


IT 2039 - Investments in bills of exchange

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TAXATION RULING NO. IT 2039

INVESTMENTS IN BILLS OF EXCHANGE

F.O.I. EMBARGO: May be released

REF

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I 1104281

CO-OPERATIVE COMPANIES DIVISION 9 -
PERMANENT BUILDING PART III
SOCIETIES

RULING

Sections 117 and 118 of Division 9 - Part III of the Income Tax Assessment Act 1936 lay down tests for determining whether a company qualifies as a co-operative company for income tax purposes. In July 1967 the then Commissioner issued a statement setting out the principles which the Taxation Office would apply in determining whether permanent building societies were to be regarded as co-operative companies for the purposes of Division 9.

2. As a general proposition the statement proceeds on the basis that all investments by a building society, other than investments made to fulfil liquidity requirements, are to be treated as loans for the purpose of ascertaining whether the 90% test in section 118 is met.

3. The need for building societies to keep some moneys available at call or on short term deposits, i.e. to meet liquidity requirements, was recognised in the 1967 statement. Thus it was accepted that bank deposits, Commonwealth bonds, investments in "public securities" as defined in section 6 of the Assessment Act and deposits at call with the official short term money market would not be loans to non members to be taken into account in determining whether the 90% test in section 118 would be satisfied where the moneys were invested to satisfy liquidity requirements.

4. Building societies are permitted by the laws of the States under which they operate to maintain liquid funds in authorised bills of exchange, being bills endorsed or accepted by a bank and maturing within 200 days of acquisition. In the circumstances this office will accept that building societies may invest moneys in authorised bills of exchange as an alternative form of investment for liquidity purposes.

COMMISSIONER OF TAXATION
10 May 1983