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|  | Income streaming with testamentary discretionary trusts When a beneficiary in your Will earns income from a gift – eg. rent on an investment property, or capital gains when they sell it – that income will be taxable. While they have children under 18 years old, that income can be ‘streamed’ to the kids to take advantage of their preferential tax rates.  This requires a special structure called a ‘testamentary discretionary trust’ that can *only* be created under a Will.  ***Example:*** *Mary earns $180K salary and has 4 kids under 18 years old* TAX SAVED: $77,312 **Income tax rates for resident minors**   |  |  |  | | --- | --- | --- | | Distribution ($) | Family Trust | Testamentary Trust | | 0 – 416 | - | - | | 417 – 1,307 | 66%\* | - | | 1,308 – 18,200 | 47%\* | - | | 18,201 – 37,000 | 47%\* | 19% | | 37,001 – 80,000 | 47%\* | 32.5% | | 80,001 – 180,000 | 47%\* | 37% | | 180,001 + | 47% | 47% |   Based on FY16 rates  (excl 2% Temporary Budget Repair levy)    *This document contains only a summary of a discrete part of law and is correct at the date of publication. It is not legal advice. You should always seek legal advice about your individual situation.* |

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