 1—Amendments

Income Tax Rates Act 1986

1 Subsection 3(1)

Insert:

minimum tax income has the same meaning as in the *Income Tax Assessment Act 1936*.

2 After section 12AA

Insert:

12AB Rate of tax on minimum tax income of minimum tax trusts

(1) This section sets out the rate of tax payable by a trustee under section 101AA of the *Income Tax Assessment Act 1936* in respect of so much of the net income of the trust estate for a year of income as is minimum tax income.

(2) The rate is as follows:

- (a) to the extent that, as a result of one or more other provisions of this Act, the tax payable on that minimum tax income is payable at a rate that falls short of 30%—a rate equal to that shortfall;
- (b) to the extent that, as a result of one or more other provisions of this Act, the tax payable on that minimum tax income is payable at a rate that is equal to or exceeds 30%—nil;
- (c) to the extent that no tax is payable on that minimum tax income as a result of any other provision of this Act—30%.

Example: For paragraphs (a) and (b), the rate at which tax is payable as a result of subsection 12(6) could be a composite rate resulting from the operation of more than one provision in section 13, 14 or 15 or Schedule 10 or 12.

3 Section 28

Repeal the section, substitute:

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Schedule 1 Amendments

28 Rates of tax payable by certain trustees to whom section 98 or 101AA of the *Income Tax Assessment Act 1936* applies

(1) The rates of tax payable by a trustee of a trust estate in respect of a beneficiary's share of the net income of the trust estate in respect of which the trustee is to be assessed and is liable to pay tax are:

(a) if:

(i) paragraph 98(3)(b) of the *Income Tax Assessment Act 1936* applies; and

(ii) the beneficiary is a company to which paragraph 23(2)(a) of this Act applies; the rate specified in subsection (2) of this section; or

(b) if:

(i) paragraph 98(3)(b) of the *Income Tax Assessment Act 1936* applies; and

(ii) the beneficiary is a company to which paragraph 23(2)(b) of this Act applies; the rate specified in subsection (3) of this section; or

(c) if subsection 98(4) of the *Income Tax Assessment Act 1936* applies—the rate specified in subsection (4) of this section.

Note: Paragraph 98(3)(b) of the *Income Tax Assessment Act 1936* is about beneficiaries that are companies. Subsection 98(4) of that Act is about beneficiaries that are themselves trustees jointly with other entities that are non-residents.

(2) For the purposes of paragraph (1)(a):

(a) to the extent that section 101AA of the *Income Tax Assessment Act 1936* applies to the trust estate for so much of the share of the net income as is minimum tax income—the rate (for the purposes of that section) is 30%; and

(b) otherwise—the rate (for the purposes of paragraph 98(3)(b) of that Act) is the same as the rate specified in paragraph 23(2)(a) of this Act.

Note: This means the rate specified in paragraph 23(2)(a) applies:

(a) if paragraph (a) of this subsection applies—to so much of the share of the net income as is *not* minimum tax income; or

(b) otherwise—to all of the share of the net income.

(3) For the purposes of paragraph (1)(b):

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- (a) the rate (for the purposes of paragraph 98(3)(b) of the *Income Tax Assessment Act 1936*) is the same as the rate specified in paragraph 23(2)(b) of this Act; and
- (b) the rate (for the purposes of section 101AA of that Act (if applicable)) is nil.
- Note: This means the rate specified in paragraph 23(2)(b) applies to all of the share of the net income.
- (4) For the purposes of paragraph (1)(c):
- (a) the rate (for the purposes of subsection 98(4) of the *Income Tax Assessment Act 1936*) is the same as the maximum rate specified in column 3 of the table applicable to the year of income in Part II of Schedule 7 to this Act that applies for the year of income; and
- (b) the rate (for the purposes of section 101AA of that Act (if applicable)) is nil.
- Note: This means the rate referred to in paragraph (a) applies to all of the share of the net income.