



TD 96/33 - Income tax: what is the standard indexation rate determined by the Commissioner that applies to a financial year for the purposes of calculating the Reasonable Benefits Limits (RBLs) stated in Subdivision A of Division 14 of Part III of the Income Tax Assessment Act 1936 ?

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 This document has changed over time. This is a consolidated version of the ruling which was published on 26 June 1996

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: what is the standard indexation rate determined by the Commissioner that applies to a financial year for the purposes of calculating the Reasonable Benefits Limits (RBLs) stated in Subdivision A of Division 14 of Part III of the *Income Tax Assessment Act 1936*?

1. Under section 140V of the *Income Tax Assessment Act 1936* (ITAA), the Commissioner may determine a standard indexation rate for the purpose of the RBLs. The rate must be determined by the Commissioner before the commencement of a financial year.
2. For the purpose of valuing a pension for RBLs, the pension valuation factors (PVFs) contained in Schedule 1B of the *Superannuation Industry (Supervision) Regulations 1994* (SISR) are used. Where a pension is indexed to the movements in a price index published by the Australian Statistician (e.g., the Consumer Price Index (CPI)), the relevant PVF for the pension is contained under the table into which the standard indexation rate falls. In addition, the standard indexation rate must be assumed by the Commissioner, according to paragraph 140U(b) of the ITAA, when an Interim Determination is issued and the payer of a pension has failed to provide a rate (if any) for the indexation of the pension.
3. The standard indexation rate for the 1996/97 and previous financial years is 7%. It was previously determined by the Insurance and Superannuation Commissioner under the provisions of Regulation 4DA of the *Occupational Superannuation Standards Regulations 1987* (OSSR). The rate of 7% was first published in Attachment A of the *Information Paper: Administration of the Reasonable Benefit Limits* in August 1990. This rate was used after the administration of the RBLs was transferred to the Australian Taxation Office on 1 July 1994.
4. The Australian Government Actuary has recommended the long term rate which takes into account fluctuations in interest rates that may occur over time. It will be adjusted where there are significant changes in the general level of interest rates over the long term.

Commissioner of Taxation

26 June 1996

FOI INDEX DETAIL: Reference No. I 1015140

Not previously released in draft form

Related Determinations:

Related Rulings:

Subject Ref: pension valuation factors; reasonable benefit limits; standard indexation rate

Legislative Ref: ITAA 140U(b); ITAA 140V; SISR Schedule 1B; OSSR 4DA

Case Ref:

ATO Ref: BANTD42; NAT 96/5786-0

ISSN 1038 - 8982