

What is meant by the term subrogation -

⚠ This cover sheet is provided for information only. It does not form part of *What is meant by the term subrogation -*

⚠ This publication is extracted from the Insurance Industry Partnership - issues register. See issue 2 of that register. This publication should be read in conjunction with the related content of that register where further context is required.

⚠ This document has changed over time. This is a consolidated version of the ruling which was published on *1 July 2010*



Insurance Industry Partnership

What is meant by the term subrogation

📌 This publication provides you with the following level of protection:

This publication (excluding appendixes) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

What is meant by the term subrogation

Issue

1. What is covered by the term subrogation as used in Division 78? Does it include all recoveries?

ATO view

2. Subrogation is limited to the circumstances where the insurer has taken over the rights of the policy holder in accordance with the terms of the contract of insurance between the insurer and the policy holder. The situation covered by Division 78 is where the insurer receives funds from an entity that is not party to the contract of insurance when the insurer is exercising rights the insured would otherwise be exercising if it had not handed those rights to the insurer.

3. For a greater understanding of what is covered by the term subrogation, including the goods and services tax (GST) treatment of specific insurance recoveries, please contact the Australian Taxation Office (ATO) Infoline on **13 28 66**.