

## Victorian *Transition Assistance Payments*

### What are your tax obligations if you receive a Transition Assistance payment?

This fact sheet explains the tax implications for taxi-cab and hire car licence holders who receive a Transition Assistance payment from the Victorian Government.

The Transition Assistance payments to taxi-cab and hire car licence holders are calculated depending on licence types and the number of licences held. The calculated amount is based on up to four licences for each licence holder.

The Transition Assistance payment is intended to assist eligible licence holders transition to the new legislative framework following the cancellation of their existing taxi-cab and hire car licences. The Transition Assistance payment is separate to the Fairness Fund payments and the previous Taxi Reform Hardship Fund.

### Is the payment ordinary income?

No. The payments are not ordinary income because the payments are made as consideration for the cancellation of taxi-cab or hire car licences which brings those assets to an end.

The payment should be included in the calculation of the capital gain or capital loss that is made by the licence holder on the cancellation of the taxi-cab or hire car licence(s).

### How do I calculate Capital Gains Tax (CGT)?

In general, your capital gain or loss is the difference between what it cost you to acquire the taxi-cab or hire car licence and the consideration you receive in relation to the cancellation of the licence (i.e. the Transition Assistance payment).

The ATO will accept an allocation of Transition Assistance payments to individual licences on a reasonable basis (including allocation to licences acquired before the commencement of the capital gains tax regime (20 September 1985)).

You must have accurate records of when you acquired the licence(s) and you must have regard to how your total Transition Assistance payment is calculated in relation to your four highest value (by pay-out amount) licences. See the Appendix for examples.

### At which label do I show the income in my tax return?

While the payment does not give rise to ordinary income, taxi-cab and hire car licence holders need to declare the capital gain or loss that arises upon the cancellation of their licence(s).

For individuals the net capital gain or loss should be included at Item 18 *Capital gains* on your tax return.

For licences held through companies, trusts or funds, refer to Part C of the *Guide to Capital Gains Tax*, and the *Capital Gains Tax (CGT) Schedule* if applicable.

### Does this impact my Pay As You Go Instalments?

No. As Transition Assistance payments do not give rise to ordinary income the payments do not have Pay As You Go (PAYG) instalment implications.

### Does Goods and Services Tax apply?

No. To be subject to Goods and Services Tax (GST) you have to supply or do something in return for the payment. As you only have to meet eligibility criteria, the amount you receive is not subject to GST.

### Further explanation

A full explanation of the tax consequences that arise in relation to Transition Assistance payments can be found in *Taxation Ruling TR 2006/3 Income Tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*.

In summary, the ruling explains that where a Government payment is made to an industry and the payment results in the cancellation of the taxpayer's licence that is used to operate within that industry, the payment is taken to be a capital receipt.

## More information?

[Taxation Ruling TR 2006/3](#) - *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*

[Capital gains tax](#) – *Guidance to capital gains tax*

[Goods and Services Tax Ruling GSTR 2012/2](#) – *Goods and services tax: financial assistance payments*

- ▶ If you wish to discuss your circumstances, you can:
- call the ATO on 13 28 66
  - email [TaxAdvice@ato.gov.au](mailto:TaxAdvice@ato.gov.au) for a callback from an ATO officer,

If you are experiencing difficulties or hardship in meeting your tax debts, refer to [Help with paying](#) for assistance.

## Appendix – Examples of reasonable allocation of Transition Assistance payments

*These examples are intended to be illustrative only and are not exhaustive.*

### Example 1

You hold the following taxi-cab licences throughout the eligibility period:

Taxi licence	A	B
Type of licence	Metro taxi	Metro taxi
Acquisition date	Post-19 Sep 1985	Pre-20-Sep 1985

You are paid a total of \$150,000 for two licences

- \$100,000 for the 1<sup>st</sup> licence, and
- \$50,000 for a 2<sup>nd</sup> licence.

You can choose the following reasonable allocation methods:

- \$100,000 is allocated to licence B (Pre-CGT) and \$50,000 to licence A (Post-CGT)
- \$100,000 is allocated to licence A (Post-CGT) and \$50,000 to licence B (Pre-CGT)

You cannot allocate the whole \$150,000 payment to a single licence. For example, you cannot allocate \$150,000 to licence B and \$0 to licence A.

