



BUSINESS STRUCTURING ANALYSIS REPORT

Medical Practice - Entity Structure & Asset Protection

Company vs Trust vs Two-Trust Equipment Holding Structure

Prepared for:	Instructing Accountant / Dr Freeman
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Client Brief / Query

Facts

Dr Freeman is setting up a Medical Practitioner Business in Melbourne. He is married. His wife is currently working as a Practice Manager for a Medical Practitioner. She will start working with her husband as a practice manager. Initial expected cost for fittings and equipment: \$1,200,000. Expected gross annual turnover: Year 1: \$700,000; Year 2: \$900,000; Year 3: \$1,500,000.

Structural Options

Three Structural Elements

Option 1: Company - Dr Freeman as sole director, with Dr Freeman and his wife as 50/50 shareholders. Tax and asset protection implications.

Option 2: Discretionary Family Trust with corporate trustee to operate the business. Structure benefits, tax, and trust protection.

Option 3: Second Discretionary Family Trust to hold the fittings/equipment and lease them to the business entity. Asset protection, leasing, and tax implications.

1. Summary

PSI WARNING - READ FIRST

CRITICAL WARNING - PERSONAL SERVICES INCOME (PSI): Dr Freeman's medical practice income is Personal Services Income under Division 85 ITAA 1997. The ATO's position (reinforced by PCG 2025/5) is clear: even if Dr Freeman qualifies as a Personal Services Business (PSB) by passing a PSB test, Part IVA can still apply to income-splitting arrangements. Dr Freeman's PSI must be attributed back to him personally - he **CANNOT** split his medical fee income with his wife or other family members through a trust or company structure merely to reduce tax. His wife's salary as Practice Manager must reflect a genuine arm's length commercial rate for the role.

This fundamentally affects the analysis of all three structural options. The income-splitting benefits of a trust or company with wife-shareholder are **SEVERELY LIMITED** for the medical fee income. The primary structural benefits become: (a) asset protection; (b) deductible salary to wife for genuine Practice Manager work; (c) retention of non-PSI income (if any) in the entity; and (d) separation of equipment from practice risk via the second trust.

Company (Practice) + Equipment Trust

A two-entity approach combining elements of all options:

(1) **FREEMAN MEDICAL PTY LTD (Company)** - operates the practice. Dr Freeman as sole director. Shares held by the Freeman Family Trust (not individual shareholders). Company pays Dr Freeman a commercial salary for his medical work, pays Mrs Freeman a market-rate salary for practice management, and pays an arm's length lease to the Equipment Trust for fittings/equipment.

(2) **FREEMAN EQUIPMENT TRUST (Discretionary Trust with corporate trustee)** - holds the \$1.2M fittings and equipment. Leases them to the company on arm's length terms. Lease income distributed to family members (this is **NOT** PSI - it is passive equipment rental income). This achieves both asset protection for the equipment **AND** legitimate income splitting on the lease income.

This structure separates high-risk practice operations (in the company) from valuable equipment (in the trust), and creates a genuine income stream (equipment lease) that **CAN** be split because it is not derived from Dr Freeman's personal exertion.

2. Facts & Assumptions

Facts Provided

Dr Freeman is setting up a new medical practice in Melbourne.
 He is married; wife will work as Practice Manager (currently a PM for another practice).
 Initial fittings and equipment cost: \$1,200,000.
 Expected turnover: Year 1 \$700K, Year 2 \$900K, Year 3 \$1.5M.
 No children mentioned.

