


TD 93/D108 - Income tax: are monetary gifts received by a child or any interest earned on investing such money treated as 'excepted assessable income'?

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This document has been finalised by TD 93/148.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: are monetary gifts received by a child or any interest earned on investing such money treated as "excepted assessable income"?

1. No. Genuine monetary gifts received by a child on special occasions such as birthdays or religious events are not assessable for any purpose of the Income Tax Assessment Act. Provided that the child is a "prescribed person" under section 102AC of the Act, any interest earned on the accumulation of such gifts is treated as "eligible assessable income" in terms of subsection 102AE(1) of the Act. Such interest is taxed at the higher rates applicable under Division 6AA.

2. Subsection 102AE(2) of the Act sets out the limited circumstances in which certain forms of income are deemed to be "excepted assessable income". Interest from accumulated gifts does not fall into any of the categories, as set out in that subsection. In particular, paragraph 102AE(2)(f), which refers to accumulations of excepted income, has no application to interest earned on monetary gifts.

Example:

Raymond, aged 14, has accumulated \$7,000 over the years from birthdays and other special occasions. The money was put into his bank account and he earned \$490 in interest during the year ending 30 June 1992. Raymond, who is a "prescribed person" for the purposes of Division 6AA, earned no other income during that year. The total amount of interest earned is treated as "eligible assessable income" as it does not fall under any of the categories of "excepted assessable income" under subsection 102AE(2) of the Act. In this case, the tax payable for the year ended 30 June 1992 would be $(\$490 - \$416) \times .66 = \$48.84$.

Commissioner of Taxation

29/04/93

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings: IT330, IT2486 and IT2489

Subject Ref: children's income, gifts, exempt income, excepted assessable income

Legislative Ref: ITAA 25(1), 102AC(2), 102AE(1), 102AE(2), Income Tax Rates Act (1986) s.13

Case Ref: Case Y23, 91 ATC 265; AAT Case 6920, (1991) 22 ATR 3176

ATO Ref: SSO

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