IT 2635A - Addendum - Income tax: syndicated research and development arrangements

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TAXATION RULING IT 2635

Income tax: syndicated research and development arrangements

ADDENDUM

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The Tax Law Improvement Project is restructuring, renumbering and rewriting the income tax law in plain language. The parliament is amending the income tax law progressively to reflect these aims. As new laws come into effect, Taxation Rulings about old laws are being brought into line with them.

This Addendum amends Taxation Ruling IT 2635 as follows:

After paragraph 39

Insert:

'**Impact of *Income Tax Assessment Act 1997* and transitional provisions**

'40. Changes to the way in which section 73D of the Act applies have been introduced by Subdivision 20-A of the *Income Tax Assessment Act 1997* ('the new Act'). The Subdivision includes in assessable income an amount received by way of insurance, indemnity or other recoupment if it is for a deductible expense and it is not otherwise assessable income. The Subdivision applies to an assessable recoupment of a loss or outgoing, whenever incurred, received in the 1997-98 income year or a later income year: see Subdivision 20-A of the *Income Tax (Transitional Provisions) Act 1997*.

'41. Section 73D, a reduction of deduction provision, has not been amended but continues to apply to assessments for the 1997-98 income year and later income years (except in relation to an amount received as recoupment in the 1997-98 income year or a later income year).

'42. The explanatory memorandum to the Tax Law Improvement Bill 1996 describes the application of the rewritten sections in Subdivision 20-A of the new Act as follows:

> "The rewritten sections will apply to recoupment amounts received in the 1997-98 or later income years...
>
> In some cases, however, it is necessary that some recoupment provisions of the 1936 Act apply to assessments for the 1997-98 and later income years when those provisions deal with recoupments that were received before the 1997-98 income year....These provisions are "reduction of deductions" recoupment provisions that apply to expenditure

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deductible over more than one year. Under these provisions, a recoupment may still affect a deduction in the 1997-98 income year or a later income year, even if the initial expenditure was incurred, and the recoupment was received, before the 1997-98 income year." '

Commissioner of Taxation

23 July 1997

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