Assumptions

Assumption [ASSUMED]	Affects
Dr Freeman's practice income is predominantly Personal Services Income (reward for his personal medical skills). [ASSUMED]	CRITICAL. PSI rules under Div 85-87 ITAA 1997 apply. Income cannot be split through entities to reduce tax. PCG 2025/5 reinforces ATO compliance approach.
Net profit (after salaries to Dr Freeman and wife, equipment lease, and all expenses): Year 1: small loss or break-even (due to \$1.2M depreciation); Year 2: \$50K-\$100K; Year 3: \$200K-\$400K. [ASSUMED]	Determines the tax saving from the equipment lease structure and the amount available for retention or distribution.
Mrs Freeman's market-rate salary as Practice Manager is approximately \$80,000-\$110,000 p.a. [ASSUMED]	Must be arm's length. ATO scrutinises practice manager salaries in medical practices. The salary must reflect what an unrelated practice manager with similar qualifications and experience would be paid.
The \$1.2M equipment includes: medical equipment, fitout, furniture, IT systems, signage. [ASSUMED]	Determines depreciation rates (Div 40), asset protection strategy, and the quantum of lease income for the Equipment Trust.
The practice will operate from leased premises (not owned by Dr Freeman). [ASSUMED]	Simplifies the analysis - no real property transfer or stamp duty on premises.
Dr Freeman will satisfy at least one PSB test (likely business premises test or unrelated clients test). [ASSUMED]	Exempts from Div 86 attribution BUT does NOT protect from Part IVA. Income splitting beyond commercial salary is risky.
No children or other family members available for income splitting. [ASSUMED]	Limits the income-splitting benefit to Mrs Freeman's commercial salary and equipment lease income.
Victoria is the relevant state for stamp duty and regulatory purposes. [ASSUMED]	VIC stamp duty, AHPRA registration, WorkSafe Victoria.

Information Needed

Missing [NEEDED]	Impact
Detailed breakdown of the \$1.2M equipment (types, effective lives, costs). [NEEDED]	Required for depreciation schedules and arm's length lease rate calculation.
Whether Dr Freeman will employ other doctors/practitioners. [NEEDED]	If other practitioners generate income, that income is NOT Dr Freeman's PSI. Changes the analysis significantly.
Mrs Freeman's qualifications and experience as a Practice Manager. [NEEDED]	Supports the arm's length salary. ATO scrutinises PM salaries in medical practices.
Whether the practice will bulk-bill, mixed-bill, or private-bill. [NEEDED]	Affects GST treatment (medical services are GST-free under Div 38-B, but non-clinical revenue may be taxable).
Financing arrangements for the \$1.2M equipment. [NEEDED]	Equipment finance vs outright purchase affects which entity should acquire and the interest deduction.
Whether Dr Freeman or his wife have any existing structures. [NEEDED]	May need to integrate with existing trusts/companies.

3. Related Areas & Cross-Over Analysis

Area	Relevance	Key Provision	Impact
PSI - Personal Services Income	Dr Freeman's medical income is PSI.	Div 85-87 ITAA 1997; PCG 2025/5	PSI must be attributed to Dr Freeman. Cannot be split via entities. Dominant factor in structure choice.
Part IVA	Anti-avoidance applies even if PSB tests passed.	s 177D ITAA 1936; PCG 2025/5	Income splitting beyond commercial salary to wife risks Part IVA assessment. ATO transition period to 30 June 2027.
Income Tax - Salary	Wife's salary as Practice Manager.	s 8-1 ITAA 1997	Deductible to the practice entity IF at arm's length. Must reflect market rate for the role.
Depreciation	\$1.2M equipment.	Div 40 ITAA 1997; Subdiv 328-D	Large deductions. Equipment Trust claims depreciation and passes benefit via lease pricing.
GST	Medical services GST-free; equipment lease taxable.	Div 38-B; s 9-5 GST Act	Medical fees = GST-free (no GST, no ITC). Equipment lease = taxable supply (GST charged, ITC claimed).
Division 7A	Company to shareholder/trust payments.	Div 7A ITAA 1936	If company shares held by trust: dividends to trust are not Div 7A. Loans from company to trust/shareholder must comply.
Asset Protection	Separate equipment from practice risk.	Corporations Act; Bankruptcy Act	Company: limited liability for practice. Equipment Trust: equipment protected from practice creditors.
Stamp Duty (VIC)	Equipment transfer if acquired by one entity then moved.	Duties Act 2000 (Vic)	VIC does not charge duty on business chattels (equipment). No duty issue.
Service Entity	ATO scrutiny of medical practice service trusts.	Part IVA; PCG 2025/5; TR 2006/2	The Equipment Trust must charge arm's length lease rates. Inflated lease rates attract ATO attention.
SB CGT Concessions	Future sale of practice.	Div 152 ITAA 1997	Both company and trust structures can access Div 152 if conditions met. Trust preserves 50% CGT discount.

