


TD 93/D246 - Income tax: when Division 16D of the Income Tax Assessment Act 1936 applies to an arrangement a proportion of each arrangement payment, representing the notional principal amount, may be treated as non-assessable by the operation of subsection 159GK(1). In such cases will a proportion of the funding costs relating to the non-assessable amount be disallowed under subsection 51(1)?

 This cover sheet is provided for information only. It does not form part of *TD 93/D246 - Income tax: when Division 16D of the Income Tax Assessment Act 1936 applies to an arrangement a proportion of each arrangement payment, representing the notional principal amount, may be treated as non-assessable by the operation of subsection 159GK(1). In such cases will a proportion of the funding costs relating to the non-assessable amount be disallowed under subsection 51(1)?*

This document has been finalised by [TD 94/2](#).

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: when Division 16D of the *Income Tax Assessment Act 1936* applies to an arrangement a proportion of each arrangement payment, representing the notional principal amount, may be treated as non-assessable by the operation of subsection 159GK(1). In such cases will a proportion of the funding costs relating to the non-assessable amount be disallowed under subsection 51(1)?

1. No. The funding costs of an arrangement to which Division 16D applies are considered to relate wholly to the assessable notional interest amount. No deduction will be denied under subsection 51(1) in relation to the notional principal amount of any arrangement payment.

Commissioner of Taxation
23/9/93

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings:

Subject Ref: Allowable deductions; Finance arrangements; Lease financing

Legislative Ref: ITAA 159GK(1); ITAA 51(1)

Case Ref:

ATO Ref: Public Infrastructure Unit DTD/06

ISSN 1038 - 8982