IT 167 - Treatment for income tax purposes of radio & television competition prizes

This cover sheet is provided for information only. It does not form part of *IT 167 - Treatment for income tax purposes of radio & television competition prizes*

There is an Addendum notice for this document.

TAXATION RULING NO. IT 167

TREATMENT FOR INCOME TAX PURPOSES OF RADIO & TELEVISION COMPETITION PRIZES

F.O.I. EMBARGO: May be released

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REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1101905	RADIO AND TELEVISION PRIZES	51(1) 21
	COMPETITION PRIZES	51(1)
	PRIZES	56
	DEPRECIATION OF PRIZES	

PREAMBLE Representations were received concerning the taxation treatment of prizes won in radio and television competitions.

RULING 2. Because of the varying circumstances under which these competitions are conducted, it is not practicable to make general observations which would adequately cover the numerous possibilities likely to be encountered in practice. Whether or not a prize or an award won in a particular competition is liable to tax is a matter for determination in the light of the facts of each case.

3. In the absence of any usual features, it is considered that no liability to tax would ordinarily arise where a member of the general public participates casually in a competition and wins a prize. A windfall gain of this nature would not have the character of income.

4. On the other hand, if a taxpayer makes regular appearances in radio or television programmes (whether as an artist or as a participant in some form of competition), the reward received for appearing on the programme would form part of his assessable income. In this situation, the taxation position would be the same whether the award for appearing is paid directly in the form of a fee or indirectly through the opportunity to win valuable prizes, either in cash or in kind.

5. A prize or an award won in circumstances where it is an incident of the taxpayer's income producing activities (e.g., a "best player" award won by a professional footballer in a newspaper competition) or where it is part of the proceeds of a business conducted by the taxpayer (e.g., a prize won by an author in a literary competition) would have the character of income. Where prizes or awards are received in kind rather than in cash and the circumstances are such that a liability to tax arises, the value of the goods would be treated as part of the

assessable income of the recipient.

6. It is considered that the value of the prizes won by farmers competing in the "Farmer of the Year" competition forms part of the proceeds of their respective businesses and should, therefore, be brought to account as assessable income in the year in which the prizes are received or, in the case of the overseas trip, in the year in which the trip is undertaken.

7. In this connection, it is not practicable to indicate a formula to determine the precise value to be attributed to a prize. Section 21 of the Assessment Act provides that, where any consideration is paid or given otherwise than in cash, the money value of that consideration shall be deemed to have been paid or given. If there should be any doubt as to the value of a prize won, a fair and reasonable value could be settled by negotiation between the taxpayer concerned and the Taxation Administration.

8. So far as prizes awarded to a competitor's wife are concerned, the circumstances under which the business operations were carried on could have a bearing on the overall liability to tax. Where a business of primary production is conducted by a partnership consisting of husband and wife, the prize won in the competition would presumably become the property of the partnership, in which event the prize would be taken into account in calculating the partnership net income. However, if the competitor is engaged in business solely on his own account, the value of prizes awarded to the competitor's wife would not be regarded as forming part of the assessable income either of the competitor or of his wife.

9. Where the prize is in the form of goods (i.e., fertilizers, fuel or oil) which may be used by the taxpayer in the course of his business operations, a deduction not exceeding the value of the prize brought to account as assessable income would be allowable in the year in which the goods are used.

10. Similarly, a deduction may be allowable against the amount included in assessable income in respect of the value of the overseas trip. If the trip were taken by the taxpayer solely for purposes associated with his business activities, e.g., the inspection of farming projects and factories manufacturing farm implements etc., a deduction under section 51 of the Assessment Act would be allowed or an amount equal to that included in assessable income as representing an outgoing incurred in carrying on a business. However, if the prize happened to be simply a pleasure cruise, no offsetting deduction would be available because of the prohibition contained in section 51 against the deduction of outgoings of a private nature.

11. Where the prize won takes the form of an asset which is used by a taxpayer in his business, deductions based on the value of the plant brought to account as assessable income would be allowed in accordance with the depreciation provisions of the Assessment Act.

COMMISSIONER OF TAXATION