TD 93/D259 - Income tax: is the cost of life membership paid to a work-related or business association deductible under subsection 51(1) of the Income Tax Assessment Act 1936?

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Draft Taxation Determination

Income tax: is the cost of life membership paid to a work-related or business association deductible under subsection 51(1) of the *Income Tax Assessment Act 1936*?

1. Yes. If the annual membership fee would be deductible to the taxpayer as a work-related or business expense, then the life membership fee would be deductible.

2. However, life membership fees are expenditure incurred in advance of the receipt of services. Where fees paid in advance are deductible under subsection 51(1), then the deduction may be apportionable under section 82KZM over the period to which the membership relates.

3. Under section 82KZM, if a prepayment is made under an agreement entered into after 25 May 1988 in return for services which will not be wholly provided within 13 months of the date the expenditure is incurred, then the deduction is apportioned over the period to which it relates, subject to a maximum of 10 years: subsection 82KZL(1). Life membership would in general be subject to the 10 year rule.

4. The proportionate deduction does not apply to excluded expenditure as defined in subsection 82KZL(1). Excluded expenditure means an amount of expenditure:

(a) less than $1000;
(b) required to be incurred by a law, or by an order of a court of the Commonwealth, a State or Territory;
(c) under a contract of service; or
(d) to the extent that it is of a capital, private or domestic nature.

Example:
Where a prepayment of $1200 is made for life membership of an association, the annual fees of which would be deductible to the taxpayer under subsection 51(1), then the proportionate deductible amount is $120 each year.

Commissioner of Taxation
7/10/93

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