4. Analysis

4.1 The PSI Problem - Why This Changes Everything

Medical practitioner income is the textbook example of Personal Services Income (s 84-5 ITAA 1997). Dr Freeman's fee income is derived as a direct reward for his personal medical skills, effort, and qualifications. The ATO's position is unambiguous:

PSI - The Central Issue

- (1) Dr Freeman's medical fee income IS PSI. This is not debatable for a sole-practitioner medical practice.
- (2) If Dr Freeman operates through an entity (company or trust), the PSI rules (Div 86) require the income to be attributed back to Dr Freeman personally - UNLESS the entity qualifies as a Personal Services Business (PSB).
- (3) Dr Freeman will likely qualify as a PSB (business premises test or unrelated clients test). This exempts him from the Div 86 attribution rules.
- (4) HOWEVER - and this is critical - qualifying as a PSB does NOT mean Dr Freeman can freely split his income. Part IVA (s 177D ITAA 1936) still applies. PCG 2025/5 (released December 2025) makes clear that the ATO will apply Part IVA to arrangements where the dominant purpose is to split PSI-derived income to reduce tax.
- (5) The practical effect: Dr Freeman must be paid a commercial salary that reflects what a doctor with his qualifications and experience would earn. Only genuine business profits ABOVE a reasonable commercial salary can remain in the entity. Distributing Dr Freeman's personal exertion income to his wife (beyond her genuine PM salary) is high-risk.

This means the choice of structure is driven primarily by asset protection and operational efficiency, not income splitting. The income-splitting opportunity is limited to: (a) Mrs Freeman's genuine salary as Practice Manager (deductible); and (b) equipment lease income from the Equipment Trust (not PSI - it is passive rental income).

4.2 Option 1 - Company (Dr Freeman + Wife as Shareholders)

Structure

FREEMAN MEDICAL PTY LTD

Director: Dr Freeman (sole director)

Shareholders: Dr Freeman (50%), Mrs Freeman (50%)

Tax rate: 25% (BRE)

Operates: Medical practice

Tax Implications

The company pays Dr Freeman a commercial salary (deductible). Mrs Freeman receives a genuine salary for Practice Manager work (deductible). Any profit retained in the company is taxed at 25%. Profits extracted as dividends are split 50/50 between the shareholders.

PSI Risk - 50/50 Shareholding

PSI concern with 50/50 shareholding: If dividends are paid 50/50 to Dr Freeman and his wife, and the wife's only contribution is practice management (not medical services), the ATO may view the 50% dividend to her as income splitting of Dr Freeman's PSI.

PCG 2025/5 and Part IVA: The ATO will look at whether Mrs Freeman's total remuneration (salary + dividends) exceeds what she would receive in an arm's length arrangement. If she receives \$80K-\$110K salary PLUS substantial dividends, the total package may be considered excessive for a practice manager role.

Risk mitigation: Mrs Freeman's salary must be at market rate. Dividends should be modest and justifiable as a return on her shareholding investment - not a disguised distribution of Dr Freeman's personal exertion income.

Asset Protection

The company provides limited liability. Creditors of the practice (patient claims, lease disputes, supplier debts) cannot access the shareholders' personal assets. However, medical malpractice claims may pierce the corporate veil if Dr Freeman is personally negligent - professional indemnity insurance is essential regardless of structure.

Concern: The company HOLDS the \$1.2M equipment. If the practice faces a claim, the equipment is a company asset available to company creditors. This is why the Equipment Trust (Option 3) is important.

