


IT 315 - Education expenses - school fees paid in advance to trust fund

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TAXATION RULING NO. IT 315

EDUCATION EXPENSES - SCHOOL FEES PAID IN ADVANCE TO TRUST FUND

F.O.I. EMBARGO: May be released

REF H.O. REF: J345/42 P6 F180

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F.O.I. INDEX DETAIL

REFERENCE NO: SUBJECT REFS: LEGISLAT. REFS:

I 1070314	CONCESSIONAL REBATES	82J
	EDUCATION EXPENSES	159T
	SCHOOL FEES PAID IN ADVANCE	
	SCHOOL FEES PAID TO TRUST FUND	

OTHER RULINGS ON TOPIC IT 317

PREAMBLE The following request by a life assurance company has been considered in relation to the question of school fees paid in advance.

FACTS "We are concerned with the problem of taxpayers who are required to make payments of school fees which increase as the child gets older.

It is our object to lessen the burden of this by respreading these payments over the same period so that excess payments, made in the early years, can be funded and applied to payment of fees in the later years.

To do this, it is intended to set up a trust fund into which these excess payments can be made, the taxpayer making these payments nominating the school to which it is intended to apply them, and the child to which they relate. Upon the request of the taxpayer, payments will be released from the fund and will be paid direct to the school.

Before we proceed further with this matter, we should be obliged if you could advise us whether you are prepared to accept these excess payments as an allowable deduction for income tax purposes as an educational expense."

RULING 2. In the circumstances described, no assurance can be given that the payments to a trust fund will be accepted as allowable deductions under section 82J of the Income Tax Assessment Act.

3. To be deductible in terms of section 82J, the payment

is required to be in respect of an education expense which has been incurred. In other words, the section refers to expenses in respect of which, at the time the payment is made, a definite liability exists and which has arisen for or in connection with the full-time education of the taxpayer's child or other dependant covered by that section.

4. On the basis of the information furnished, it is considered that a payment to a trust fund of the type proposed would amount to no more than a payment to a reserve fund to meet future education expenses which are, at the time of payment, no more than contingent and which may never have to be met.

COMMISSIONER OF TAXATION