



# Partial remission of interest for participants in employee benefit arrangements

This fact sheet explains the concession, announced by the Commissioner on 18/11/2004, relating to a partial remission of interest in the cases of participants whose interest charge as at 18/01/2005 amounts to greater than 70% of the primary tax relating to their employee benefit arrangement participation.

## THE REASONS FOR THIS CONCESSION

This decision has been made because of the unique combination of factors leading to large unpaid debts for some employee benefit arrangement participants.

The outstanding debts include large amounts of interest, most of which has accrued since the issue of amended assessments. The amount of interest is such that we believe it may present a barrier to participants resolving their debts.

We believe that some employee benefit arrangement participants believed statements made by various interest groups that they could achieve a highly concessional settlement or that their arrangement would be successful in the court. This expectation has led to some participants deferring payment of their debt.

In the six employee benefit arrangement cases heard to date the courts have found that the claimed deductions are not allowable. In these circumstances we could not agree to a highly concessional settlement of employee benefit arrangement disputes.

## WHAT IS THE 70% CAP?

The 70% cap means that the interest accruing up to 18/01/2005 in respect of an employee benefit arrangement debt will not exceed 70% of the primary tax relating to the employee benefit arrangement.

We will review the accounts of every participant in employee benefit arrangements and calculate the total interest accrued to 18/01/2005. We will then remit any interest over 70% of the primary tax.

Where necessary your account will be adjusted to reflect this remission. If your account is in credit a refund will be issued.

Interest will continue to apply at the normal rate (currently 12.44%) from 19/01/2005 if there is a debt remaining and there is no payment arrangement in place. Reduced interest may apply where appropriate payment arrangements are entered into.

The 70% capping of the interest will apply irrespective of whether you have settled, paid or are currently pursuing a dispute through the normal review process. The only criterion is that the total of the interest relating to the employee benefit arrangement debt as at 18/01/2005 is greater than 70% of the primary tax.

**!** If you are eligible for the 70% cap and a remission of interest (see fact sheet *Employee benefit arrangements* [NAT 11998]), the calculation of the 70% cap will be on the amount of interest remaining after the remission of interest has been calculated.

## EMPLOYEE BENEFIT ARRANGEMENTS

Employee benefit arrangements include those set up as:

- employee benefit trusts
- employee share plans
- controlling interest superannuation schemes
- offshore superannuation schemes, and
- employee share trusts.

### MORE INFORMATION

If you have any queries about the partial remission of interest you can phone us on **1800 001 111**.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

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