



TD 93/88 - Income tax: are TFN amounts deducted from the "tax free income" component of a unit trust distribution?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *20 May 1993*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA 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, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: are TFN amounts deducted from the "tax free income" component of a unit trust distribution?

1. Yes. Subsection 221YHZA(1A) of the *Income Tax Assessment Act 1936* ("the Act") requires a TFN amount to be deducted from "unattributed income" ie. a distribution to a unitholder where a tax file number (TFN) has not been provided or taken to have been provided by the unitholder in respect of that investment.

2. Unit trusts make their distribution from the accounting income of the trust. There are additional allowable deductions for taxation purposes eg. Division 10D deductions for capital expenditure on certain buildings. The difference between the distribution of accounting income and the income for taxation purposes is known as the tax free income.

3. Subsection 221YHZA(1) defines "unattributed income" as income payable to an investor at a time when the investor's TFN has not been provided or taken to have been provided. Unattributed income does not distinguish assessable income from non-assessable income. The meaning of the term 'income' in the definition is the same as that used throughout the Act.

4. Income, as such, is not restricted to receipts which are taxable. All income whether exempt or otherwise is, therefore, used to calculate TFN amounts withheld under the TFN provisions. Only capital receipts that cannot otherwise be called income are not used to calculate the TFN amount to be withheld.

Example:

Mary is a unitholder in XYZ Unit Trust. For the year ended 31 December 1992 she was entitled to an income distribution of \$1300 from the Unit Trust comprising fully franked dividends of \$400, \$600 as proceeds from the sale of a building and a tax free amount of \$300. Mary did not provide her TFN to the Unit Trust. A TFN amount of \$337.75 should be deducted from the income distribution.

The required TFN amount to be deducted is calculated as follows:

Total distribution	\$1300.00
LESS: Capital receipt - sale proceeds	\$600.00
TFN amount deducted [(400 +300) x.4825]	\$337.75

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Related Rulings:

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