TD 92/D186 - Income tax: does the calculation of Provisional Tax include exempt foreign source income?

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This document has been finalised by TD 93/30.

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Draft Taxation Determination

Income tax: does the calculation of Provisional Tax include exempt foreign source income?

1.   Yes. Section 221YCAA of the Income Tax Assessment Act defines what is to be excluded from the calculation of Provisional Tax. Exempt foreign source income is not included in that list, and therefore should be taken into account when calculating Provisional Tax.

2.   The amount of tax (if any) payable on other income where there is also exempt foreign income from approved overseas projects and overseas employment is set out in section 23AF and section 23AG. Provisional Tax is calculated by applying the formula in subsection 23AF(17A) and subsection 23AG(3) to the uplifted provisional tax amount.

Example:

A taxpayer's 1992 income consists of the following:	*$*
Interest	*10 000*
Exempt foreign employment income	*25 000*
Notional Gross Taxable Income	*35 000*
Notional Gross Taxable Income uplifted by 8% [for 1992/93]	*37 800*
Notional Gross Tax	*9 702.00*
Average rate of tax 9 702.00/37 800	*0.256666*
Therefore, Provisional Tax is calculated as follows:	
[$10 000 + 8%] x 0.256666	*2 771.99*
Medicare [$10 800 x 1.25%]	*135.00*
Total	*2 906.99*
PROVISIONAL TAX	*2 907.00*

Commissioner of Taxation
29/10/92