


***TD 94/D51 - Income tax: is a premium payable on a trauma insurance policy by a self employed person or an employee an allowable deduction to the self employed person or employee?***

 This cover sheet is provided for information only. It does not form part of *TD 94/D51 - Income tax: is a premium payable on a trauma insurance policy by a self employed person or an employee an allowable deduction to the self employed person or employee?*

This document has been finalised by TD 95/41.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

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## Draft Taxation Determination

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**Income tax: is a premium payable on a trauma insurance policy by a self employed person or an employee an allowable deduction to the self employed person or employee?**

1. No. The premium payable under a trauma insurance policy is not an allowable deduction to an employee or self employed person.
2. The purpose of trauma insurance is to provide a capital amount to the insured if the insured suffers a specified medical condition. The policy does not replace earnings lost by the taxpayer.
3. The benefits payable under this type of trauma policy do not constitute assessable income under subsection 25(1) of the *Income Tax Assessment Act 1936*. In these circumstances, a deduction is not allowable under subsection 51(1) as there is no connection between the payment of premiums and the production of income. See *FC of T v. D P Smith 81 ATC 4114; (1981) 11 ATR 538*.

**Commissioner of Taxation**  
19/5/94

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FOI INDEX DETAIL: Reference No.

Related Determinations: TD 94/D49, TD 94/D50, TD 94/D52, TD 94/D53

Related Rulings:

Subject Ref: life assurance company, trauma insurance policy, accident & disability insurance policy.

Legislative Ref: ITAA 25(1), ITAA 51(1)

Case Ref: FC of T v. D P Smith 81 ATC 4114; (1981) 11 ATR 538

ATO Ref: Insurance Industry Cell.

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