

IT 2186 - Income Tax : Reward Payments Received Pursuant to the Commonwealth and State Historic Shipwrecks Acts



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TAXATION RULING NO. IT 2186

INCOME TAX : REWARD PAYMENTS RECEIVED PURSUANT TO THE
COMMONWEALTH AND STATE HISTORIC SHIPWRECKS ACTS

F.O.I. EMBARGO: May be released

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SHIPWRECKS

REWARD PAYMENTS

PREAMBLE

The question has been raised whether rewards payable under Commonwealth and State Historic Shipwrecks Acts constitute assessable income in the hands of the recipients.

2. The Commonwealth Historic Shipwrecks Act was enacted in 1976. It attempts to safeguard shipwrecks and associated relics from abuse or private disposal so that they are not lost forever to the public and are preserved for the national interest.

3. Consistently with the purpose of the Act provision is made for the payment of rewards as an inducement for the disclosure of shipwreck discoveries that would otherwise go unreported.

4. The provision for rewards is contained in sub-section 18(1) of the Commonwealth Act and there are almost identical provisions in comparable State Acts. The sub-section provides for the payment of rewards, not exceeding prescribed amounts, in three separate circumstances:-

- (1) Where a person satisfies the Minister that he has found in Australian waters, including those above the continental shelf, the remains of a ship or part thereof, the position of which has not been previously published in Australia and which is, effectively, an historic shipwreck.
- (2) The Minister may offer and pay a reward to the person who first furnishes to the Minister a description of the location of an historic shipwreck sufficient to enable the wreck to be located.
- (3) The Minister may pay a reward to any person who furnishes information leading to the conviction of a person for an offence against the Act.

RULING

5. Bearing in mind the discretionary nature of rewards payable under the various Shipwrecks Acts and to the restrictions in the Commonwealth Navigation Act in relation to ownership and possession of shipwrecks, it is difficult to visualize circumstances which would lead to the conclusion that rewards payable under the Shipwrecks Acts should be included in

assessable income. If the Acts were to be altered to provide for fixed rewards and, as a consequence, the search for shipwrecks became a profitable operation, then it may be concluded that the rewards were liable to tax. At the present time, however, this is not the case. Rewards payable under the various Shipwrecks Acts are not considered assessable income. Accordingly expenses associated with the search for shipwrecks are not allowable as income tax deductions.

COMMISSIONER OF TAXATION
27 August 1985

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