



TD 95/41 - Income tax: is a premium payable on a trauma insurance policy by a self employed person or an employee an allowable deduction to the self employed person or employee?

 This cover sheet is provided for information only. It does not form part of *TD 95/41 - Income tax: is a premium payable on a trauma insurance policy by a self employed person or an employee an allowable deduction to the self employed person or employee?*

 This document has changed over time. This is a consolidated version of the ruling which was published on 9 August 1995

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: is a premium payable on a trauma insurance policy by a self employed person or an employee an allowable deduction to the self employed person or employee?

1. No. The premium payable under a trauma insurance policy is not an allowable deduction to an employee or self employed person.
2. The purpose of trauma insurance is to provide a capital amount to the insured if the insured suffers a specified medical condition. The policy does not replace earnings lost by the taxpayer.
3. The benefits payable under this type of policy do not constitute assessable income under subsection 25(1) of the *Income Tax Assessment Act 1936*. In these circumstances, a deduction is not allowable under subsection 51(1) as there is no connection between the payment of premiums and the production of assessable income (see *FC of T v. D P Smith* 81 ATC 4114; (1981) 11 ATR 538).

Commissioner of Taxation
9 August 1995

FOI INDEX DETAIL: Reference No. I 1014469

Previously issued as Draft TD 94/D51

Related Determinations: TD 95/39; TD 95/40; TD 95/42; TD 95/43

Related Rulings:

Subject Ref: accident and disability insurance policies; life assurance companies; trauma insurance policies

Legislative Ref: ITAA 25(1); ITAA 51(1)

Case Ref: *FC of T v. D P Smith* 81 ATC 4114; (1981) 11 ATR 538

ATO Ref: Insurance Industry Cell; NAT 95/5952-3

ISSN 1038 - 8982