IT 2017 - Deduction of accrued interest on debentures

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TAXATION RULING NO. IT 2017

DEDUCTION OF ACCRUED INTEREST ON DEBENTURES

F.O.I. EMBARGO: May be released

REF H.O. REF: 4/82/3571 F11 DATE OF EFFECT:

B.O. REF: DATE ORIG. MEMO ISSUED: 25.01.83

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1102773	ACCRUED INTEREST DEBENTURES	51(1)

OTHER RULINGS ON TOPIC: 75/3605 (ITR 1205)

PREAMBLE In Alliance Holdings Ltd v FC of T 81ATC 4637; 12 ATR 509; Woodward J. of the Supreme Court of NSW held that interest on certain long term debentures was deductible by the borrower under section 51(1) as it accrued, even though this was before it was due and payable.

RULING 2. While no appeal was lodged against this adverse decision, it has been decided, after further consideration, that there is sufficient doubt about the correctness of the decision to warrant the matter being tested before the Courts again. Another case involving AGC Advances Ltd, has been referred to the Supreme Court of NSW. It remains the view of this Office that interest is incurred for section 51(1) purposes only when it becomes due and payable.

3. Pending resolution of the matter, deductions for interest expenses should continue to be allowed in accordance with the established views described.

COMMISSIONER OF TAXATION
17.02.83