



## Thin capitalisation test choices – approved form

Complete this form to make a choice to use the group ratio test or the third party debt test for your entity.

**Last updated** 19 September 2025

### What this form is for

Use this approved form when making a choice to apply the group ratio test or third party debt test pursuant to Division 820 of the *Income Tax Assessment Act 1997* (ITAA 1997) for an income year. We refer to this choice as a thin capitalisation test choice.

Only make a choice on this approved form. A thin capitalisation test choice will apply only in relation to the nominated income year.

### Who can use this form

Use this form to make a thin capitalisation test choice if all of the following apply:

- You want to make a thin capitalisation test choice for an income year.
- You are a general class investor, outward investing financial entity (non-ADI) or inward investing financial entity (non-ADI) for the income year.
- You do not meet the requirements in section 820-37 of the ITAA 1997 (the 90% Australian asset threshold exemption) for the income year.

Outward investing financial entities (non-ADI) and inward investing financial entities (non-ADI) can only make a thin capitalisation test choice to apply the third party debt test.

## **Consequences of making a choice**

Matters to consider when you make a thin capitalisation test choice:

### **Deemed choices**

Choosing to apply the third party debt test for an income year may have consequences for other entities. For example, certain entities may be deemed to have made a choice to apply the third party debt test for that income year.

For more information, see [Deemed choice to use third party debt test](#).

### **Fixed ratio test disallowed amounts**

If you are a general class investor and have carried forward fixed ratio test (FRT) disallowed amounts from applying the FRT in prior income years, a choice to apply the group ratio test or the third party debt test in a subsequent income year will reset those carried forward FRT disallowed amounts to zero. Consequently, you will not be able to claim a special deduction for such FRT disallowed amounts if you revert to using the FRT in a future income year.

### **Debt deduction creation rules**

The debt deduction creation rules (DDCR) in Subdivision-EAA of the ITAA 1997 do not apply for an income year if you have made a choice to use the third party debt test.

A choice to use the group ratio test has no effect on the operation of the DDCR.

## **Due date**

A thin capitalisation test choice in relation to an income year must be made in the approved form by the following dates:

- on or before the earlier of the day your entity
  - lodges its tax return for the income year

- is required to lodge its tax return for the income year
- a later day allowed by the Commissioner.

## **Making a choice for the 2024 and 2025 income years**

The due date for making a thin capitalisation test choice to use the third party debt test for the 2024 and 2025 income years may have occurred prior to the finalisation of:

- Draft Taxation Ruling TR 2024/D3 *Income tax: aspects of the third party debt test in Subdivision 820-EAB of the Income Tax Assessment Act 1997 (TR 2024/D3)*
- Schedule 3 of Draft Practical Compliance Guideline PCG 2024/D3 *Restructures and the thin capitalisation and debt deduction creation rules – ATO compliance approach (PCG 2024/D3)*

The following guidance is intended to assist taxpayers in these circumstances.

## **Revocation requests for 2024 and 2025 due to changes in finalised ATO views**

You may wish to apply to revoke a thin capitalisation test choice due to changes in finalising draft TR 2024/D3 and Schedule 3 of draft PCG 2024/D3. It will generally be fair and reasonable for the Commissioner to grant a revocation request in the following circumstances:

- You rely on the preliminary views or guidance in draft TR 2024/D3 or draft PCG 2024/D3 in good faith when making a thin capitalisation test choice to use the third party debt test for the 2024 or 2025 income year.
- Our view or guidance in the final public advice and guidance differs to our preliminary view.
- The changes from our preliminary to our final views or guidance produce an adverse outcome under the third party debt test for the 2024 or 2025 income years. For example, you have made a choice to apply the third party debt test in accordance with the ATO view expressed in draft TR 2024/D3. However, following finalisation of this public advice and guidance, to remain in accordance with the

ATO view you no longer wish to claim debt deductions (or reduced debt deductions) under the third party debt test.

- You submit the revocation request detailing the relevant change in preliminary to final view or guidance contained in the draft TR 2024/D3 and Schedule 3 of draft PCG 2024/D3 applicable to your circumstances. You do this within 6 months after the publication date of the final ruling.

## **How to revoke your choice**

- For more information on the approved form for revocations, see [Thin capitalisation test choice revocation - approved form](#).

## **Extension of time requests**

### **Requesting an extension of time**

If you fail to make a thin capitalisation test choice by the due date, you may write to us to request that the Commissioner exercise his administrative discretion to allow you to make the choice at a later time.

Ensure you include the following:

- taxpayer's name
- Australian business number (ABN)
- the year to which the choice is to be made
- additional time required for making the thin capitalisation test choice
- detailed reasons for the extension of time request
- classification of the taxpayer for thin capitalisation purposes for example, general class investor, outward investing financial entity (non-authorized deposit-taking institution (ADI)) or inward investing financial entity (non-ADI)
- the thin capitalisation test choice under consideration for example, group ratio test or third party debt test.

You can send your request to: [LargeServiceTeam@ato.gov.au](mailto:LargeServiceTeam@ato.gov.au).

### **Note:**

- When communicating with us by email, you should be aware that the internet isn't a secure environment. We don't control the path of inbound and outbound emails, so we can't guarantee the privacy of personal information sent by email. You should be aware of this risk if you choose to communicate with us by email and include your personal details.
- If an email looks suspicious, do not respond. Instead, forward the email to [reportscams@ato.gov.au](mailto:reportscams@ato.gov.au).
- If you have concerns with lodging via email, contact our Large Services Team for further information about using a secure lodgment channel via [LargeServiceTeam@ato.gov.au](mailto:LargeServiceTeam@ato.gov.au).

## **Extension of time requests for 2024 and 2025 due to changes in finalised ATO views**

You may wish to apply for additional time to make a choice to use the third party debt test for the 2024 or 2025 income year due to changes in finalised ATO views. It will generally be appropriate for the Commissioner to grant an extension in the following circumstances:

- You rely on the preliminary views or guidance in draft TR 2024/D3 and Schedule 3 of draft PCG 2024/D3 and decide not to make a thin capitalisation test choice to use the third party debt test for the 2024 or 2025 income year based on that draft public advice.
- Our view or guidance in the final public advice and guidance differs to our preliminary view.
- The changes from our preliminary to our final view or guidance results in an increase in your third party earnings limit for your 2024 or 2025 income year as relevant.
- You submit the request detailing the relevant change in preliminary to final view or guidance contained in the draft TR 2024/D3 and Schedule 3 of draft PCG 2024/D3 applicable to your circumstances. You do this within 6 months after the publication date of the final ruling.

## **Get this form**

Download a copy of the [Thin capitalisation test choice form \(NAT 75623, PDF, 240KB\)](#) .

## **After you have completed this form**

Print the completed form or keep an electronic copy for your records. You keep it as a record of having made a valid choice. Don't send the form to us unless we ask for it.

QC 103066

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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