


IT 2499 - Income tax : rebate of tax - bonuses paid on eligible policies of life assurance

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There is an Addendum notice for this document.

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TAXATION RULING NO. IT 2499

INCOME TAX : REBATE OF TAX - BONUSES PAID ON ELIGIBLE
POLICIES OF LIFE ASSURANCE

F.O.I. EMBARGO: May be released

REF N.O. REF: 88/5079-8 DATE OF EFFECT: Immediate

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1010967	REBATE LIFE ASSURANCE POLICIES	26AH 160AAB 160AD

OTHER RULINGS ON TOPIC:

PREAMBLE This Ruling considers whether a rebate in respect of amounts assessable as bonuses under a life assurance policy under section 26AH of the Income Tax Assessment Act can be offset against tax payable on assessable income from other sources (eg., salaries, wages, rents, interest, etc).

2. Section 160AAB authorises a rebate of tax in respect of bonuses, and other amounts in the nature of bonuses, received under life assurance policies and included in assessable income by virtue of section 26AH. Very broadly, section 26AH generally includes as assessable income bonuses and similar amounts paid on certain life assurance policies issued after 27 August 1982 where those amounts are paid within 10 years of the policy commencing.

3. The rebate provided for under section 160AAB is available only where the policy is issued by a life assurance company the investment income of which is subject to income tax, by a State Government insurance office specified in section 160AAB, or by a friendly society. The amount of the rebate is determined by applying the rate of rebate specified in section 160AAB to the amount included as assessable income under section 26AH. The specified rate of rebate is 30.67% in 1982/83, 30% in 1983/84 to 1985/86, 29.42% in 1986/87 and 29% in 1987/88 and 1988/89. The Government has announced that it proposes to increase the rate of rebate to 30% in respect of friendly society policies and 39% in respect of life office policies for assessable amounts paid under such policies after 30 June 1989.

RULING 4. A rebate of tax generally has the effect of reducing the total amount of tax otherwise payable on a taxpayer's total taxable income. That is, it reduces the total amount of tax that would be payable by the taxpayer in the absence of any rebate entitlement. However, where the sum of the rebates of tax allowable under the Act exceeds the amount of tax otherwise payable by the taxpayer, section 160AD specifically provides

that the sum of the rebates allowable is limited to the amount of tax otherwise payable. In other words, any excess rebate is not refundable and, furthermore, the excess cannot be carried forward or back to reduce the amount of tax payable in a future or past year of income.

5. Accordingly, where a taxpayer is entitled to a rebate of tax under section 160AAB, the rebate is available to be offset against the total amount of tax payable on taxable income - and not just bonus income assessable under section 26AH - to the extent that the section 160AAB rebate, in summation with any other rebate entitlements, does not exceed the total tax that would otherwise be payable by the taxpayer.

COMMISSIONER OF TAXATION
27 October 1988