


IT 2005 - Finance companies - gains & losses on redemption of securities

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TAXATION RULING NO. IT 2005

FINANCE COMPANIES - GAINS & LOSSES ON REDEMPTION OF
SECURITIES

F.O.I. EMBARGO: May be released

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1103014	REDEMPTION OF SECURITIES	25(1)
	FINANCE COMPANIES	51(1)

PREAMBLE

A finance company excluded from its assessable income on the basis that they were of a capital nature gains realised on the early redemption of long term debentures used to fund its ordinary business activities. On assessment, the gains were included in assessable income.

RULING

2. Applying the decision of the High Court in Avco Financial Services Ltd v FCT 82 ATC 4246 it is clear that the gains were properly treated as a receipt of income under section 25(1). The borrowed moneys were not used for some special purpose of a capital nature.

3. Conversely, any loss incurred by a finance company on the early redemption of long term debentures where the money borrowed was used for ordinary business purposes would be allowable as a deduction under section 51(1).

COMMISSIONER OF TAXATION
22 DECEMBER 1982