

IT 150 - Authors - payments under the Commonwealth Literary Fund

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TAXATION RULING NO. IT 150

AUTHORS - PAYMENTS UNDER THE COMMONWEALTH LITERARY FUND

F.O.I. EMBARGO: May be released

REF

H.O. REF: J130/73 P1 F246

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED: 17.01.68

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1101881

ABNORMAL INCOME

DIVISION 16A

AUTHORS

158C(2)

COMMONWEALTH LITERARY

221A

FUND

RECURRENT EARNINGS

PREAMBLE

The taxation treatment of payments under the fellowships awarded from the Commonwealth Literary Fund has been considered.

2. Fellowships are awarded to enable authors to spend a certain period writing, the result of which the Board hopes will be a work of literature. Apparently most of the current awards are for a period of one year and carry a grant of \$6,000 but it is possible that some may be given for longer periods in future.

RULING

3. Payments under the awards do not meet the terms of the definition of "lump sum earnings" in section 158C(2) because, apart from other reasons, a fellowship holder does not receive an amount in a lump sum. Payments are made each month on a calendar year basis.

4. It has been decided, however, that the payments may be treated as "recurrent earnings" as defined in section 158C(2). Accordingly, the payments may be brought to account in determining whether the assessable income of a fellowship holder for a particular year of income includes "abnormal income" within the meaning of that expression as laid down in section 158C(1).

5. In arriving at this decision, the conclusion was reached that the provision of the definition of "recurrent earnings" which excludes "remuneration ... for services rendered" from the qualifying classes of income does not operate to exclude payments under Commonwealth Literary Fund Fellowships.

6. The conditions of the awards require fellowship holders to submit regular reports on the progress of their work and permit the Fund's Advisory Board to examine material at any time and to terminate payments if the work is considered to be unsatisfactory. However, no benefit whatever passes to the Fund as consideration for the payments and they would not, in the circumstances, be classifiable as remuneration for services

rendered. They are merely gratuities, the payment of which is dependent on the satisfactory performance by the recipient of work for his own benefit. Nevertheless, it is arguable that the payments fall literally within the terms of the definition of "recurrent earnings" as being amounts received by the taxpayer "in respect of ... a literary ... work of which the taxpayer is the author". As this interpretation gives a result that is consistent with the policy underlying Division 16A, it has been decided to adopt it.

7. Payments from the Fund are subjected to tax instalment deductions and group certificates showing the Prime Minister's Department as employer, without any indication that the income is a fellowship grant, are issued to the fellowship holders.

COMMISSIONER OF TAXATION