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Director
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1 February 2026

Dear Sir/Madam,

Modernising tax administration systems

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 176,000 members in over 100 countries and regions. We make this submission in response to The Treasury's **Modernising tax administration systems** (Exposure Draft) released on 17 December 2025 on behalf of our members and in the broader public interest.

We support the government's 2024–25 announced measure in the Mid-Year Economic and Fiscal Outlook to amend the law to require trustees to report the Tax File Numbers of beneficiaries on the trust income tax return at the same time as the trust tax return is lodged where they have an entitlement. We make the following summary comments and key points for your consideration:

Beneficiaries may not always have a Tax File Number (TFN) by 30 June, which can unintentionally trigger TFN withholding when a present entitlement is created.

CPA Australia recommends an exception be made, so that TFN withholding does not apply if the beneficiary provides their TFN before the earlier of the trust income being distributed or the trust tax return being lodged. This practical change would ease compliance without undermining integrity, even though it sits outside the current scope of the Exposure Draft.

Please refer to the Appendix for our detailed discussions. If you have any queries, contact Jenny Wong, Tax Policy Lead on 0416 079 171 or jenny.wong@cpaaustralia.com.au or Bill Leung, Tax Technical Advisor on (03) 9606 9779 or bill.leung@cpaaustralia.com.au.

Yours sincerely,

Jenny Wong
Tax Policy Lead
Policy and Advocacy

Appendix

Detailed discussion

Summary

CPA Australia welcomes the opportunity to provide feedback on the Exposure Draft.

We support the government's announced measure in the 2024–25 Mid-Year Economic and Fiscal Outlook to amend the law to require trustees to report the Tax File Numbers of beneficiaries on the trust income tax return at the same time as the trust tax return is lodged where they have an entitlement.

Exception for TFN withholding required

Our members have come across situations where around June, a trustee is looking to make distributions to a beneficiary who has not yet obtained a Tax File Number (TFN) but is in the process of doing so. As it may take up to a few weeks at times to obtain a new TFN, the beneficiary may not be able to quote a TFN before 30 June year end. This would appear to trigger a TFN withholding under s 12-180 in Sch 1 to the *Tax Administration Act 1953* which operates based on present entitlements.

We believe a sensible change to align with the new reporting rules is to provide an exception for TFN withholding upon the creation of a present entitlement, if the beneficiary quotes their TFN to the trustee before the earlier of:

1. the distribution of the trust income, and
2. the lodgment of the trust's income tax return for the year.

This would allow the beneficiary to obtain a TFN shortly after year-end, but in any case, before they receive payment of the distribution or the trust lodges its return.

While it may be outside the scope of this particular measure (i.e., paragraph 1.11 of the Explanatory Memorandum says no changes are being made to the TFN withholding rules), we would suggest that a change that could hopefully result in some sensible outcomes for many trusts.