



Australian Government
Department of Defence
Defence Personnel Executive

98/12423/2
DSA 296/03

To Recipients of:

Medical and Dental Officers Completion Bonus
RAN Observer Completion Bonus
RAAF Flight Engineer Completion Bonus
RAN Technical Sailors Completion Bonus
RAN Submariner Completion Bonus
RAAF Engineer Completion Bonus

**ADF COMPLETION BONUS AS ELIGIBLE TERMINATION PAYMENTS (ETP)–
CLARIFICATION OF ADMINISTRATIVE ADVICE**

1. A recent re-examination of policy advice as provided in the guidance contained in the INDMAN instruction at the time the listed Completion Bonuses were originally offered has highlighted a procedure / view that is not supported by advice that the Defence Tax Management Office (DTMO) recently received from Price Waterhouse Coopers.
2. The original advice was included in the INDMAN for each of the respective Completion Bonuses under orders 0717 para 32.a., 0718 para 29.a., 0719 para 30.a. 0720.a., and 0721.a. respectively:

‘Cash Payment. For Officers who have chosen the ‘cash’ payment or part cash options, the Completion Bonus will be paid after processing is completed, on receipt of the authorisation. If the completion of the required period of service coincides with an Officer’s resignation, the ‘cash’ payment will form (or be part of) an ETP and will be paid and taxed as set out in the instructions given to administrative staff as part of the normal discharge procedure.’

3. Interpretation since provided by Price Waterhouse Coopers, a copy of which is included at enclosure 1, advises that Draft Taxation Ruling TR 2002/D12 states that:

‘...the Commissioner considers that a payment is made in consequence of the termination of the employment of the taxpayer if the payment “follows as an effect or result of” the termination. In other words, if not for the termination of the employment, the payment would not have been made to the taxpayer.’

Clearly the Retention Bonus scheme was never intended as a means of promoting the separation of individuals from the Services and, as such, the payment of these Bonuses cannot be said to be as a direct result of an individual’s decision to separate. Accordingly, and under current interpretation, payment of Completion Bonuses that coincides with the separation of an individual from the Service will not be interpreted by the Australian Taxation Office as an ETP.

4. As indicated by this change in interpretation, tax policy can change from time to time. Individuals who find themselves in circumstances impacted upon by this most recent interpretation may wish to seek a Private Tax Ruling from the Australian Taxation Office at the time of separation.

(Signed)

M.C. PEAKE

Captain, RAN

Director Salary and Allowances

28 November 2003