

2002

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

As read a third time

**Taxation Laws Amendment (Structured
Settlements) Bill 2002**

No. , 2002

**A Bill for an Act relating to structured settlements,
and for related purposes**

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1 THIS Bill originated in the House of
2 Representatives; and, having this day passed,
3 is now ready for presentation to the Senate
4 for its concurrence.

5 I.C. HARRIS
6 *Clerk of the House of Representatives*

7 House of Representatives
8 18 September 2002

9 **A Bill for an Act relating to structured settlements,**
10 **and for related purposes**

11 The Parliament of Australia enacts:

12 **1 Short title**

13 This Act may be cited as the *Taxation Laws Amendment*
14 *(Structured Settlements) Act 2002*.

15 **2 Commencement**

16 This Act commences on the day on which it receives the Royal
17 Assent.

18 **3 Schedule(s)**

19 Each Act that is specified in a Schedule to this Act is amended or
20 repealed as set out in the applicable items in the Schedule

1 concerned, and any other item in a Schedule to this Act has effect
2 according to its terms.

3 **4 Amendment of assessments**

4 Section 170 of the *Income Tax Assessment Act 1936* does not
5 prevent the amendment of an assessment made before the
6 commencement of this section for the purposes of giving effect to
7 this Act.

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Schedule 1—Structured settlements

Part 1—Main amendments

Income Tax Assessment Act 1997

1 Section 53-25 (link note)

Repeal the link note, substitute:

Division 54—Exemption for certain payments made under structured settlements

Table of Subdivisions

Guide to Division 54

54-A Definitions

54-B Tax exemption for structured settlement annuities

54-C Tax exemption for structured settlement lump sums

54-D Miscellaneous

Guide to Division 54

54-1 What this Division is about

| |
|--|
| Certain annuities and lump sums provided under structured settlements are exempt from income tax. This Division tells you what a structured settlement is, and when such an annuity or lump sum is exempt. |
|--|

Subdivision 54-A—Definitions

Table of sections

Operative provisions

54-5 Definitions

54-10 Meaning of *structured settlement*

1 **Operative provisions**

2 **54-5 Definitions**

3 In this Division:

4 ***date of the settlement***, for a *structured settlement, means:

- 5 (a) the date on which the agreement that is the structured
6 settlement was entered into; or
7 (b) if that agreement depends, for its effectiveness, on being
8 approved (however described) by an order of a court, or on
9 being embodied in a consent order made by a court, the date
10 on which that order was made.

11 ***structured settlement annuity*** means an *annuity that is purchased
12 under the terms of a *structured settlement as mentioned in
13 paragraph 54-10(1)(e).

14 ***structured settlement lump sum*** means a lump sum that is
15 purchased under the terms of a *structured settlement as mentioned
16 in paragraph 54-10(1)(e).

17 **54-10 Meaning of *structured settlement***

18 (1) A ***structured settlement*** is a settlement of a claim that satisfies the
19 following conditions:

- 20 (a) the claim:
- 21 (i) is for compensation or damages for, or in respect of,
22 personal injury suffered by a person (the ***injured***
23 ***person***); and
24 (ii) is made by the injured person or by his or her *legal
25 personal representative;
- 26 (b) the claim is based on the commission of a wrong, or on a
27 right created by statute;
- 28 (c) the claim is made against a person (the ***defendant***) and
29 satisfies the following conditions:
- 30 (i) the claim is not made against the defendant in his or her
31 capacity as an employer, or *associate of an employer,
32 of the injured person;

