


TD 93/172 - Income tax: where invoices for the cost of goods and/or services include offset amounts of a capital nature, is the deduction under subsection 51(1) of the Income Tax Assessment Act 1936 for the cost of the goods and/or services limited to the net amount payable under the invoices?

 This cover sheet is provided for information only. It does not form part of *TD 93/172 - Income tax: where invoices for the cost of goods and/or services include offset amounts of a capital nature, is the deduction under subsection 51(1) of the Income Tax Assessment Act 1936 for the cost of the goods and/or services limited to the net amount payable under the invoices?*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: where invoices for the cost of goods and/or services include offset amounts of a capital nature, is the deduction under subsection 51(1) of the *Income Tax Assessment Act 1936* for the cost of the goods and/or services limited to the net amount payable under the invoices?

1. No. The total cost of the goods and/or services is a liability incurred for the purposes of subsection 51(1). Offsets arising from any arrangements on capital account between the parties do not operate to reduce the amount of the liability incurred.

Example :

X lends Y \$2000 (capital loan) to be repaid over a number of years. X purchases trading stock from Y to the value of \$5000. Y issues an invoice to X offsetting a \$500 part-repayment of the loan against the \$5000 sales, thereby requiring a net payment of \$4500. X is entitled to claim a deduction of \$5000 under subsection 51(1) for the acquisition of trading stock.

Commissioner of Taxation

2/9/93

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Related Determinations:

Related Rulings:

Subject Ref: recurring payments; offsets; capital expenditure

Legislative Ref: ITAA 51(1)

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