


TD 95/D17 - Income tax: infrastructure borrowings: is a rebate in accordance with section 159GZZZZG available where interest from infrastructure lending is exempt under section 159GZZZZE and is partially exempt under another provision?

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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: infrastructure borrowings: is a rebate in accordance with section 159GZZZZG available where interest from infrastructure lending is exempt under section 159GZZZZE and is partially exempt under another provision?

1. Yes. The rebate is available, but only in relation to the interest which is included in assessable income.
2. Division 16L provides that interest received by a lender of an infrastructure borrowing is exempt from income tax (section 159GZZZZE). The investor may choose that this provision does not apply. Section 159GZZZZG provides an option to the investor of including all the interest that would have been taxable but for section 159GZZZZE in assessable income and receiving a tax rebate. The rebate is available on the interest that would have been taxable if not exempt under section 159GZZZZE, and which is now included in the investor's assessable income. So, where a proportion of an investor's income is exempt under some other provision of the income tax law, the rebate is calculated by reference to the balance of the investor's interest income from infrastructure financing.

Example

A superannuation fund invests in infrastructure bonds (IB) and during the 1995-96 year of income derives interest from those bonds totalling \$4,000. Assume section 283 exempts 25% of its income which is attributable to current pension liabilities. The fund decides to avail itself of the option offered by section 159GZZZZG. The IB amount included in the assessable income of the fund is \$3,000 (i.e., 75% of \$4,000). The fund is entitled to a rebate of \$1,080 (i.e., 36% of \$3,000).

Commissioner of Taxation

27/9/95

FOI INDEX DETAIL: Reference No.

Related Determinations:

Subject Ref: infrastructure borrowings; public infrastructure projects; rebate election

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