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26 October 2009

Mr Anthony Regan  
Manager, Company Tax Unit  
Business Tax Division

Email: [Anthony.Regan@treasury.gov.au](mailto:Anthony.Regan@treasury.gov.au)

Dear Mr Regan

**Life Insurance Companies: Exempt Life Insurance Policies**

The Taxation Institute of Australia welcomes the exposure draft legislation *Taxation laws Amendment (2009 Measure No 6) Bill 2009* to clarify the taxation treatment of annuities. The Taxation Institute wishes to make the following recommendations:

- The Taxation Institute recommends that Schedule 6, Part 1, Division 1 should apply from 1 July 2000 being the effective date for the original section 320-246.
- Items 2 & 3 in the table (in item 2 of the amending legislation) both refer to terms that the annuity contract must provide. For some annuities, these terms while followed in practice might not be clearly stated in the contract. Technical failures to meet the conditions that might result could be eliminated if the condition in Column 2 were restated to require that the total commutation payments not exceed the reduced purchase price.
- In order to put beyond doubt that inflation linked/indexed ordinary annuities do not represent unreasonable deferral it would be helpful if the Explanatory Memorandum could refer to them by way of example. This would have the added advantage of removing the need for providers to seek and rely on the ATO interpretative products.
- The Taxation Institute recommends that subparagraph 320-246(1)(e)(iv) which appears to serve no purpose following the other amendments be deleted.

If you would like to meet with representatives from the Taxation Institute or require any further information or assistance in respect of our submission, please contact Joan Roberts on 03 9611 0178 or the Taxation Institute's Tax Counsel, Angie Ananda, on 02 8223 0011.

Yours faithfully



Joan Roberts  
President