


IT 324 - Bounties and gratuities paid to medical and dental officers of the defence forces

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TAXATION RULING NO. IT 324

BOUNTIES AND GRATUITIES PAID TO MEDICAL AND DENTAL OFFICERS OF THE DEFENCE FORCES

F.O.I. EMBARGO: May be released

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DEFENCE FORCES

26(e)

BOUNTIES

26(d)

GRATUITIES

221A

DEFERRED BOUNTY

ENTITLEMENT

TAX INSTALMENT

DEDUCTIONS

MEDICAL OFFICERS

DENTAL OFFICERS

REFRESHER TRAINING

BOUNTIES

FACTS

Advice has been sought in relation to the taxation of bounties paid to medical and dental officers of the Defence Forces. The question was also raised whether tax instalment deductions should be made from these payments.

RULING

2. Medical and dental bounties paid to serving members of the Defence Forces represent assessable income in the hands of the recipient member. However, where the bounty entitlement is deferred and payment is not effected until the officer is discharged from the service, it is accepted that the amount represents a lump sum payment received in consequence of retirement from, or the termination of an office or employment, for the purpose of section 26(d) of the Income Tax Assessment Act. Accordingly, five per cent only of the sum received will constitute assessable income in the hands of the recipient in terms of the section mentioned.

3. On the basis of the information furnished, the view is held that Refresher Training Bounties paid to former medical and dental officers of the Defence Forces will constitute assessable income in the hands of the recipient.

4. In relation to the question of deduction of tax instalments from these amounts, all payments are regarded as salary and wages and accordingly are subject to tax instalment deductions. However, with regard to the medical and dental bounties paid upon retirement from the service, as only 5% of the amount paid is assessable income, tax instalments should accordingly be deducted from only 5% of the bounty, at the general rate of tax for individuals in accordance with the Notes

for Guidance of Group Employers.

COMMISSIONER OF TAXATION