


IT 2413 - Income tax : pension loans scheme

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TAXATION RULING NO. IT 2413

INCOME TAX : PENSION LOANS SCHEME

F.O.I. EMBARGO: May be released

REF

N.O. REF: 84/3700-9

DATE OF EFFECT:

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DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1218604	PENSION LOANS SCHEME	25(1) 160AAA

FACTS

Section 6AB of the Social Security Act provides for a pension loans scheme.

2. Subject to certain exceptions pensions paid by the Department of Social Security and the Department of Veterans' Affairs are subject to an assets test. A person's entitlement to a pension is assessed under both an income test and an assets test and the pension is paid at the rate applicable to the test which produces the lower pension.

3. The pension loan scheme was enacted to assist people who have assets which are significant enough to diminish their eligibility for a pension but who hold these assets in a form which is difficult to convert into cash to cover the ordinary expenses of living. People of age pension age who are affected by the assets test and have at least 70% of their assets (excluding exempt property e.g. the principal home) in a non-liquid form may, if they choose, apply to have the assets effectively disregarded in the calculation of the pension entitlement. The pension (if any) otherwise payable under the assets test is supplemented by additional payments with the result that the total amount received is the amount that would have been payable if the assets test had not been applied. The additional payments take the same form as normal pension payments.

4. The additional payments, together with a commercial rate of interest on the payments, may be recovered from the pensioner's estate when he or she dies. However, in no case will the value of an estate be reduced below \$100,000.

RULING

5. Payments made to pensioners under the pension loan scheme are considered to be income according to ordinary concepts and are assessable in the year of receipt. Pension loan recipients are eligible for the pensioner rebate available under section 160AAA of the Income Tax Assessment Act. Income tax deductions are not allowable for any amounts which may be recovered a deceased from pensioner's estate.

COMMISSIONER OF TAXATION
18 June 1987