- 1 (ii) the claim is not made under a *workers' compensation
2 law, and is not made as an alternative to a claim under
3 such a law;
- 4 (d) the settlement takes the form of a written agreement between
5 the parties to the claim (whether or not that agreement is
6 approved by an order of a court, or is embodied in a consent
7 order made by a court);
- 8 (e) under the terms of the settlement, some or all of the
9 compensation or damages is to be used by the defendant (or
10 by a person with whom the defendant has insurance against
11 the liability to which the claim relates) to purchase from one
12 or more *life insurance companies or State insurers:
- 13 (i) an *annuity or annuities to be paid to the injured person,
14 or to a trustee for the benefit of the injured person; or
- 15 (ii) such an annuity or annuities, together with one or more
16 lump sums that are also to be paid to the injured person,
17 or to a trustee for the benefit of the injured person.
- 18 (2) For the purposes of paragraph (1)(e), a *State insurer* is a body that
19 carries on State insurance, within the meaning of paragraph 51(xiv)
20 of the Constitution.
- 21 (3) If a claim is both:
- 22 (a) for compensation or damages for personal injury suffered by
23 a person; and
- 24 (b) for some other remedy (for example, compensation or
25 damages for loss of, or damage to, property);
- 26 this section applies to the claim, but only to the extent that it relates
27 to the compensation or damages referred to in paragraph (a), and
28 only to annuities or lump sums that, in the settlement agreement,
29 are identified as being solely in payment of that compensation or
30 those damages.

31 **Subdivision 54-B—Tax exemption for structured settlement**
32 **annuities**

33 **Table of sections**

34 **Operative provisions**

Schedule 1 Structured settlements
Part 1 Main amendments

| | | |
|---|-------|---|
| 1 | 54-15 | Structured settlement annuity exemption for injured person |
| 2 | 54-20 | Lump sum compensation etc. would not have been assessable |
| 3 | 54-25 | Requirements of the annuity instrument |
| 4 | 54-30 | Requirements for payments of the annuity |
| 5 | 54-35 | Payments during the guarantee period on the death of the injured person |
| 6 | 54-40 | Requirement for minimum monthly level of support |

7 **Operative provisions**

8 **54-15 Structured settlement annuity exemption for injured person**

9 A payment of a *structured settlement annuity that is made to the
10 *injured person is exempt from income tax if the conditions in this
11 Subdivision are satisfied.

12 Note: Section 54-70 provides a tax exemption if the payment is instead
13 made to the trustee of a trust.

14 **54-20 Lump sum compensation etc. would not have been assessable**

15 If the compensation or damages that were used to purchase the
16 *annuity had instead been paid to the *injured person in a single
17 lump sum on the *date of the settlement, the compensation or
18 damages would not have been assessable income.

19 Note: Paragraph 118-37(1)(b) disregards a capital gain or capital loss that
20 arises from compensation or damages the injured person receives for
21 any wrong he or she suffers personally.

22 **54-25 Requirements of the annuity instrument**

23 The *annuity instrument must:

- 24 (a) identify the *structured settlement under which the *annuity
25 is provided; and
- 26 (b) only allow for payments of the annuity to be made to:
27 (i) the injured person; or
28 (ii) a trustee of a trust of which the injured person is the
29 beneficiary; or
30 (iii) a reversionary beneficiary, or the injured person's
31 estate, in accordance with section 54-35; and
- 32 (c) contain a statement to the effect that the annuity cannot be
33 assigned, and cannot be commuted except as mentioned in
34 section 54-35.

1 Note: Division 2A of Part 10 of the *Life Insurance Act 1995* makes a
2 purported assignment or commutation that is contrary to paragraph (c)
3 ineffective.

