IT 2107 (as amended 11/2/85) - Social security sickness/invalidity benefits and workers' compensation benefits

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There is an Addendum notice for this document.

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TAXATION RULING NO. IT 2107 (as amended 11/2/85)

SOCIAL SECURITY SICKNESS/INVALIDITY BENEFITS AND WORKERS' COMPENSATION BENEFITS

F.O.I. EMBARGO: May be released

REF H.O. REF: 83/4210-5 DATE OF EFFECT: IMMEDIATE

B.O. REF: DATE ORIGINAL MEMO ISSUED : 9 APRIL 1984

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1121929	SICKNESS/INVALIDITY BENEFITS WORKERS COMPENSATION	25(1)

PREAMBLE It has recently been brought to the attention of the Taxation Office that certain employees receiving sickness and invalidity benefits under the Social Security Act may be paying tax on that part of a compensation payment which represents a reimbursement to the Department of Social Security of sickness/invalidity benefits previously received, these benefits having already been taxed in the year of payment.

2. Sickness benefits paid under the Social Security Act 1947 constitute assessable income of recipients in the year paid. So too are periodic receipts of workers' compensation, including lump sum arrears of compensation paid in respect of the period between the date of the event giving rise to the compensation and the date of payment of those arrears.

3. Section 115 of the Social Security Act requires, broadly, that any sickness benefit payable under that Act for a period in respect of which the recipient is entitled to compensation is to be reduced by the amount of the compensation payment. Further, where compensation is awarded after payment of sickness benefits the approprate amount of sickness benefits is to be repaid to the Director General of Social Security. Provision is made for the repayment to be made by the party liable to pay the compensation from the lump sum payment in respect of the arrears due to the employee.

RULING 4. In these circumstances it is considered that the amount of the lump sum arrears of compensation reduced by the amount of sickness benefits repaid to the Director General of Social Security is the amount to be included in the assessable income of the compensated party in the year of receipt. It is this net amount only that should be subject to PAYE deductions and included on group certificates.

COMMISSIONER OF TAXATION
19 September 1984