


TD 94/D76 - Income tax: will the former definition of the term 'undeducted purchase price' that applies to payments made before 1 July 1994, cover any replacement pension or annuity purchased on or after 1 July 1994 using the rolled over residual capital value of a pension or annuity that commenced prior to that date?

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Draft Taxation Determination

Income tax: will the former definition of the term 'undeducted purchase price' that applies to payments made before 1 July 1994, cover any replacement pension or annuity purchased on or after 1 July 1994 using the rolled over residual capital value of a pension or annuity that commenced prior to that date?

1. No. The definition of the term 'undeducted purchase price' (UPP) contained in subsection 27A(1) of the *Income Tax Assessment Act* has been amended. This amendment applies to all pensions and annuities, where the first payment of the pension or annuity relates to a period, the first day of which is on or after 1 July 1994.
2. A pension or annuity that began to be paid after 1 July 1988 may mature and the proceeds rolled over to purchase another annuity. It is not the case that, just because the first pension or annuity was first paid prior to 1 July 1994, the former definition of UPP will continue to apply to the replacement pension or annuity.
3. This represents a new and separate pension or annuity and, where its first payment date relates to a period beginning on or after 1 July 1994, the new definition will apply. The effect of this is that the manner of calculating the UPP is different. This change is dealt with in a separate determination (TD 94/D75).
4. The former definition of UPP will continue to apply to superannuation pensions and annuities paid in respect of a period that commenced before 1 July 1994 and to superannuation pensions and annuities that do not qualify for the rebate under section 159SM.

Commissioner of Taxation

07/07/94

FOI INDEX DETAIL: Reference No.

Related Determinations: TD 94/D75

Related Rulings:

Subject Ref: Undeducted purchase price; pensions; annuities

Legislative Ref: ITAA 27A(1); ITAA 159SM

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