4 **54-30 Requirements for payments of the annuity**

- 5 (1) The *annuity instrument must provide that payments of the
6 *annuity are to be made at least annually:
7 (a) over a period of at least 10 years during the life of the
8 *injured person; or
9 (b) for the life of the injured person.
- 10 (2) The *annuity instrument must specify:
11 (a) the date of the first payment of the *annuity; and
12 (b) if the annuity instrument specifies a period of years—the date
13 of the last payment in that period; and
14 (c) the amount of each periodic payment of the annuity.
- 15 (3) The *annuity instrument may only allow the amount of a payment
16 to be varied by increasing the amount:
17 (a) in order to maintain its real value:
18 (i) by indexation by reference to increases in the *All
19 Groups Consumer Price Index number; or
20 (ii) by indexation by reference to increases in the full-time
21 adult average weekly ordinary time earnings, published
22 by the Australian Statistician; or
23 (b) by a percentage specified in the annuity instrument.
- 24 (4) The *annuity instrument may only allow the amount of a particular
25 payment to be varied:
26 (a) by only one of the methods referred to in subsection (3); or
27 (b) by whichever of 2 or more of those methods would result in
28 the biggest or smallest increase.
- 29 (5) A reference in this section to specifying a date or percentage
30 requires an actual date or figure to be specified, not merely a
31 method of determining a date or figure.

32 Example: Under subsection (2), “13 September 2002” would be allowed, but
33 “The date on which the annuitant finishes university” would not be
34 allowed.

1 **54-35 Payments during the guarantee period on the death of the**
2 **injured person**

3 (1) This section applies if the *annuity instrument provides for
4 payments to be made to the *injured person during any part of the
5 period ending 10 years after the *date of the settlement (whether
6 the *annuity is expressed to be for the life of the person or for a
7 period of years).

8 (2) The *annuity instrument may specify a period (the *guarantee*
9 *period*) of up to 10 years after the *date of the settlement, during
10 which, if the *injured person dies, the payments (the *remaining*
11 *payments*) for the remainder of the guarantee period that would
12 have been paid to the injured person are to be paid instead to:

- 13 (a) the injured person's estate; or
14 (b) a reversionary beneficiary.

15 Note: For tax exemptions in this situation, see sections 54-65 and 54-70.

16 (3) If the *annuity instrument provides for the remaining payments to
17 be made to a reversionary beneficiary, the instrument must:

- 18 (a) name the beneficiary; and
19 (b) allow the beneficiary to choose either:

- 20 (i) to be paid the amounts of the remaining payments when
21 the injured person would have received them; or
22 (ii) to commute those payments into a lump sum worked
23 out under subsection (5).

24 (4) The *injured person's estate may only be paid the lump sum
25 worked out under subsection (5) (and not the periodic payments).

26 (5) The amount of the lump sum under subparagraph (3)(b)(ii) or
27 subsection (4) is the total of the remaining payments (but without
28 any further increases under subsection 54-30(3)).

29 (6) In this section:

30 *pay to a person* includes pay to the trustee of a trust of which the
31 person is the beneficiary.

32 *pay to the injured person's estate* includes pay to the trustee of a
33 trust established by the *injured person's will.

1 **54-40 Requirement for minimum monthly level of support**

2 (1) Either:

3 (a) the *annuity instrument must provide; or

4 (b) if there is more than one *annuity provided under the
5 *structured settlement—the annuity instruments for all of
6 those annuities that satisfy the other conditions in this
7 Subdivision, taken as a whole, must provide;

8 that at least once a month for the life of the *injured person, he or
9 she is to be paid an amount that equals or exceeds the minimum
10 monthly level of support.

11 (2) The *minimum monthly level of support* means:

12 (a) for the year starting on the *date of the settlement—one
13 twelfth of the amount that is, on that date, the sum of:

14 (i) the maximum basic rate of age pension payable to a
15 person in accordance with item 1 of Table B in point
16 1064-B1 of Pension Rate Calculator A in section 1064
17 of the *Social Security Act 1991*; and

18 (ii) the amount of a person's pension supplement, worked
19 out (using that maximum basic rate) in accordance with
20 Module BA of that Pension Rate Calculator; and

21 (b) for any subsequent year starting on an anniversary of the date
22 of the settlement:

23 (i) if the indexation factor for the year (see subsection (3))
24 is greater than 1—the amount worked out under
25 subsection (4); or

26 (ii) otherwise—the minimum monthly level of support for
27 the previous year.