4.3 Option 2 - Discretionary Trust for the Business

Structure

FREEMAN FAMILY TRUST (Discretionary)

Trustee: Freeman Trustee Pty Ltd

Director: Dr Freeman

Beneficiaries: Dr Freeman, Mrs Freeman, related entities

Operates: Medical practice

Tax Implications

The trust distributes income to beneficiaries at their marginal rates. However, PSI constraints apply equally - Dr Freeman's medical fee income cannot be split through trust distributions. The trust must pay Dr Freeman a commercial salary equivalent, and any distribution to Mrs Freeman beyond her genuine Practice Manager salary is a PSI-splitting risk.

Trust: CGT Advantage vs Loss/Retention Disadvantage

Trust advantage over company: 50% CGT discount on future sale of the practice (Div 115 ITAA 1997). For a practice expected to grow significantly (Year 3: \$1.5M turnover), the goodwill value at sale could be substantial.

Trust disadvantage: Year 1 losses from the \$1.2M equipment depreciation are trapped in the trust (cannot distribute losses). Must make a Family Trust Election to carry forward. The company handles Year 1 losses more cleanly.

Trust disadvantage: Cannot retain earnings at 25%. Must distribute all income by 30 June or the trustee is assessed at 47% (s 99A).

Asset Protection

Medium-high. The corporate trustee (Freeman Trustee Pty Ltd) holds the practice assets. Dr Freeman's personal assets are separate. However, trust assets (including the \$1.2M equipment) are available to practice creditors if the trust operates the business. This reinforces the case for the Equipment Trust (Option 3).

4.4 Option 3 - Second Discretionary Trust for Equipment (RECOMMENDED)

Structure

FREEMAN EQUIPMENT TRUST (Discretionary)

Trustee: Freeman Equipment Pty Ltd (separate corporate trustee)

Director: Dr Freeman (or Mrs Freeman for separation)

Beneficiaries: Dr Freeman, Mrs Freeman, related entities

Holds: \$1.2M fittings and equipment

Income: Arm's length equipment lease to the operating entity

Distributes: Lease income to beneficiaries (this is NOT PSI)

Equipment Trust: Asset Protection + Legitimate Income Splitting

THIS IS THE KEY STRUCTURAL ELEMENT. The Equipment Trust's lease income is passive rental/lease income - it is NOT derived from Dr Freeman's personal medical skills. It is income from the ownership and use of business assets. Therefore:

- (a) The PSI rules do NOT apply to the Equipment Trust's lease income;
- (b) The Equipment Trust CAN distribute lease income to Mrs Freeman (subject to s 100A - must be genuine);
- (c) The equipment is protected from practice creditors (held by a separate entity);
- (d) If the practice fails, the equipment can be leased to a successor practice or sold - it is not lost to the practice's creditors;
- (e) Depreciation deductions on the \$1.2M equipment flow through the Equipment Trust (claimed against lease income);
- (f) The lease payment is deductible to the operating entity (company or trust) as a business expense under s 8-1 ITAA 1997.

Arm's Length Lease Requirements

The lease rate must be commercially justifiable. An independent valuation of the equipment and a benchmarked lease rate (typically 8%-15% of asset value for medical equipment, depending on depreciation and obsolescence) should be obtained. If the lease rate is inflated to shift more income to the Equipment Trust, the ATO may:

- Deny the deduction under s 26-50 ITAA 1997 (payments to related entities on non-arm's length terms);
- Apply Part IVA (s 177D) to the arrangement;
- Treat the excess as a deemed benefit or distribution.

The lease should be documented in a formal written lease agreement with commercial terms (term, rent reviews, maintenance obligations, insurance).

GST on Equipment Lease

The equipment lease is a taxable supply (not GST-free). The Equipment Trust charges GST on the lease payments. The operating entity (company) claims input tax credits. Note: Dr Freeman's medical services are GST-free under Div 38-B GST Act, so the company has limited ITC capacity on general expenses - but the equipment lease GST is creditable against the company's other taxable supplies (if any) or refundable.

