



TAXATION RULING IT 2107

Social Security sickness/invalidity benefits and workers' compensation benefits

ADDENDUM

F.O.I. EMBARGO: may be released

The Tax Law Improvement Project is restructuring, renumbering and rewriting the income tax law in plain language. The Parliament is amending the income tax law progressively to reflect these aims. As new laws come into effect, Taxation Rulings about the old laws are being brought into line with them.

In addition to bringing this Ruling into line with the new laws, this Addendum clarifies the difference between this Ruling and Taxation Ruling IT 2623 - Income tax: repayments of sickness benefits, and updates it to include reference to the lump sum payments in arrears rebate.

This Addendum amends Taxation Ruling IT 2107 as follows:

1. After paragraph 3 and before 'RULING'

Insert:

'3A. This Ruling deals with those situations where a person has an injury which may entitle them to workers' compensation, but until that entitlement is resolved, the person receives social security benefits which are assessable under section 6-5 of the *Income Tax Assessment Act 1997* ('the Act'). When the entitlement is confirmed, a lump sum payment in respect of the arrears of workers' compensation due is made. That lump sum payment is also assessable under section 6-5 of the Act. It may be eligible for the lump sum payments in arrears rebate. Taxation Ruling IT 2623 deals with repayments other than those addressed in this Ruling.'

2. After paragraph 4:

Insert:

'5. In calculating the lump sum payments in arrears rebate (sections 159ZR to 159ZRD of the *Income Tax Assessment Act 1936* ('the 1936 Act')), the gross arrears is used in determining if the 10% threshold is satisfied in the year of receipt. It is the net arrears for each year that is used as the accrual amount for recent and distant accrual years.



**Australian
Taxation
Office**

TAXATION RULING IT 2107

F.O.I. EMBARGO: may be released

CROSS REFERENCES OF PROVISIONS

6. This Ruling considers the application of section 6-5 of the Act. Section 6-5 expresses the same ideas as subsection 25(1) of the 1936 Act.'

Commissioner of Taxation

6 August 1997

[ATO Ref:](#) 97/5832-1

ISSN 0813 - 3662