28 Note: In working out the rate and amount that count for the purposes of
29 paragraph (a), the effect of the indexation provisions in sections 1191
30 to 1195 of the *Social Security Act 1991* must be taken into account.
31 The indexed figures are available from Centrelink.

32 (3) The *indexation factor* for a year is to be worked out on the
33 anniversary of the *date of the settlement in accordance with the
34 formula:

Schedule 1 Structured settlements
Part 1 Main amendments

Most recently published * All Groups
Consumer Price Index number
for a * quarter

1
$$\frac{\text{*All Groups Consumer Price Index number}}{\text{for the same * quarter in the previous year}}$$

2 Note: This has effect subject to subsection (6).

3 (4) If the indexation factor for a year is greater than 1, then the
4 minimum monthly level of support for the year is the amount
5 worked out in accordance with the following formula:

6
$$\text{Indexation factor for the year} \times \text{Minimum monthly level of support for the previous year}$$

7 (5) The results under subsections (3) and (4) must be rounded to 3
8 decimal places (rounding up if the fourth decimal place is 5 or
9 more).

10 (6) The indexation factor for a year must be worked out by reference
11 to figures for the same * quarter (for example, the March quarter) as
12 has been used in previous years, even if, on the anniversary of the
13 * date of the settlement, the * All Groups Consumer Price Index
14 number for that quarter has not yet been published. If this happens,
15 the calculation must be made as soon as practicable after the
16 number for that quarter is published.

17 (7) In this section:

18 *pay to a person* includes pay to the trustee of a trust of which the
19 person is the beneficiary.

20 **Subdivision 54-C—Tax exemption for structured settlement**
21 **lump sums**

22 **Table of sections**

23 **Operative provisions**

| | | |
|----|-------|---|
| 24 | 54-45 | Structured settlement lump sum exemption for injured person |
| 25 | 54-50 | Lump sum compensation would not have been assessable |
| 26 | 54-55 | Requirements of the instrument under which the lump sum is paid |
| 27 | 54-60 | Requirements for payments of the lump sum |

1 **Operative provisions**

2 **54-45 Structured settlement lump sum exemption for injured person**

3 A payment of a *structured settlement lump sum that is made to the
4 *injured person is exempt from income tax if:

- 5 (a) there is at least one *structured settlement annuity (provided
6 under the same *structured settlement) that satisfies the
7 conditions in Subdivision 54-B; and
8 (b) the other conditions in this Subdivision are satisfied.

9 Note: Section 54-70 provides a tax exemption if the payment is instead
10 made to the trustee of a trust.

11 **54-50 Lump sum compensation would not have been assessable**

12 If the compensation or damages that were used to purchase the
13 *structured settlement lump sum had instead been paid to the
14 *injured person on the *date of the settlement, the compensation or
15 damages would not have been assessable income.

16 Note: Paragraph 118-37(1)(b) disregards a capital gain or capital loss that
17 arises from compensation or damages the injured person receives for
18 any wrong he or she suffers personally.

19 **54-55 Requirements of the instrument under which the lump sum is
20 paid**

21 The instrument under which the *structured settlement lump sum is
22 paid must:

- 23 (a) identify the *structured settlement under which the lump sum
24 is provided; and
25 (b) only allow for the payment of the lump sum to be made to:
26 (i) the *injured person; or
27 (ii) a trustee of a trust of which the injured person is the
28 beneficiary; and
29 (c) contain a statement to the effect that the right to receive the
30 lump sum cannot be assigned, and cannot be commuted or
31 otherwise cashed-out early.

32 Note: Division 2A of Part 10 of the *Life Insurance Act 1995* makes a
33 purported assignment or commutation (or cashing-out) that is contrary
34 to paragraph (c) ineffective.

