



TD 93/30W - Income tax: does exemption with progression apply in calculating provisional tax when exempt foreign source income is involved?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *1 November 2006*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: does exemption with progression apply in calculating provisional tax when exempt foreign source income is involved?

1. Yes. Taxpayers that have exempt foreign earnings under either section 23AF or section 23AG of the *Income Tax Assessment Act 1936* (ITAA) in respect of foreign employment must have that exempt income taken into account in calculating the amount of provisional tax on any non-exempt income.

2. Paragraph 221YCAA(2)(a) of the ITAA provides that provisional tax is calculated by increasing the taxable income of the preceding year of income by the provisional tax uplift factor. Paragraph 221YCAA(2)(b) of the ITAA then provides that the *Income Tax Rates Act 1986* (ITRA) as it applies to assessments in respect of the current year of income is then applied as if it had been in force and applied to assessments in respect of the preceding year of income.

3. Provisional tax is calculated by applying the formula in subsection 23AF(17A) and subsection 23AG(3) of the ITAA to the uplifted provisional tax amount.

Example:

<i>A taxpayer's 1992 income consists of the following:</i>	\$	
<i>Salary and Wages (a)</i>	<i>15 000</i>	
<i>Exempt Foreign Income (EFI) (b)</i>	<i>25 000</i>	
<i>Interest (c)</i>	<u><i>10 000</i></u>	
<i>Notional Gross Taxable Income</i>	<u><i>50 000</i></u>	<i>(A)</i>
 <i>Notional Gross Taxable Income uplifted by 8% [for 1992/93]</i>	 <u><i>54 000.00</i></u>	 <i>(B)</i>
<i>Notional Gross Tax</i>	<i>17 194.00</i>	
<i>Medicare on Notional Gross Taxable Income as uplifted</i>	<u><i>675.00</i></u>	
 <i>Average rate [(C) / (B)]</i>	 <i>17 869.00</i>	 <i>(C)</i>
 <i>[(a) + (c)] x 108% x (D)</i>	 <i>0.33091</i>	 <i>(D)</i>
<i>Less Spouse Rebate (1992 rate with child + \$33 uplift)</i>	<u><i>8 934.57</i></u>	
<i>Tax payable on uplifted income (excluding EFI)</i>	<u><i>1 412.00</i></u>	
 <i>[(a) x 108%] x (D)</i>	 <i>7 522.57</i>	 <i>(E)</i>
<i>Less Spouse Rebate (as above)</i>	<u><i>5 360.74</i></u>	<i>(F)</i>
<i>Credit for salary and wages</i>	<u><i>1 412.00</i></u>	<i>(G)</i>
<i>Provisional Tax (E) - (H) (rounded to the nearest whole dollar)</i>	<u><i>3 948.74</i></u>	<i>(H)</i>
	<u><i>3 574.00</i></u>	

Commissioner of Taxation

25/02/93

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Related Determinations:

Related Rulings:

Subject Ref: provisional tax; foreign source income; calculation

Legislative Ref: ITAA 23AF; ITAA 23AG; ITAA 221YA; ITAA 221YCAA; ITAA 221YDA

Case Ref:

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