IT 2503A - Addendum - Income tax: incorporation of medical and other professional practices

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Addendum

Taxation Ruling

Income tax: incorporation of medical and other professional practices

This Addendum amends Taxation Ruling IT 2503 to take into account Taxation Determination TD 2005/29 and the Tax Office's test case program on alienation of personal services income. The Addendum also updates some outdated references in the Ruling. These amendments reflect developments since publication of the Ruling.

Taxation Ruling IT 2503 is amended as follows:

1. Paragraph 2

After the paragraph insert:

> 2A. This Ruling should be read in conjunction with Taxation Determination TD 2005/29 if superannuation contributions are made to a complying superannuation fund for the benefit of an associate of the professional practitioner. In addition, the views expressed in this Ruling are being tested by the Tax Office's alienation of personal services income test case program. This program was originally announced in March 2003, and a fact sheet (*General anti-avoidance rules and how they may apply to a personal services business*) summarising the Tax Office's views on alienation of personal services income was issued at that time. In December 2005 a refocus of the program was announced. Judicial guidance obtained from cases on the test case program may result in a modification of the views expressed in this Ruling. While the program is under way the Tax Office will not be running a specific audit program in this area other than to support the test case program. However, cases arising from our ongoing audit operations will, as is currently the case, be progressed as necessary. The fact sheet and information about the test case program (including the announcement of the refocus of the program) is available on the Tax Office website: ato.gov.au.

2. Paragraph 12

Omit the final sentence; substitute:

> In cases of this sort, Part IVA may apply, depending on all the circumstances of the case.

3. Paragraph 18

After:

11 August 1983

insert:

but has now been replaced by the *Medical Practice Act 2004*.

4. Paragraph 22

Omit:

160ZZN of the Income Tax Assessment Act

substitute:

122-15 of the *Income Tax Assessment Act 1997*

5. Paragraph 25

Omit the final sentence; substitute:

Where a practice company holds unacceptable investments, Part IVA may apply, depending on all the circumstances of the case.

This Addendum applies with effect from 9 August 2006.

Commissioner of Taxation
9 August 2006

ATO references

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