


# ***IT 2414 - Income tax : variation of tax instalment deductions***

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- (ii) the employee being obliged to incur significant expenses in earning salary or wages income;
- (iii) concessional rebates that are not reflected in the tax instalment deduction schedules;
- (iv) an entitlement to an exclusion for the undeducted purchase price of an annuity;
- (v) gifts that are allowable deductions;
- (vi) losses from prior years that are available to be carried forward; or
- (vii) current year allowable deductions, including business or investment expenses.

5. A significant over-deduction of instalments will be considered to occur where instalments deducted at the scheduled rates would be likely to exceed the end of year tax liability by 10% or \$500, whichever is the lesser. Where the 10% or \$500 test is not met a variation will only be granted where the taxpayer can demonstrate hardship.

#### Current year allowable deductions

6. Applications for variations which are based on expenditure in respect of which there is some doubt that an allowable deduction will be available will not be approved.

7. It will normally be a condition of approval that the expenditure giving rise to an allowable deduction has been incurred, although this limitation will not necessarily operate to exclude all cases in which expenditure that will give rise to an allowable deduction has not been incurred at the time of making the application. For example, variations may be granted in cases where the taxpayer is, at the commencement of the year of income in which the variation is to apply, engaged in carrying on a business and is obliged to incur expenses that will give rise to allowable deductions. In considering applications on the basis of anticipated outgoings relating to business or investment income regard will be had to, inter alia, the following matters:

- (a) whether claims of a similar nature and amount have been made and allowed in previous years; and
- (b) whether the expenses claimed would normally be incurred by taxpayers in circumstances similar to those of the applicants.

8. Similar considerations will apply to cases involving other deductions.

9. Where applications are made on the basis of losses from prior years or current year allowable deductions other than gifts, it will be necessary for the applicant to furnish

sufficient information regarding anticipated income from all sources and allowable deductions to be off-set against that income so that the extent to which those allowable deductions will be off-set against salary or wages can be determined with a reasonable degree of accuracy. In determining the extent to which the scheduled rates of deduction are to be varied in these cases the deductions will, in the first instance, be offset against income from sources other than salary or wages.

10. Applications for variations will not be approved in any case in which the applicant has outstanding income tax returns that are overdue for lodgment.

COMMISSIONER OF TAXATION  
18 June 1987

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