


TD 92/106 - Income tax: who should be assessed to interest earned on a joint bank account?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *1 July 1992*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, the Determination applies to transactions entered into both before and after its date of issue.

Taxation Determination

Income tax: who should be assessed to interest earned on a joint bank account?

1. Interest income on a joint bank account should be assessed to income tax to the persons who are beneficially entitled to the income (see *MacFarlane v. FC of T* 86 ATC 4477 at 4486-7; (1986) 17 ATR 808 at 819-20). That entitlement depends on the beneficial ownership of the moneys in the account. The general presumption is that holders of accounts in joint names have joint beneficial ownership of the moneys in equal shares. This presumption is rebuttable by evidence to the contrary (see *Case Z7 92 ATC 131*; *AAT Case 7675* (1991) 22 ATR 3591).
2. In a self assessment environment, interest income on a joint bank account should be returned by taxpayers according to who has the beneficial entitlement to the interest.
3. In an audit context, if there is no evidence as to the beneficial entitlement to the interest, it is appropriate to assess the interest derived on a joint bank account to the account holders in equal shares. However, if a taxpayer disputes that assessing treatment and has evidence to support his or her claims as to a different entitlement to the interest, those claims should be accepted unless there is evidence to refute the claims.
4. The sort of relevant evidence includes information as to who contributed to the account, in what proportions the contributions were made, the nature of the contributions, who drew on the account and who used the money and the accrued interest as their own property. Evidence also might be provided that joint account holders hold moneys in the account on trust for other persons, e.g. dependants.

Example :

B and C are each assessed to tax on half of the interest not returned on their joint bank account. B later establishes that C contributed all of the money to the account and usually treated all of the interest as her money. B has only once drawn funds from the account. C should be assessed to all of the interest.

Commissioner of Taxation

1/7/92

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Related Rulings: IT 2486

Subject Ref: derivation of interest from joint bank account

Legislative Ref: ITAA 25(1)

Case Ref: *MacFarlane v. FC of T* 86 ATC 4477; (1986) 17 ATR 808; *Case Z7 92 ATC 131*; *AAT Case 7675* (1991) 22 ATR 3591

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