Over the years many individuals have created and utilised Trusts for tax planning purposes, as taxable income received by a Trust can be vested and taxed in the hands of beneficiaries at a lower tax rate. This is subject to certain provisions and exemptions.

The other benefit of housing assets in a Trust is for estate planning purposes. As assets owned in a discretionary Trust can only be owned by an individual when the Trustees of a Trust exercise their discretion and vests the asset to the individual, the asset can be held in the Trust for perpetuity and does not have to be subject to estate duties or transfer costs in the unfortunate death of a loved one.

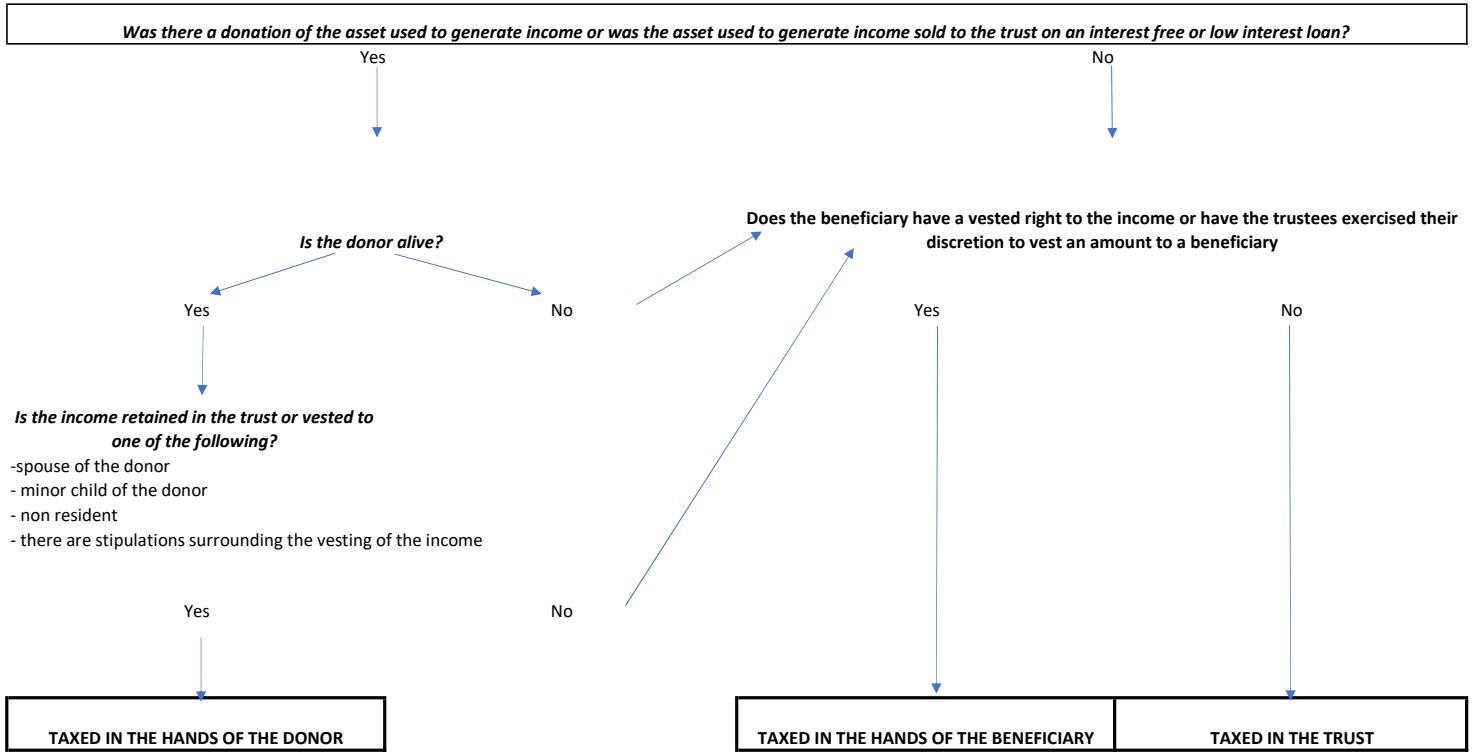
It is for these reasons that Trusts, as a valuable tool in tax planning, have become very high on the radar by SARS for tax avoidance or evasion.

There are 3 parties that can be liable for any taxes incurred from income or capital gains generated in a Trust.

Donor: Person who has donated an income generated asset to the Trust or has sold an income generating asset to a Trust on a low or interest free loan
Beneficiary: Person who has received a vested right to income or an asset held by a Trust
Trust:

The below is a representation of who is liable for any taxes incurred from income or capital gains generated in a Trust.

Vesting of taxable income (excluding capital gains)



Vesting of capital gains on the sale of an asset