1 **54-60 Requirements for payments of the lump sum**

- 2 (1) The instrument under which the *structured settlement lump sum is
3 paid must specify the date and amount of the payment of the lump
4 sum.
- 5 (2) The instrument may only allow the amount of the payment to be
6 varied by increasing the amount:
7 (a) in order to maintain its real value:
8 (i) by indexation by reference to increases in the *All
9 Groups Consumer Price Index number; or
10 (ii) by indexation by reference to increases in the full-time
11 adult average weekly ordinary time earnings, published
12 by the Australian Statistician; or
13 (b) by a percentage specified in the instrument.
- 14 (3) The instrument may only allow the amount of the payment to be
15 varied:
16 (a) by only one of the methods referred to in subsection (2); or
17 (b) by whichever of 2 or more of those methods would result in
18 the biggest or smallest increase.
- 19 (4) A reference in this section to specifying a date or percentage
20 requires an actual date or figure to be specified, not merely a
21 method of determining a date or figure.
- 22 Example: Under subsection (1), “13 September 2002” would be allowed, but
23 “The date on which the annuitant finishes university” would not be
24 allowed.

25 **Subdivision 54-D—Miscellaneous**

26 **Table of sections**

27 **Operative provisions**

| | | |
|----|-------|--|
| 28 | 54-65 | Exemption for certain payments to reversionary beneficiaries |
| 29 | 54-70 | Special provisions about trusts |
| 30 | 54-75 | Minister to arrange for review and report |

1 **Operative provisions**

2 **54-65 Exemption for certain payments to reversionary beneficiaries**

3 A payment that is made to the reversionary beneficiary of a
4 *structured settlement annuity for which there is a *guarantee
5 period is exempt from income tax if:

- 6 (a) the payment is a periodic or lump sum payment made in
7 accordance with subsection 54-35(3); and
8 (b) either:
9 (i) if subparagraph 54-35(3)(b)(i) applies—the payment; or
10 (ii) if subparagraph 54-35(3)(b)(ii) applies—each of the
11 payments making up the lump sum worked out under
12 subsection 54-35(5);
13 would be exempt from income tax under this Division if the
14 *injured person were still alive and the payment, or each of
15 the payments, were instead made to the injured person.

16 **54-70 Special provisions about trusts**

- 17 (1) A payment of a *structured settlement annuity or a *structured
18 settlement lump sum to the trustee of a trust is exempt from income
19 tax for the trustee if:
20 (a) the beneficiary of the trust is the *injured person; and
21 (b) because of Subdivision 54-B or 54-C, the payment would
22 have been exempt from income tax if it had been made
23 directly to the beneficiary.
- 24 (2) A payment made in accordance with paragraph 54-35(3)(b) to the
25 trustee of a trust is exempt from income tax for the trustee if:
26 (a) the beneficiary of the trust is the reversionary beneficiary;
27 and
28 (b) because of section 54-65, the payment would have been
29 exempt from income tax if it had been made directly to the
30 beneficiary.
- 31 (3) A payment of a lump sum in accordance with subsection 54-35(4)
32 to the trustee of a trust is exempt from income tax for the trustee.

- 1 (4) If a payment is exempt from income tax for a trustee because of
2 this section, the payment is also exempt from income tax for a
3 beneficiary, or the beneficiary, of the trust, even if the trustee:
4 (a) pays all or part of the payment to the beneficiary; or
5 (b) applies all or part of the payment for the benefit of the
6 beneficiary.

7 **54-75 Minister to arrange for review and report**

- 8 (1) The Minister must cause a person to review, and to report to the
9 Minister in writing about, the operation of the following provisions
10 (the *structured settlements provisions*):
11 (a) the other provisions of this Division;
12 (b) Division 2A of Part 10 of the *Life Insurance Act 1995*.
- 13 (2) The person must be someone who, in the Minister's opinion, is
14 suitably qualified and appropriate to conduct the review.
- 15 (3) The review and report must relate to the period beginning when
16 this Division commences and ending after 4 years and 6 months.
- 17 (4) The person must give the report to the Minister as soon as
18 practicable, and in any event within 6 months, after the end of that
19 period.
- 20 (5) The report may include suggestions for changes to the structured
21 settlement provisions that, in the person's opinion, are needed to
22 overcome, or would help overcome, problems identified during the
23 review and set out in the report.
- 24 (6) The person must provide a reasonable opportunity for members of
25 the public to make submissions to him or her about matters to
26 which the review relates.
- 27 (7) The Minister must cause a copy of the report to be laid before each
28 House of the Parliament within 15 sitting days of that House after
29 the Minister receives the report.

