



TD 93/D137 (Withdrawn) - Income tax: does paragraph 26(e) apply to a lump sum paid by an employer to compensate an employee for a change in working conditions?

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 This document has been Withdrawn.

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: does paragraph 26(e) apply to a lump sum paid by an employer to compensate an employee for a change in working conditions?

1. Yes. A lump sum paid by an employer to compensate an employee for a change in working conditions is included in the employee's assessable income under paragraph 26(e). It is paid as a consequence of the existing relationship of employer and employee. The relationship alone is not sufficient to attract the subsection unless it is also a contributory cause of the payment.

Example:

Sue is employed by X Co. under terms of employment which include the right to have a rostered day off each fortnight. X Co. later advises Sue that she will no longer be entitled to rostered days off. A payment equivalent to three months' salary is paid to her to compensate for the change in working conditions. The lump sum payment is included in Sue's assessable income under paragraph 26(e).

Commissioner of Taxation

3/6/93

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Related Determinations:

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Legislative Ref: ITAA 26(e)

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