

IT 60 - Assessable income - employees award scheme

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TAXATION RULING NO. IT 60

ASSESSABLE INCOME - EMPLOYEES AWARD SCHEME

F.O.I. EMBARGO: May be released

REF

H.O. REF: 81/3924 F25

DATE OF EFFECT:

B.O. REF:

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F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1071182

BENEFITS
GRATUITIES - INCOME
PRIZES - SALES
COMPETITIONS
SALES INCENTIVE AWARDS

26(e)

FACTS

Consideration has been given to the appropriate value to be included in the assessable income of employees in accordance with paragraph 26(e) of the Income Tax Assessment Act of awards granted to the employees under a sales incentive type program sponsored by one company on behalf of participating employers.

2. The arrangements between the sponsor company and the participating employers are at arm's length. The main features of the program are:

- (a) the production, administration and promotion of the program is the responsibility of the sponsor company;
- (b) the program is designed to reward employees of the participating employer for over budget sales, betterment of average turnaround time, and for lowering age of debtors and increasing stock turnover;
- (c) the employee's earnings are expressed in points called 'award credits' which are notified monthly to the employee;
- (d) the award credits may be redeemed for an award at a certain value or accumulated and later redeemed for an award of a higher value. A redemption of award credits with cash is not permitted; and
- (e) the award selected by the employee is purchased by the sponsor company at wholesale price and charged to the participating employer at a price based upon wholesale plus profit margin, service fee, etc.

RULING

3. It is evident from information supplied that the

sponsor company considers the value to the employee of an award credit to be based on the retail price of redeemed awards. Consequently, a benefit calculated on that basis is to be included in the recipient's assessable income in the income year in which the award is credited.

COMMISSIONER OF TAXATION