

WORKCOVER WA BULLETIN

1/2025

TAX ON SETTLEMENT AMOUNTS

The Australian Taxation Office (ATO) published Class Ruling CR 2025/88 with respect to settlement of a workers compensation claim in the Western Australian workers compensation scheme on 17 December 2025.

A Class Ruling is a type of public ruling made by the ATO and explains how a relevant provision of the tax law is applied to a specific class of participants for a particular scheme.

The purpose of a Class Ruling is to provide certainty to stakeholders and avoid the need for individual stakeholders to seek private rulings.

The Class Ruling published on 17 December 2025 sets out the income tax consequences under the *Income Tax Assessment Act 1997* of specific listed compensation amounts received under a registered settlement agreement in accordance with section 149 and Part 2, Division 12 of the *Workers Compensation and Injury Management Act 2023*.

The Class Ruling provides income compensation commuted to a lump sum in a settlement agreement is assessable as 'ordinary income' under tax law and must be included in a worker's income tax return in the year it was received.

Other forms of compensation commuted to a lump sum in a settlement agreement are not assessable as ordinary income and should not be included in a worker's income tax return.

The Class Ruling applies from 1 July 2024 and provides specific advice about who the ruling applies to. A copy of the Class Ruling can be found on the ATO website via [this link](#).

Future implications

WorkCover WA notes it is the responsibility of stakeholders to be aware of their obligations under tax law in relation to settling a claim for workers compensation by agreement.

All stakeholders are encouraged to seek advice from the ATO from time to time to confirm this Class Ruling remains current and applies in your circumstances.



CHRIS WHITE
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17 December 2025