GST - Limited ITC Capacity for Medical Practices

GST consideration: If the practice makes only GST-free medical supplies, it cannot claim ITCs on the equipment lease GST. This makes the GST on the lease a real cost (~\$10,000+ p.a.).

However, if the practice also makes taxable supplies (e.g., cosmetic procedures, product sales), ITCs may be partially claimable. This must be assessed based on the actual supply mix.

4.5 Recommended Combined Structure

Final Structure

FREEMAN MEDICAL PTY LTD (Operating Company)

Director: Dr Freeman. Shares held by Freeman Family Trust.

Operates the medical practice. Pays: salary to Dr Freeman (commercial rate); salary to Mrs Freeman (PM market rate); lease to Equipment Trust.

FREEMAN FAMILY TRUST (Discretionary - holds shares in the company)

Corporate Trustee: Freeman Trustee Pty Ltd. Receives franked dividends from the company.

Limited distribution capacity due to PSI constraints on practice income.

FREEMAN EQUIPMENT TRUST (Discretionary - holds \$1.2M equipment)

Corporate Trustee: Freeman Equipment Pty Ltd. Leases equipment to the company. Distributes lease income to beneficiaries - NOT PSI.

Why This Combined Structure

Why company (not trust) for the practice: (a) Year 1 losses from startup costs handled cleanly (carry forward); (b) Limited liability for medical practice risk; (c) Can retain profits at 25% during growth; (d) PSI constraints limit trust distribution benefits anyway.

Why shares held by the Family Trust (not individually): Preserves 50% CGT discount on a future share sale. Avoids the PSI-risk of 50/50 individual shareholding with wife.

Why separate Equipment Trust: (a) Equipment (\$1.2M) protected from practice creditors; (b) Lease income is NOT PSI - can be distributed to Mrs Freeman; (c) Depreciation deductions flow through the trust; (d) If practice fails, equipment survives.

5. Worked Example Tables

5.1 Year 3 Income Flow (\$1.5M Turnover)

Assumes: \$1.5M turnover, \$400K operating costs (excl salaries/lease), \$350K salary to Dr Freeman, \$100K salary to Mrs Freeman, \$120K equipment lease to Equipment Trust.

Item	Amount	Entity	Tax Treatment
Gross turnover	\$1,500,000	Freeman Medical Pty Ltd	
Less: Operating expenses	(\$400,000)	Company (deductible)	s 8-1 ITAA 1997
Less: Dr Freeman salary	(\$350,000)	Company (deductible)	Assessable to Dr Freeman at marginal rates
Less: Mrs Freeman salary (PM)	(\$100,000)	Company (deductible)	Assessable to Mrs Freeman at marginal rates
Less: Equipment lease	(\$120,000)	Company (deductible)	Assessable to Equipment Trust
Company taxable income	\$530,000	Company	
Company tax (25% BRE)	\$132,500	Company	Tax paid creates franking credits
After-tax retained / dividends	\$397,500	Company	Can retain or pay franked dividends to Family Trust
Equipment Trust:			
Lease income	\$120,000	Equipment Trust	NOT PSI - passive rental income
Less: Depreciation (Div 40)	(\$80,000)	Equipment Trust	Estimated based on effective lives
Less: Insurance/maintenance	(\$10,000)	Equipment Trust	s 8-1 deductible
Trust net income	\$30,000	Equipment Trust	
Distribute to Mrs Freeman	\$30,000		Tax: ~\$1,200 (added to her \$100K salary - at 32.5% marginal bracket)
			Equipment lease income IS distributable - NOT PSI

