


IT 92 - Year of assessability - retrospective payments to pharmacists

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TAXATION RULING NO. IT 92

YEAR OF ASSESSABILITY - RETROSPECTIVE PAYMENTS TO
PHARMACISTS

F.O.I. EMBARGO: May be released

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DERIVATION OF INCOME
RETROSPECTIVE PAYMENTS
YEAR OF ASSESSABILITY
PHARMACISTS
NATIONAL HEALTH ACT

19
25(1)

FACTS

In 1975 the Australian Government announced that it had decided to pay pharmacists increased fees for dispensing pharmaceutical benefit prescriptions and to backdate the increases to 1 July 1973.

2. A determination for the purposes of section 99(1) of the National Health Act 1953-1975, made on 25 July 1975, provided for increased fees of 11 cents per prescription from 1 July 1973 and 22 cents per prescription as from 1 July 1974. Payments were made to pharmacists during the financial year ended 30 June 1976.

RULING

3. Arising from an enquiry as to whether a pharmacist carrying on business would be permitted to amend returns for past years to include the retrospective payments, it was considered that the payments would be derived when they were received and would form part of the assessable income of a recipient in the year of receipt.

4. The foregoing ruling will probably apply in the majority of cases where retrospective payments are made. However, it seems that instances might occur where payment will be effected by set-off against moneys owing by a pharmacist to the Department of Health. In these circumstances, the income will be deemed to be derived at the time of set-off, pursuant to the provisions of section 19 of the Income Tax Assessment Act.

5. In other cases, payments are likely to be made to persons who, at the time of payment, are no longer in business as pharmacists, or are trustees of the estates of deceased pharmacists. In each case, the payments should be treated as income derived in the year of receipt, with the provisions of section 101A applying where the payment is received by trustees of a deceased estate.

COMMISSIONER OF TAXATION

