National Farmers Federation

Minimum tax on discretionary trusts

July 2026

The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade, and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

NFF Member Organisations

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Executive Summary

The National Farmers' Federation (NFF) welcomes the opportunity to provide feedback on Treasury's consultation regarding the proposed introduction of a 30 per cent minimum tax on discretionary trusts from 1 July 2028.

The NFF recognises the Government's objective of improving the fairness and integrity of Australia's tax system. We strongly welcome the Government's recognition that discretionary trusts play a legitimate and important role within Australian agriculture and that primary production income will be exempt from the proposed minimum tax.

Agriculture is characterised by family-owned and family-operated businesses that support Australia's food security, regional communities and economic prosperity. Primary producers have access to specific tax settings in Australia that recognise the extent to which farm business income, cash flow and profitability can vary substantially from one year to the next due to seasonal conditions and other factors outside producers' control. In this operating environment, discretionary trusts are an important and long-established business structure for farm businesses, supporting family ownership, succession planning, asset protection and long-term investment. Australian Taxation Office (ATO) Taxation Statistics 2023–24 indicate that 37,663 trusts operate in the Agriculture, Forestry and Fisheries industry, excluding support services. The proposed primary production income exemption appropriately recognises these legitimate conditions and uses and is fundamental to ensuring the minimum tax on discretionary trusts remains appropriately targeted.

The NFF strongly supports the primary production income exemption, which will substantially mitigate consequences of the proposed reforms on most primary production businesses. Given the overwhelming proportion of income earned through agricultural trusts is primary production income, the exemption largely preserves the ongoing utility of discretionary trust structures for core farming operations, family ownership arrangements and succession planning. The NFF stands ready to work closely with Government to ensure the exemption is implemented logically, practically and in a way that is fit-for-purpose for primary production businesses.

Further, it is important to recognise that Australian farmers have been encouraged by governments and industry best practice to diversify their businesses as a risk mitigation and resilience strategy. Income diversification is an increasingly central feature of drought preparedness, and many farm businesses are now pursuing a wider range of income streams alongside core primary production. As farms become more diversified, their business structures are also becoming more complex. While this issue is broader than the scope of the present consultation, there is further work to be done between industry and Government to ensure primary production tax settings recognise increasing farm diversification and evolving structures.

Importantly, this reform should not be viewed in isolation. The agriculture sector is currently assessing the cumulative impacts of the broader package of tax reform measures announced through the 2026–27 Federal Budget, including the immediate need for financial and taxation advice, valuation and restructuring support, and the longer-term implications for succession planning, asset transfers and investment. The implications of the Government's tax reform agenda extend beyond tax outcomes alone and may influence broader farm business planning and succession decisions.

In summary, the NFF:

- Strongly supports the primary production income exemption from the minimum tax on discretionary trusts;
- Seeks assurance that the primary production income exemption and the new minimum tax, as it applies to non-primary production income generated by farm businesses, are implemented through clear, practical and proportionate arrangements that minimise compliance complexity and costs; and
- Recognises the need for industry and the Australian Government to ensure primary production tax settings continue to support modern farm businesses as they diversify and evolve.

The NFF recommends that Treasury:

1. **Ensure the primary production income exemption is designed and implemented in a way that is fit-for-purpose for Australian farm businesses, including by:**
    - **Ensuring the exemption operates effectively across common, multi-entity farm business structures;**
    - **Minimising compliance costs and complexity through clear guidance, proportionate reporting requirements, and simple calculation and beneficiary notification processes;**
    - **Providing partial rollover relief to enable diversified farm businesses to separate non-primary production income and activities;**
    - **Ensuring broader taxation and regulatory settings support the effective operation of rollover relief, including consideration of state and territory transfer duty implications; and**
    - **Maintaining ongoing engagement with industry to monitor the operation, effectiveness and practical administration of the exemption.**
2. **Provide clear guidance and examples regarding the treatment and classification of common non-primary production income.**
3. **Engage with industry to ensure primary production tax settings remain fit-for-purpose as farm businesses diversify and evolve.**

Primary Production Income Exemption

The NFF strongly supports the Government's commitment to exempt primary production income from the proposed minimum tax.