5.2 Tax Comparison - Company Only vs Company + Equipment Trust

Item	Company Only (holds equipment)	Company + Equipment Trust
Dr Freeman salary	\$350,000 (tax: ~\$122,000)	\$350,000 (tax: ~\$122,000)
Mrs Freeman salary	\$100,000 (tax: ~\$22,967)	\$100,000 (tax: ~\$22,967)
Company tax	\$162,500 (on \$650K profit)	\$132,500 (on \$530K - lease deducted)
Equipment Trust tax	N/A	\$0 (distributed to Mrs Freeman)
Mrs Freeman additional tax (on lease dist)	N/A	~\$9,750 (on \$30K net lease income at 32.5%)
Equipment depreciation benefit	In company (reduces co tax)	In trust (reduces lease income)
Total entity-level tax	\$162,500	\$142,250
Total personal tax (both)	~\$145,000	~\$154,700

Item	Company Only (holds equipment)	Company + Equipment Trust
Combined total tax	~\$307,500	~\$296,950
Annual tax saving		Reference.

Tax Saving is Secondary to Asset Protection

The tax saving from the Equipment Trust (~\$10,550 p.a.) is modest but real. However, the PRIMARY benefit is asset protection: the \$1.2M equipment is held by a separate entity and cannot be seized by the practice's creditors.

As the practice grows and generates more non-PSI income (e.g., from employed practitioners, product sales, allied health services), the income-splitting benefits of the trust structures increase significantly.

If Dr Freeman employs other doctors in future years, the income generated by those doctors is NOT Dr Freeman's PSI. This non-PSI practice income can be distributed more freely through the Family Trust.

6. Case Law Support

Case / Reference	Source	Principle	Application
FCT v Bamford (2010) 240 CLR 481	HCA	Trust income; proportionate approach under Div 6.	Foundation for Equipment Trust distributions to Mrs Freeman.
FCT v Spotless Services (1996) 186 CLR 404	HCA	Part IVA dominant purpose test.	Any income-splitting arrangement must withstand Part IVA scrutiny.
FCT v Guardian AIT [2023] FCAFC 3	FCAFC	Section 100A reimbursement agreements.	Equipment Trust distributions to Mrs Freeman must be genuine.
PCG 2025/5	ATO (Non-binding)	PSI compliance approach. Clarifies that PSB status does not protect from Part IVA for income splitting.	Directly applies to Dr Freeman's structure. Transition period to 30 June 2027.
TR 2006/2	ATO (Binding)	Income tax: the meaning of 'business' for PSI purposes.	Relevant to whether the practice qualifies as a PSB.

7. Conclusion

Freeman Medical Pty Ltd (operating company with shares held by the Family Trust) + Freeman Equipment Trust (holds \$1.2M equipment, leases to company).

Dr Freeman's medical practice income is PSI. This fundamentally limits income splitting through any structure. The wife's salary as Practice Manager must be at a genuine arm's length commercial rate (\$80,000-\$110,000). Splitting medical fee income beyond this via dividends or trust distributions is high-risk under Part IVA and PCG 2025/5.

The Equipment Trust is the critical structural element. It achieves: (a) asset protection - \$1.2M equipment separated from practice risk; (b) legitimate income splitting - equipment lease income is NOT PSI and CAN be distributed to Mrs Freeman; (c) depreciation deductions; (d) if the practice fails, the equipment survives in a separate entity.

Company (not trust) is recommended for the practice because: Year 1 losses from startup are handled cleanly; limited liability for medical malpractice risk; can retain earnings at 25% during the growth phase; PSI constraints limit the trust distribution advantage anyway. Shares held by the Family Trust (not individually) to preserve the 50% CGT discount on a future share sale.

Next Steps

Key actions: (1) Incorporate Freeman Medical Pty Ltd; (2) Establish Freeman Family Trust + corporate trustee; issue company shares to the trust; (3) Establish Freeman Equipment Trust + corporate trustee; (4) Equipment Trust acquires the \$1.2M fittings/equipment; (5) Execute arm's length equipment lease agreement with independent valuation; (6) Register all entities for ABN/GST/PAYG; (7) Set Mrs Freeman's salary at market rate (obtain benchmarking data); (8) Arrange professional indemnity insurance; (9) Register with AHPRA and relevant medical bodies; (10) Document commercial rationale for the structure (asset protection, operational efficiency - not primarily tax).