30 **1A Subsection 995-1(1) (at the end of the definition of exempt**
31 **life insurance policy)**

- 32 Add:
33 ; or (f) that provides for either or both of the following:
-

- 1 (i) a *structured settlement annuity, payments of which are
2 exempt from income tax under Division 54;
3 (ii) a *structured settlement lump sum, payment of which is
4 exempt from income tax under Division 54.

5 ***Life Insurance Act 1995***

6 **2 After Division 2 of Part 10**

7 Insert:

8 **Division 2A—Restriction on assignment or commutation of**
9 **payments under structured settlements**

10 **203A Definitions**

11 In this Division:

12 ***date of the settlement***, in relation to a structured settlement, has the
13 same meaning as it has in Division 54 of the *Income Tax*
14 *Assessment Act 1997*.

15 ***structured settlement*** has the same meaning as it has in
16 Division 54 of the *Income Tax Assessment Act 1997*.

17 ***tax-exempt annuity*** has the meaning given by paragraph 203B(a).

18 ***tax-exempt lump sum*** has the meaning given by paragraph
19 203B(b).

20 **203B Application of Division to tax-exempt annuities and lump sums**

21 This Division applies, at a particular time, to:

22 (a) an annuity (a ***tax-exempt annuity***) payable (now or in the
23 future) by:

24 (i) a company that is registered under this Act; or

25 (ii) a body that carries on State insurance, within the
26 meaning of paragraph 51(xiv) of the Constitution;

27 if, at that time, the requirements of sections 54-20 to 54-40 of
28 the *Income Tax Assessment Act 1997* are satisfied in relation
29 to the annuity; and

- 1 (b) a lump sum (a *tax-exempt lump sum*) payable (now or in the
2 future) by:
3 (i) a company that is registered under this Act; or
4 (ii) a body that carries on State insurance, within the
5 meaning of paragraph 51(xiv) of the Constitution;
6 if, at that time, the requirements of sections 54-45 to 54-60 of
7 the *Income Tax Assessment Act 1997* are satisfied in relation
8 to the lump sum.

9 Note 1: The application of this Division to bodies that carry on State insurance
10 is subject to section 5.

11 Note 2: Division 54 of the *Income Tax Assessment Act 1997* provides a tax
12 exemption for certain payments under structured settlements.

13 **203C Assignments or commutations of tax-exempt annuities are**
14 **generally not effective**

- 15 (1) A purported assignment or commutation of an annuity that is, at
16 the time of the purported assignment or commutation, a tax-exempt
17 annuity is not effective at law (subject to subsection (2)).
18 (2) However, the annuity can be commuted as mentioned in
19 section 54-35 of the *Income Tax Assessment Act 1997*.

20 **203D Assignments or commutations of tax-exempt lump sums are**
21 **not effective**

- 22 (1) A purported assignment of the right to receive a lump sum that is,
23 at the time of the purported assignment, a tax-exempt lump sum is
24 not effective at law.
25 (2) A purported commutation, or other early cashing-out, of the right
26 to receive a lump sum that is, at the time of the purported
27 commutation or cashing-out, a tax-exempt lump sum is not
28 effective at law.

29 **230E Relationship with Division 2**

30 Division 2 has effect subject to this Division.

1

2 **Part 2—Consequential amendments**

3 ***Income Tax Assessment Act 1936***

4 **3 Subsection 27H(1)**

5 After “subsection (1A)”, insert “and Division 54 of the *Income Tax*
6 *Assessment Act 1997*”.

7 **4 At the end of subsection 27H(1)**

8 Add:

9 Note: Division 54 of the *Income Tax Assessment Act 1997* provides a tax
10 exemption for certain payments under structured settlements.

