

EXPOSURE DRAFT

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Inserts for
**Tax and Superannuation Laws
Amendment Bill: CGT exemption for
compensation and insurance**

Commencement information

Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details

- | | | |
|----------------|---|--|
| 1. | | |
| 2. Schedule ?? | The day this Act receives the Royal Assent. | |
| 3. | | |
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4 Amendment of assessments

Section 170 of the *Income Tax Assessment Act 1936* does not prevent the amendment of an assessment if:

- (a) the assessment was made before the commencement of Schedule ?? (about CGT exemption for compensation and insurance) to this Act; and
- (b) the amendment is made for the purpose of giving effect to that Schedule; and
- (c) the amendment is made within 2 years after the day that Schedule commences.

Note: The 2-year period in paragraph (c) can be extended (see section 170A of the *Income Tax Assessment Act 1936*).

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Schedule ??—CGT exemption for compensation and insurance

Income Tax Assessment Act 1997

1 After paragraph 104-71(1)(d)

Insert:

- (da) a payment to which paragraph 118-37(1)(ba) applies (about compensation paid through a trust); or

2 Before paragraph 104-71(1)(e)

Insert:

- (db) a payment to which subsection 118-300(1A) applies (about insurance and annuity payments paid through a trust); or

3 Paragraphs 118-37(1)(a) and (b)

Repeal the paragraphs, substitute:

- (a) compensation or damages you receive for:
- (i) any wrong or injury you suffer in your occupation; or
 - (ii) any wrong, injury or illness you or your *relative suffers personally;
- (b) compensation or damages you receive as the trustee of a trust (other than a trust that is a *complying superannuation entity) for:
- (i) any wrong or injury a beneficiary of the trust suffers in his or her occupation; or
 - (ii) any wrong, injury or illness a beneficiary of the trust, or the beneficiary's relative, suffers personally;
- (ba) a *CGT asset you receive, as a beneficiary of a trust, from the trustee of the trust to the extent that the CGT asset is attributable to compensation or damages that the trustee receives as described in paragraph (b) for:
- (i) any wrong or injury you suffer in your occupation; or
 - (ii) any wrong, injury or illness you or your relative suffers personally;

4 Subsection 118-300(1) (table item 3)

Repeal the item, substitute:

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- 3 A policy of insurance on the life the original owner of the policy or
of an individual or an *annuity instrument (other than the trustee of a
instrument *complying superannuation entity)

5 Subsection 118-300(1) (at the end of the table)

1
2 Add:

- 7 A policy of insurance against an the trustee of a *complying
individual suffering an illness or superannuation entity for the income
injury year in which the *CGT event
happened

6 After subsection 118-300(1)

3
4 Insert:

5 *Payment to trust beneficiary (or representative) if trustee owns the*
6 *policy or instrument*

- 7 (1A) A *capital gain or *capital loss you make from a *CGT event
8 happening because you receive a *CGT asset from the trustee of a
9 trust is disregarded if:

10 (a) you receive the CGT asset as:

11 (i) a beneficiary of the trust; or

12 (ii) a *legal personal representative of a beneficiary of the
13 trust; and

14 (b) the CGT asset is attributable to another CGT event and CGT
15 asset to which table item 3 in subsection (1) applies for the
16 trustee.

7 Subsection 295-85(4) (table item 10)

17
18 Repeal the item, substitute:

- 10 Subsection 118-300(1), Insurance policies
other than table item 7 in
that subsection

8 Application of amendments

- 20 (1) The amendments made by this Schedule apply in relation to CGT
21 events happening in the 2005-06 income year and later income years.
- 22 (2) However, the amendments made by items 2 and 6 apply in relation to
23 CGT events happening after the day this Act receives the Royal Assent.

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