TD 92/181 - Income tax: do mutual receipts form part of 'exempt income' in the context of general domestic current year losses and undeducted prior year losses?

This document has changed over time. This is a consolidated version of the ruling which was published on *29 October 1992*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of PartáIVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part . Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, the Determination applies to transactions entered into both before and after its date of issue.

Taxation Determination

Income tax: do mutual receipts form part of 'exempt income' in the context of general domestic current year losses and undeducted prior year losses?

1. No.

2. Subsection 6(1) of the *Income Tax Assessment Act 1936* defines 'exempt income' as income which is exempt from income tax and includes income which is not assessable income.

3. The principle of mutuality recognises that one cannot make a profit out of oneself and that income can only be derived from sources outside of oneself. A mutual receipt cannot be treated as income.

Example:

Taxpayer X has allowable business deductions in a current year of income of $50,000, business receipts of $45,000, net mutual receipts of $5,000 and net exempt income of $2,000. The loss to be carried forward in terms of subsection 79E(1) is $3,000, calculated as follows:

Business Receipts	*$ 45,000*
Net Exempt Income	*2,000*
Total	*47,000*
Less:business deductions	*50,000*
Carried Forward Loss	*$ 3,000*

Note: Net mutual receipts of $5,000 are ignored.

Commissioner of Taxation
29/10/92

FOI INDEX DETAIL: Reference No. I 1213567 Previously issued as Draft TD 92/D161
Related Determinations:
Related Rulings: IT 2505
Subject Ref: carry forward losses; current year losses; exempt income; mutual income; net exempt income; sporting clubs
Legislative Ref: ITAA 6(1); ITAA 79E; ITAA 80
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