

# ***IT 2191 - Income tax : assessability of government grant***

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TAXATION RULING NO. IT 2191

INCOME TAX : ASSESSABILITY OF GOVERNMENT GRANT

F.O.I. EMBARGO: May be released

REF

H.O. REF: 85/507-3

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1199389

BOUNTY  
GRANT  
SUBSIDY

26(g)

FACTS

Under the Employment and Training Act of Victoria 1981 the Ministry of Employment and Training is committed (in conjunction with other entities) to promoting and developing activities which assist in the social and economic development of the State. The activities include promoting and increasing opportunities for training and retraining in skills required by the State and re-evaluation of training and retraining programmes for industry with particular reference to the changes in technology employed in industry and the need to promote innovation and use of new technologies in industry.

2. The Minister is authorized under the Act to make grants, subsidies or loans to any person, organization or institution for the purposes of the Act.

3. This Office was recently asked to consider whether a grant available to a company under the Employment and Training Act was assessable income. The grant represented half the estimated capital cost of building a training centre to cater for three major trade areas, fitting and turning, electrical and motor mechanics.

4. As well as serving the needs of the company which received the grant the training centre is to be used by other employers in the area.

5. In support of its application for the grant the company was able to demonstrate to the Minister that there was a need in the area of the company's operations for the particular type of training centre. Other employers in the area had been surveyed and had indicated that their training needs could not be met in-house but would be answered by the training centre.

RULING

6. The amount of the Government grant to construct the training centre is accepted as a non-assessable capital receipt. It is not part of the proceeds of carrying on the company's business nor is it a bounty or subsidy for or in relation to the carrying on of the company's business within the meaning of paragraph 26(g). It is a payment to assist in the

provision of a much needed facility for all employers in the area.

7. Although the grant received by the company is not regarded as assessable income, it is to be taken into account in calculating the cost of the building for depreciation purposes.

COMMISSIONER OF TAXATION  
26 August 1985

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