

SPECIAL DISABILITY TRUSTS

It's time for you to have a closer look...

What is a Special Disability Trust?

A Special Disability Trust (SDT) is a trust established by parents and immediate family members for the future care and accommodation needs of a person with a severe disability (the beneficiary).

Through the effective implementation and management of an SDT it can provide additional funds for the future care and accommodation needs of the beneficiary. An SDT achieves this through maintaining social security entitlements, with the added benefit of asset protection for the beneficiary.

Who can be the beneficiary of a Special Disability Trust?

To be eligible to be a beneficiary of an SDT the person with the disability must meet the definition of severely disabled under the legislation (Social Security Act 1991) as assessed by Centrelink.

What are the benefits of a Special Disability Trust?

1. A Centrelink gifting concession of up to \$500 000 combined is available for eligible family members of the beneficiary.
2. A Centrelink assets test exemption of up to \$647,500 (as at 1 July 2016) is available for the beneficiary.
3. The beneficiary's principle residence held in the SDT is exempt from Centrelink's assets test.
4. All SDT income is excluded from Centrelink's income test.
5. The beneficiary is able to work up to seven hours a week and still receive the SDT concessions.
6. You receive a capital gains tax exemption for any asset donated to an SDT.
7. The SDT receives a capital gains tax exemption for the beneficiary's principle residence.
8. Depending on State legislation, transfer duty exemptions may be available in relation to the beneficiary's principle residence.
9. The SDT can pay for reasonable care needs (based on beneficiary's disability or medical practitioner request) including, but not limited to:
 - a. professional care and case management
 - b. therapy (including alternative therapy)
 - c. specialised food
 - d. mobility aids, prostheses and positioning aids
 - e. sleeping and sensory, personal care, pressure care and continence aids
 - f. communication devices (including computers)
 - g. modified vehicle or modifications to a vehicle
 - h. transport
 - i. training for transitional or independent living skills
 - j. daily care fee and any additional itemised fees from a residential care service or supported care accommodation
 - k. health insurance, medicines, surgery, specialist and general practitioner services.

What are the benefits of a Special Disability Trust? - Continued

10. The SDT can pay for reasonable accommodation needs including, but not limited to:
 - a. modification to the beneficiary's place of residence arising from his or her disability
 - b. purchase of the beneficiary's place of residence
 - c. rental of the beneficiary's place of residence
 - d. accommodation bond for the beneficiary
 - e. any itemised fees which specifically relate to the accommodation of the beneficiary residing in a residential care service.

11. The SDT can pay for discretionary spending items (for the benefit of the beneficiary) up to the value of \$11,500 (as at 1 July 2016) to meet additional costs relating to health, wellbeing, recreation, independence and social inclusion including, but not limited to:
 - a. food, household items and toiletries
 - b. vehicle running expenses and vehicle maintenance (not required for the beneficiary's disability)
 - c. recreation and leisure activities
 - d. computer and communication devices (general use)
 - e. therapy (not required for the beneficiary's disability or not approved by a medical practitioner)
 - f. residential improvements (not required for the beneficiary's disability)
 - g. building/content insurance, electricity, rates and water charges (for the beneficiary's residence)
 - h. household cleaning services
 - i. clothing and footwear (not required for the beneficiary's disability)
 - j. life skills and social inclusion workshops.

So what is the downside?

Like all things to do with the government and Centrelink you must stick to the rules. If you do not stick to the rules and the SDT is ruled to be non-compliant by Centrelink, the beneficiary could potentially lose their social security benefits. In addition, the SDT will lose its tax concessions.

However, through the effective ongoing management of budgets, expenditure and contributions on a monthly/quarterly basis it is easy to maintain the compliance status of an SDT.

Where to from here?

If you'd like to discuss this further, to see how an SDT could be of benefit to you, please contact Melanie Costin on (07) 3228 4096 or mcostin@vincents.com.au.

Disclaimer and important information

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