

Comparison of income tax outcomes for simple Will and testamentary trust Will – after 12 months from distribution of assets to beneficiaries.

Simple Will				
<u>Beneficiary</u>	<u>Asset</u>	<u>Value</u>	<u>Income Tax to pay</u>	<u>\$</u>
Missie	House – ownership converts to survivor ie Missie	\$2,000,000	Not income producing so Nil tax	\$0.00
Missie	Share portfolio	\$2,500,000	Tax to pay on dividends from date of death	
Missie	Dividends paid on share portfolio	\$50,000.	Taxed at 45%– due to Missies accounting practice.	\$22,500
Missie	Life Insurance	\$1,000,000	Tax to pay on income from \$700,000 put in a term deposit, rest paid off mortgage.	
Missie	Interest from Term deposits - \$700,000	\$14,000	Taxed at 45%	\$6,300
			TOTAL INCOME TAX	\$28,800
Testamentary trust (“TT”) Will				
<u>Beneficiary</u>	<u>Asset</u>	<u>Value</u>	<u>Tax to pay</u>	<u>\$</u>
Missie	House - ownership converts to survivor ie Missie	\$2,000,000	Not income producing so Nil tax	\$0.00
Testamentary trust controlled by Missie	Share portfolio	\$2,500,000	Tax to pay on dividends from date of death	
Harvey – beneficiary of TT	Dividends paid per year on share portfolio – half	\$25,000	Taxed as an adult, threshold \$18,200	\$1,292
Harriett – beneficiary of TT	Dividends paid per year on share portfolio – half	\$25,000	Taxed as an adult, threshold \$18,200	\$1,292
Testamentary trust controlled by Missie	Life Insurance	\$1,000,000	Tax to pay on income from \$700,000 in term deposit, rest paid off mortgage.	
Harvey and Harriett – beneficiaries of TT	Interest from Life Insurance term deposits	\$14,000	Taxed at 19% threshold exhausted	\$2,660
			TOTAL INCOME TAX	\$5,244