


# ***IT 2180 - Income tax : new enterprise incentive scheme***

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TAXATION RULING NO. IT 2180

INCOME TAX : NEW ENTERPRISE INCENTIVE SCHEME

F.O.I. EMBARGO: May be released

REF

H.O. REF: 85/3680-5

DATE OF EFFECT:

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F.O.I. INDEX DETAIL

REFERENCE NO:            SUBJECT REFS:                      LEGISLAT. REFS:

I 1199208	ASSESSABLE INCOME :	160AAA(2)
	NEIS PAYMENTS	221A
	SALARY OR WAGES :	221YB
	NEIS PAYMENTS	221YDA

FACTS

The New Enterprise Incentive Scheme (NEIS) is a pilot scheme administered by the Department of Employment and Industrial Relations designed to assist the unemployed develop viable business propositions and thus generate their own employment opportunities. The basis of the scheme will be income support, for people formerly in receipt of unemployment benefits, of \$160 per fortnight for single people and \$300 per fortnight for married people during the first year of business operation.

2. The scheme is to be progressively implemented throughout Australia during 1985/86. It will operate in conjunction with existing State Government loan schemes which offer small business establishment assistance to unemployed people. Queensland, Western Australia and South Australia already have these "Self Employment Venture Schemes" and will be the first States to participate.

RULING

3. For income tax purposes, NEIS payments will be treated as income in the nature of salary or wages. The payments will be treated in the same way as unemployment or sickness benefits with the exception that NEIS payments will not attract the rebate of tax that is available under sub-section 160AAA(2) to unemployment or sickness benefit recipients whose taxable incomes are within certain limits.

4. Normally income in the nature of salary or wages does not attract provisional tax. However, in any year where there is :-

- (a) a combination of such income and income which is subject to provisional tax; and
- (b) the salary and wage type income is less than the tax-free threshold (\$4595 for the 1985/86 income year) and the other income is more than \$999;

then provisional tax is charged on all the income for the year.

This presumably would be the situation for NEIS participants.

5. Where, because of the cessation of NEIS payments in the second financial year or for any other reason, a NEIS participant considers that the amount of provisional tax charged in respect of that year is too much, the participant will have the option to vary the amount of provisional tax by completing and lodging an "Application for Variation of Provisional Tax" form.

COMMISSIONER OF TAXATION

30 July 1985

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