The exemption appropriately recognises that discretionary trusts are a long-established and widely used business structure for the agriculture, fisheries and forestry sector. They support family ownership, business management, intergenerational succession, and asset protection.

Australian agriculture is characterised by family-owned and family-operated businesses that support food security, regional communities and economic prosperity. Primary producers have access to specific tax settings in Australia that recognise the extent to which farm business income, cash flow and profitability can vary substantially from one year to the next due to seasonal conditions and other factors outside their control. In this operating environment, discretionary trusts are an important and long-established business structure for farm businesses, supporting family ownership, succession planning, asset protection and long-term investment. ATO Taxation Statistics 2023–24 indicate that 37,663 trusts operate in agriculture, forestry and fisheries, excluding support services. The primary production income exemption appropriately recognises these legitimate conditions and uses and is fundamental to ensuring the minimum tax on discretionary trusts remains appropriately targeted.

Agriculture's use of discretionary trusts is overwhelmingly connected to primary production activities. Approximately 92 per cent of business income earned through agricultural trusts is primary production income, and around 81 per cent of net business income (net taxable income after costs and deductions) is primary production income (ATO Taxation Statistics 2023–24). Further, more than two-thirds of agricultural trusts report primary production business income (ATO Taxation Statistics 2023–24). These figures overwhelmingly reinforce the importance of maintaining the exemption to safeguard Australian farm businesses from the impact of this reform, and to maintain the utility of the discretionary trust as a beneficial, long-standing business structure for family farms in Australia.

The NFF also welcomes Treasury's confirmation that the proposed reforms are not intended to alter existing primary production tax concessions, including the treatment of Farm Management Deposits and Australian Carbon Credit Unit-related income. Certainty regarding the ongoing operation of these arrangements is important for farm business planning, risk management and investment decisions.

With the assurance that existing primary production tax concessions will not be altered, the exemption will substantially preserve the practical utility of existing discretionary trust structures for most primary production businesses. While each farm business is unique, we anticipate there will be lesser imperative for many farm businesses operating through agricultural discretionary trusts to restructure solely in response to these reforms.

Implementation

The exemption must be designed and implemented in a way that is fit-for-purpose for Australian farm businesses. This means minimising compliance complexity through simple, practical administrative requirements that operate effectively across both common and more complex farm business structures. Rollover relief should also accommodate targeted restructuring by farm businesses seeking to separate non-primary production income into a new structure to reduce compliance complexity arising from the reforms.

The exemption must operate effectively across the range of structures commonly used by farm businesses. Many farms do not operate through a single trust. Instead, they may use a combination of trusts, partnerships and companies to reflect different family interests, manage risk, protect assets, separate land ownership from operating activities, and support succession across multiple generations or branches of a family. ATO statistics show that more than 2,700 agricultural trusts reported receiving primary production income from another trust, while more than 1,100 reported receiving primary production income via partnership distributions (ATO Taxation Statistics 2023–24). Consistent with current practice, this income would be expected to retain its character as primary production income as it moves through common farm business ownership arrangements, including trust-to-trust and partnership-to-trust distributions. This is important to ensuring the exemption is meaningful for family farm businesses that operate through legitimate multi-entity structures. More generally, Treasury should ensure the exemption operates smoothly and effectively across complex farm business structures, including arrangements that may not have been fully contemplated at this stage of the reform process.

Case Study - Primary production income distributed from a partnership to a trust

The Brown family operates a mixed cattle and sheep enterprise. The business is operated jointly by two adult siblings and their families, who farm together through the Brown Family Partnership.

The partnership conducts all primary production activities and allows the siblings to jointly manage and operate the farming enterprise. However, each sibling has their own family, succession plans and ownership arrangements. To accommodate this, the Brown Family Trust holds a partnership interest on behalf of one of the siblings and their immediate family, including current and future generations. Consistent with the partnership agreement, a share of annual income is allocated to the Brown Family Trust as a partner in the business, and the Trust then distributes primary production income to family members involved in the farm business.

This structure allows the farm business to continue operating as a single enterprise while providing a mechanism for ownership interests and income to be managed and transferred within each family group over time.

More generally, the NFF supports an implementation approach that is practical, proportionate and preserves the intended benefit of the primary production income exemption for farm businesses.