11 **5 Subsection 95(1) (at the end of the definition of *exempt***
12 ***income*)**

13 Add:

14 Note: See also Division 54 of the *Income Tax Assessment Act 1997* (in
15 particular, the provisions in section 54-70 about trusts), which
16 provides a tax exemption for certain payments under structured
17 settlements.

18 ***Income Tax Assessment Act 1997***

19 **6 Section 11-15 (after the table item headed “social security**
20 **or like payments”)**

21 Insert:

structured settlements

annuities and lump sums..... Subdivisions
54-B, 54-C
and 54-D

22 **7 Section 118-1 (note)**

23 Omit “Note”, substitute “Note 1”.

24 **8 At the end of section 118-1**

25 Add:

26 Note 2: There are also exemptions in Division 54.

1 **9 Subsection 995-1(1)**

2 Insert:

3 *All Groups Consumer Price Index number* means the All Groups
4 Consumer Price Index number (being the weighted average of the
5 8 capital cities) published by the Australian Statistician.

6 **10 Subsection 995-1(1)**

7 Insert:

8 *date of the settlement*, for a *structured settlement, has the
9 meaning given by section 54-5.

10 **11 Subsection 995-1(1)**

11 Insert:

12 *guarantee period*, for an annuity provided under a *structured
13 settlement, has the meaning given by subsection 54-35(2).

14 **12 Subsection 995-1(1)**

15 Insert:

16 *injured person*, in relation to a *structured settlement, has the
17 meaning given by subparagraph 54-10(1)(a)(i).

18 **12A Subsection 995-1(1) (at the end of the definition of *life***
19 ***insurance premium*)**

20 Add “or a *structured settlement lump sum”.

21 **13 Subsection 995-1(1)**

22 Insert:

23 *structured settlement* has the meaning given by section 54-10.

24 **14 Subsection 995-1(1)**

25 Insert:

26 *structured settlement annuity* has the meaning given by
27 section 54-5.

28 **15 Subsection 995-1(1)**

1 Insert:

2 *structured settlement lump sum* has the meaning given by
3 section 54-5.

1

2 **Part 3—Application provisions**

3 **Division 1—New Division 54 of the Income Tax**
4 **Assessment Act 1997**

5 *Income Tax (Transitional Provisions) Act 1997*

6 **16 Section 53-1 (link note)**

7 Repeal the link note, substitute:

8 **Division 54—Exemption for certain payments made under**
9 **structured settlements**

10 **Table of sections**

11 54-1 Application of Division 54 of the *Income Tax Assessment Act 1997*

12 **54-1 Application of Division 54 of the *Income Tax Assessment Act***
13 ***1997***

14 (1) Division 54 of the *Income Tax Assessment Act 1997* applies to
15 assessments for the 2001-2002 income year and later income years.

16 (2) However, the Division does not apply unless the *date of the
17 settlement is 26 September 2001 or a later date.

1

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**Division 1A—Amended definitions of exempt life
insurance policy and life insurance premium**

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16A Application of amended definitions

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(1) The amendments made by items 1A and 12A apply to assessments for
the 2001-2002 income year and later income years.

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(2) However, the amendments do not apply unless the date of the
settlement (within the meaning of Division 54 of the *Income Tax
Assessment Act 1997*) is 26 September 2001 or a later date.

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**Division 2—New Division 2A of Part 10 of the Life
Insurance Act 1995**

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17 Application of the Division

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Division 2A of Part 10 of the *Life Insurance Act 1995* applies to an annuity or lump sum that is purchased under a structured settlement if the date of the settlement (within the meaning of that Division) is the day on which that Division commences, or a later day.

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(130/02)