### Example 2

You hold the following taxi-cab licences throughout the eligibility period:

Taxi licence	A	B	C	D	E
Type of licence	Metro taxi	Metro taxi	Metro taxi	Urban fixed term	Urban fixed term
Acquisition date	Post-19 Sep 1985	Post-19 Sep 1985	Pre-20 Sep 1985	Pre-20 Sep 1985	Post-19 Sep 1985

You are paid a total of \$216,875

- \$100,000 for the 1<sup>st</sup> (Metro taxi) licence,
- \$50,000 for a 2<sup>nd</sup> (Metro taxi) licence,
- \$50,000 for a 3<sup>rd</sup> (Metro taxi) licence, and
- \$16,875 for the 4<sup>th</sup> (Urban fixed term) licence.

You can choose the following reasonable allocation methods:

- \$100,000 (\$50,000 x 2) is allocated to licences A and B (Post-CGT), \$100,000 to licence C (Pre-CGT), or
- \$150,000 is allocated to licences A and B (Post-CGT), \$50,000 to licence C (Pre-CGT),

AND

- \$16,875 is allocated to licence D (Pre-CGT), or
- \$16,875 is allocated to licence E (Post-CGT).

You cannot allocate:

- an average of \$43,375 to each of the five licences, or
- \$200,000 wholly to licence C and \$16,875 to licence D.

### Example 3

You hold the following taxi-cab licences throughout the eligibility period:

Taxi licence	A	B	C	D	E
Type of licence	Metro taxi	Metro taxi	Regional taxi	Metro fixed term	Urban fixed term
Acquisition date	Post-19 Sep 1985	Post-19 Sep 1985	Pre-20 Sep 1985	Pre-20 Sep 1985	Pre-20 Sep 1985

You are paid a total of \$191,875

- \$100,000 for the 1<sup>st</sup> (Metro taxi) licence,
- \$50,000 for a 2<sup>nd</sup> (Metro taxi) licence,
- \$25,000 for a 3<sup>rd</sup> (Regional taxi) licence, and
- \$16,875 for a 4<sup>th</sup> (Metro fixed term) licence.

You must allocate:

- \$150,000 (\$100,000 + \$50,000) to Post-CGT licences A and B, (it is your choice how you allocate the \$100,000 and \$50,000 payments respectively to Post-CGT licences A and B), and
- \$41,875 to the Pre-CGT licences.

You cannot allocate an average of \$38,375 to each of the five licences.

### Example 4

You hold the following taxi-cab licences throughout the eligibility period:

Taxi licence	A	B	C	D	E
Type of licence	Metro taxi	Metro taxi	Metro taxi	Metro taxi	Country
Acquisition date	Pre-20 Sep 1985	Post-19 Sep 1985	Pre-20 Sep 1985	Post-19 Sep 1985	Pre-20 Sep 1985

You are paid a total of \$250,000

- \$100,000 for the 1<sup>st</sup> (Metro taxi) licence,
- \$50,000 for a 2<sup>nd</sup> (Metro taxi) licence,
- \$50,000 for a 3<sup>rd</sup> (Metro taxi) licence, and
- \$50,000 for a 4<sup>th</sup> (Metro taxi) licence.

You can choose the following reasonable allocation methods:

- \$150,000 (\$100,000 + \$50,000) is allocated to licences A and C (Pre-CGT), \$100,000 (\$50,000 x 2) to licences B and D (Post-CGT), or
- \$100,000 (\$50,000 x 2) is allocated to licences A and C (Pre-CGT), \$150,000 (\$100,000 + \$50,000) to licences B and D (Post-CGT).

It is your choice how you allocate the respective payments to Post-CGT licences B and D.

You cannot allocate:

- an average of \$50,000 to each of the five licences, or
- any of the payments to Pre-CGT licence E.

#### Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations. If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

This publication was current at 16 October 2017.

© Australian Taxation Office for the Commonwealth of Australia



**Australian Government**  
**Australian Taxation Office**