



New Division 7A guidance about s109R

New guidance for private companies on when certain Division 7A loan repayments for notional loans are disregarded.

Published 22 August 2025

We've released new guidance: *TD 2025/5 Income tax: disregarding certain payments under section 109R of the Income Tax Assessment Act 1936 in determining how much of a loan has been repaid in situations where notional loans are involved*. It outlines our view on how section 109R applies in the context of notional loans under Division 7A. If you have a private company, this guidance may be relevant to you.

This guidance finalises the view previously outlined in draft Taxation Determination TD 2025/D2.

Broadly, section 109R is an integrity provision that can apply where an entity repays a Division 7A loan, in part or in whole, or makes a minimum yearly repayment and they borrow a similar or larger amount from the same private company either before or after the repayment is made.

Specifically, TD 2025/5 states that:

- Section 109R can apply to disregard certain loan repayments made to a private company where the repaying entity is taken to have obtained a loan from the company by the interposed entity rules in sections 109T and 109W of the ITAA 1936.
- Where a private company is taken to have made a notional loan under sections 109T and 109W, section 109R can apply to disregard

certain repayments when determining how much (if any) of that loan has been notionally repaid.

We're providing more comprehensive guidance about s109R because we want to ensure that private companies don't inadvertently trigger a Division 7A deemed unfranked dividend, which may result in an unexpected tax bill.

Thank you to everyone who provided feedback in response to TD 2025/D2 during the consultation period. To provide additional context for tax professionals and private groups, we've also published a **compendium** alongside TD 2025/5, summarising key feedback received and our response.

We recommend that you review TD 2025/5 to understand how it may apply to your arrangements. If you have a private company and are unsure about how Division 7A and section 109R applies in your circumstances, speak to your registered tax professional.

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