ATO data indicates that non-primary production income remains a smaller but meaningful component of net business income reported by agricultural trusts, with 18.9 per cent attributable to non-primary production income (ATO Taxation Statistics 2023–24). Further, around one in three agricultural trusts that reported income also reported some form of net non-primary production income (ATO Taxation Statistics 2023–24).

It is common for farm businesses to operate with both primary production income and some non-primary production income within the same trust structure. Under the proposed reform, trustees will need to distinguish between different classes of income when calculating distributions and considering the tax outcomes for beneficiaries. In practice, trustees may need to determine what type of income is being distributed, to whom, and in what proportions, creating an additional layer of administrative complexity.

The extent to which the exemption protects farm businesses from the consequences of the reform will depend not only on its availability, but also on its practical implementation. Treasury should therefore ensure the exemption is supported by clear guidance, proportionate reporting requirements, and straightforward calculation and beneficiary notification processes. The exemption should be designed so that farm businesses can access and administer it with confidence, without unnecessary compliance costs or regulatory burden.

Further, the NFF also supports Treasury's recognition that some farm businesses may seek to restructure in response to the proposed reforms and acknowledges the important role rollover relief can play in facilitating these transitions.

For agriculture, the businesses most likely to consider restructuring are highly diversified enterprises that derive a more equal mix of both primary production and non-primary production income. To ensure these businesses can respond to the reforms in a practical and commercially sensible way, Treasury should provide partial rollover relief that allows non-primary production assets or activities to be separated from core farming operations without requiring the wholesale restructure of an entire discretionary trust. This would allow farm businesses to adopt structures that better align with the objectives of the reforms, without disrupting existing arrangements for primary production activities.

This is particularly important where discretionary trusts continue to serve legitimate purposes related to family ownership, succession planning, asset management and intergenerational transition. Partial rollover relief would allow diversified businesses to align non-primary production activities with the Government's objective of delivering fixed and transparent tax outcomes, while providing an alternative to the compliance burden associated with trusts with both primary production and non-primary production income.

Treasury should also ensure that broader policy and administrative settings enable rollover relief to operate effectively in practice. This includes working with state and territory governments to consider the interaction of any restructuring arrangements with transfer duty and other transaction-based taxes, which could otherwise create significant costs and discourage otherwise sensible commercial restructures.

Given the significance of the exemption to Australian agriculture, ongoing engagement with industry will be critical as the reforms are developed and implemented. The NFF stands ready to work with the Australian Government and the ATO to identify and address emerging issues, monitor the operation of the exemption, and ensure it remains practical, workable and fit for purpose for farm businesses.

Case Study – Diversified farm business requiring partial rollover relief

The Jones family operates a mixed cropping and livestock enterprise through the Jones Farming Trust, a discretionary trust that has supported family ownership and succession planning across multiple generations.

Alongside its primary production activities, the business has diversified its income streams in response to emerging environmental and renewable energy opportunities. The trust receives income from hosting renewable energy infrastructure on part of the property and from participating in environmental markets, including biodiversity and environmental stewardship projects.

As a result, the trust derives both primary production and non-primary production income. Approximately 60 per cent of trust income is derived from cropping and livestock production, with the remaining 40 per cent generated from renewable energy hosting arrangements and environmental market activities.

Under the proposed minimum tax arrangements, the trustee would be required to distinguish between exempt primary production income and non-primary production income when administering distributions to beneficiaries, creating additional compliance complexity despite all activities being conducted as part of a single farming enterprise.

To simplify administration, the family decides to transfer its non-primary production activities into a separate entity while retaining all core farming operations in the Jones Farming Trust. The farming business, landholding arrangements and family ownership remain unchanged.

However, if rollover relief is only available where an entire trust structure is transferred, the family may be unable to undertake this targeted restructure without triggering significant tax consequences.

This example demonstrates why partial rollover relief should be available for diversified farm businesses. It would allow non-primary production activities to be separated where appropriate, while preserving existing trust structures used for family ownership, succession planning and intergenerational transfer of agricultural assets.

