IT 2474 - Income tax : assessability of payments received under the military skills award programme

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This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in TR 2006/10 provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

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TAXATION RULING NO. IT 2474

INCOME TAX : ASSESSABILITY OF PAYMENTS RECEIVED UNDER THE MILITARY SKILLS AWARD PROGRAMME

F.O.I. EMBARGO: May be released

REF N.O. REF: 87/2046-1 DATE OF EFFECT: Immediate

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

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1019926	ASSESSABLE INCOME MILITARY SKILLS AWARD EXEMPT INCOME FRINGE BENEFITS TAX	INCOME TAX ASSESSMENT ACT SEC. 23(s), 25(1), 26(e), 26(ea) FRINGE BENEFITS TAX ASSESSMENT ACT; SEC. 43, 136(1)

PREAMBLE This Ruling considers whether recipients of Military Skills Awards, who are members of the Australian Regular Army or Army Reserve, are liable to pay income tax on those awards.

2. Military Skills Awards are made to successful participants in military skills competitions conducted in or between units of the Australian Regular Army and Army Reserve. The competitions involve such skills as personal weapon handling and shooting, navigation, first aid and physical fitness. Awards usually take the form of cash payments to individuals but trophies are sometimes awarded in lieu of cash prizes.

RULING 3. As far as a member of the Australian Regular Army is concerned, participation in a military skills competition is regarded as part of his duties as an employee and the cash prizes are part of the pay and allowances arising from the performance of those duties. The cash prizes are assessable income under subsection 25(1), paragraph 26(e) and/or paragraph 26(ea) of the Income Tax Assessment Act.

4. Cash prizes paid to members of the Australian Regular Army, also come within the statutory definition of "salary or wages" contained in subsection 221A(1) of the Assessment Act. This means that tax instalment deductions must be deducted from all payments made. Being "salary or wages", the cash prizes are excluded from the definition of "fringe benefits" contained in subsection 136(1) of the Fringe Benefits Tax Assessment Act.

5. Awards to members of the Australian Regular Army and the Australian Army Reserve in trophy form, such as medals, plaques, cups, etc. are not subject to income tax or fringe benefits tax. They do not represent any intrinsic form of remuneration. Their essential function is to recognise and record the particular achievement of the recipient. By contrast, awards in the form of valuable and useful goods such as books, are

property subject to fringe benefits tax.

6. Cash payments made under the Military Skills Award program to members of the Australian Army Reserve and paid after 1 January 1987 are exempt from income tax under paragraph 23(s) of the Assessment Act.

COMMISSIONER OF TAXATION
12 May 1988