8. Risks & Caveats

Personal Services Income - PCG 2025/5: [CRITICAL] Dr Freeman's medical fee income is PSI. Even with PSB status, Part IVA applies to income-splitting arrangements. The ATO has a transition period to 30 June 2027 for practitioners to restructure. Dr Freeman must be paid a commercial salary reflecting his qualifications and experience. Any attempt to split medical fee income to his wife via dividends or trust distributions beyond her genuine PM salary is high-risk.

Mrs Freeman's salary - arm's length: [HIGH] Practice Manager salary must be at market rate. ATO scrutinises medical practice salaries. Benchmark against independent job market data for PM roles in Melbourne medical practices. A salary that significantly exceeds market rate may be disallowed (s 26-50 ITAA 1997) or trigger Part IVA.

Equipment lease - arm's length: [HIGH] The lease rate must be commercially justifiable. Obtain an independent equipment valuation and market lease rate benchmarking. If the rate is inflated, ATO may deny the deduction and apply Part IVA. Typical medical equipment lease rates are 8%-15% of asset value depending on type and effective life.

Section 100A: [MEDIUM] Equipment Trust distributions to Mrs Freeman must be genuine - not part of a reimbursement agreement where Dr Freeman actually benefits. Mrs Freeman must receive the distribution into her own account.

GST - limited ITC capacity: [MEDIUM] Medical services are GST-free (Div 38-B). The company cannot claim ITCs on inputs related to GST-free supplies. The GST on the equipment lease may be a real cost if the practice makes only GST-free supplies. Assess the actual supply mix.

Year 1 losses: [MODERATE] \$1.2M equipment depreciation will likely create a large Year 1 loss. Company carries forward. Equipment Trust: depreciation offsets lease income; excess losses trapped (need FTE). Plan cash flow carefully for the startup phase.

Part IVA - dominant purpose: [HIGH] The ATO will assess whether the structure's dominant purpose is to obtain a tax benefit. Document the commercial rationale: asset protection for \$1.2M equipment, operational efficiency, succession planning. The Equipment Trust must exist for genuine commercial reasons.

Trust distribution deadline: [ANNUAL] Equipment Trust must resolve distributions before 30 June. Failure = trustee at 47%.

Medical registration: [VERIFY] Dr Freeman must maintain current AHPRA registration. The practice must comply with all relevant Medical Board requirements. Professional indemnity insurance is mandatory.

9. Rulings & References

Legislation

Provision	Relevance
ITAA 1997, Division 85-87	Personal Services Income rules
ITAA 1997, s 84-5	Definition of PSI
ITAA 1997, s 87-15 to 87-30	PSB tests (results, unrelated clients, employment, business premises)
ITAA 1997, Division 40	Depreciation - equipment
ITAA 1997, Division 115	CGT discount (50%)
ITAA 1997, Division 152	Small business CGT concessions
ITAA 1997, s 8-1	General deduction (salary, lease payments)
ITAA 1997, s 26-50	Non-arm's length payments to related entities
ITAA 1936, Division 6	Trust taxation
ITAA 1936, s 99A	Trustee assessed at top rate
ITAA 1936, s 100A	Reimbursement agreements
ITAA 1936, s 177D (Part IVA)	Anti-avoidance
ITAA 1936, Division 7A	Deemed dividends
GST Act, Div 38-B	Health services GST-free
Corporations Act 2001, s 197	Director liability for corporate trustee

ATO Rulings & Case Law

Reference	Topic
PCG 2025/5	PSI compliance approach - income splitting, Part IVA (Non-binding)
TR 2006/2	Meaning of 'business' for PSI purposes (Binding)
TR 2022/4	Section 100A reimbursement agreements (Binding)
FCT v Bamford (2010) 240 CLR 481	Trust income; proportionate approach - HCA
FCT v Guardian AIT [2023] FCAFC 3	Section 100A ordinary family dealings - FCAFC
FCT v Spotless Services (1996) 186 CLR 404	Part IVA dominant purpose - HCA

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