Recommendation 1

Ensure the primary production income exemption is designed and implemented in a way that is fit-for-purpose for Australian farm businesses, including by:

- **Ensuring the exemption operates effectively across common, multi-entity farm business structures;**
- **Minimising compliance costs and complexity through clear guidance, proportionate reporting requirements, and simple calculation and beneficiary notification processes;**
- **Providing partial rollover relief to enable diversified farm businesses to separate non-primary production income and activities;**
- **Ensuring broader taxation and regulatory settings support the effective operation of rollover relief, including consideration of state and territory transfer duty implications; and**
- **Maintaining ongoing engagement with industry to monitor the operation, effectiveness and practical administration of the exemption.**

Non-Primary Production Income in Agricultural Trusts

While the primary production income exemption will substantially protect most farm businesses from the direct impacts of the reforms, more diversified farm businesses may continue to face additional complexity where a growing proportion of income generated on-farm falls outside the scope of the exemption.

Many income streams increasingly relied upon by modern farm businesses are unlikely to fall within the existing definition of primary production income and may therefore be subject to the proposed minimum tax. These include income associated with farmland leasing, value-adding and processing, agritourism, renewable energy hosting, transmission or telecommunications infrastructure payments, biodiversity markets and other natural capital opportunities.

These income streams are becoming an increasingly important component of farm business resilience. Successive governments have encouraged farmers to diversify revenue sources to manage seasonal and market volatility, strengthen drought preparedness, support environmental outcomes and improve the long-term financial sustainability of agricultural enterprises. For many farm businesses, these activities complement, rather than replace, core primary production operations.

As above, ATO data indicates that non-primary production income remains a minority share of total net business income reported by agricultural trusts, with 81.1 per cent attributable to primary production income and 18.9 per cent attributable to non-primary production income (ATO Taxation Statistics 2023–24). However, around one in three agricultural trusts that reported income also reported some form of non-primary production income (ATO Taxation Statistics 2023–24). While smaller in aggregate value, these figures demonstrate that diversified income streams form part of the business model of a meaningful proportion of Australian farm businesses.

Treasury should recognise the growing importance of diversified income streams in supporting the viability, resilience and long-term sustainability of farm businesses. While the primary production income exemption will substantially protect most farm businesses from the direct impacts of the reforms, businesses with more diversified income profiles may face greater compliance obligations, additional administration costs, and a stronger incentive to review existing business structures.

The NFF does not seek through this consultation to broaden the scope of the proposed exemption. However, the reforms highlight a broader policy question regarding the extent to which existing primary production tax settings reflect the evolving nature of Australian agriculture. There would be merit in ongoing engagement between industry and government on the treatment of emerging and diversified farm income streams, particularly where these activities contribute to farm business resilience, environmental outcomes and regional economic development.

More broadly, as some farm businesses increasingly consider company structures in response to evolving commercial, succession and taxation considerations, it will also be important to examine how existing primary production tax settings interact with different business structures. For example, certain primary production concessions, such as Farm Management Deposits, are not currently available to companies. As business structures continue to evolve, ongoing engagement between industry and government will be important to ensure primary production tax settings remain fit-for-purpose and support the long-term resilience and competitiveness of Australian farm businesses.

Recommendation 2

Provide clear guidance and examples regarding the treatment and classification of common non-primary production income.

Recommendation 3

Engage with industry to ensure primary production tax settings remain fit-for-purpose as farm businesses diversify and evolve.

Conclusion

The NFF strongly supports the proposed primary production income exemption from the minimum tax on discretionary trusts. The exemption appropriately recognises the legitimate and longstanding role discretionary trusts play in Australian agriculture and is essential to ensuring the reforms remain appropriately targeted at their intended policy objective.

The key priority for agriculture is ensuring the exemption operates effectively in practice. This includes supporting common farm business ownership arrangements, including multi-entity structures, minimising compliance complexity, and providing practical pathways for farm businesses that may need to restructure in response to the reforms.

The NFF also encourages Treasury to recognise the growing role that diversified income streams and evolving business structures play in supporting the resilience, sustainability and long-term viability of modern farm businesses. While the NFF is not seeking to broaden the scope of the exemption through this consultation, the reforms highlight the need for ongoing engagement between industry and government on primary production tax settings as farm businesses increasingly diversify and evolve.

The NFF looks forward to continuing to work constructively with Treasury and the ATO to ensure the final design and implementation of the measure is practical, proportionate and fit-for-purpose for Australian farm businesses, while supporting the integrity and fairness of Australia's tax system.

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