



New Taxpayer Alert for arrangements circumventing Division 7A

Learn about arrangements involving private companies circumventing Division 7A that are attracting our attention.

Last updated 12 December 2024

We've released a new taxpayer alert, **TA2024/2**, to inform entities and their advisers about our concerns regarding contrived arrangements seeking to circumvent **Division 7A**. The arrangements involve a profitable private company guaranteeing a loan made by a bank (or other financial institution) to a related private company with minimal or no distributable surplus. Amounts are then loaned or paid to a shareholder or associate of a shareholder.

We consider the arrangements are not effective and that Division 7A would apply to deem the private company which gave the guarantee to have paid an unfranked dividend. Alternatively, Part IVA of the *Income Tax Assessment Act 1936* (the general anti-avoidance rule) may apply.

If you've entered, or are contemplating entering, into an arrangement of this type, we encourage you to contact us as outlined in the **Taxpayer Alert**. Alternatively, seek independent professional advice. Remember, if something seems too good to be true, then it probably is.

We've also released supplementary draft guidance, which is open for consultation. Draft Taxation Determination **TD2024/D3** clarifies our view on an aspect of section 109U and documents our compliance approach.

If this is relevant to you or your clients, we encourage you to read the alert and draft determination and have your say. Your feedback

ensures our guidance provides the clarity you need. Visit the [consultation hub](#) to provide feedback.

Consultation period for the draft determination closes 31 January 2025.

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