


IT 134 - Commonwealth rebate for apprentice full-time training scheme

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TAXATION RULING NO. IT 134

COMMONWEALTH REBATE FOR APPRENTICE FULL-TIME TRAINING
SCHEME

F.O.I. EMBARGO: May be released

REF

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1101390	CRAFT SCHEME	23(jc)
	EMPLOYEES	51A
	EMPLOYERS	26(e)
		221A(1)

FACTS

The following advice issued concerning the introduction by the Government of a new apprenticeship support scheme.

2. As indicated in the News Release, a key feature of the scheme - the Commonwealth Rebate for Apprentice Full-Time Training (CRAFT) scheme - is that rebates payable under the scheme to employers of apprentices will be exempt from income tax.

3. The Parliamentary Counsel is in the course of drafting a provision for insertion in section 23 of the Income Tax Assessment Act to authorise the proposed exemption of CRAFT rebates in the hands of employers.

4. In certain circumstances, apprentices required to leave home to obtain or remain in apprenticeship will be entitled to claim special allowances under the new CRAFT scheme. The allowances are referred to in the News Release as "Apprentice Allowance for Living-away-from-home Expenses."

RULING

5. These allowances are to be subject to income tax in the assessments of apprentice-recipients in the same way as other similar periodical payments are allowances that are in the nature of income.

6. In this regard, it is considered that apprentices in receipt of the special allowance under the CRAFT scheme would, as a general rule, fall to be treated in the line with the principles relating to junior employees as set out in paragraphs 13 to 18 of CITCM No.821.

7. A deduction under section 51A will therefore only be available in assessments of junior apprentices in receipt of CRAFT allowances where it can be demonstrated as a fact that the parental home of the apprentice remains his usual place of abode (cf., paragraph 16 of CITCM No.821).

8. It follows that the treatment of CRAFT allowances paid to apprentices will not correspond with the treatment that is to be accorded to living-away-from-home allowances paid under the National Apprenticeship Assistance Scheme (NAAS).

9. As for tax instalment deductions, it is proposed to amend the definition of "salary or wages" in subsection 221A(1) to expressly cover allowances paid to apprentices under the CRAFT scheme. This will ensure that the allowances can be subjected to appropriate tax instalment deductions under Division 2 of Part VI of the Income Tax Assessment Act.

COMMISSIONER OF TAXATION