


IT 2320 - Income tax: director's fees paid to individual members of partnerships - requirement on member to pay fees into partnership account

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TAXATION RULING NO. IT 2320

INCOME TAX : DIRECTOR'S FEES PAID TO INDIVIDUAL MEMBERS
OF PARTNERSHIPS - REQUIREMENT ON MEMBER TO PAY FEES
INTO PARTNERSHIP ACCOUNT.

F.O.I. EMBARGO: May be released

REF H.O. REF: 85/5425-1 DATE OF EFFECT: Immediate
84/4868-0

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

| REFERENCE NO: | SUBJECT REFS: | LEGISLAT. REFS: |
|---------------|-----------------|-----------------|
| I 1209250 | SALARY OR WAGES | 221A(1) (b) |
| | DIRECTOR'S FEES | 221C(1A) |
| | PARTNERS: | 221D |
| | TAX INSTALMENT | |
| | DEDUCTIONS | |

OTHER RULINGS OF TOPIC IT 2128

PREAMBLE This Office has recently considered the question of whether tax instalment deductions are required to be made from directors fees paid to individual members of partnerships who are required, pursuant to the terms of a partnership agreement, to pay those fees into a partnership account.

RULING 2. Sub-section 221C(1A) of the Income Tax Assessment Act 1936 requires an employer to make tax instalment deductions at prescribed rates from salary or wages paid to an employee. The term "salary or wages" is defined in section 221A of the Act and includes, amongst other things, "...any payment made ...by a company by way of remuneration to a director of that company". Section 221D allows the Commissioner to vary the deduction requirement.

3. It has been decided that, to the extent that a partner is properly required, in accordance with the terms of a partnership agreement, to pay the director's fees into a partnership account, it is not appropriate to require deduction of tax instalments from the director's fees.

4. Accordingly, it is determined that tax instalment deductions need not be made from director's fees paid in these circumstances.

COMMISSIONER OF TAXATION
19 JUNE 1986

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