

TD 94/D56 - Income tax: is an investor who borrows to fund the purchase price of an infrastructure bond, entitled to a deduction under subsection 51(1) of the Income Tax Assessment Act 1936 for any interest incurred by him or her for that purpose?

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This document has been finalised by TD 94/80.

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: is an investor who borrows to fund the purchase price of an infrastructure bond, entitled to a deduction under subsection 51(1) of the *Income Tax Assessment Act 1936* for any interest incurred by him or her for that purpose?

1. Interest derived from an infrastructure bond is tax-exempt and interest incurred on funds borrowed for the purpose of investing in those borrowings will generally be an allowable deduction by virtue of section 159GZZZZF.

2. The extent to which interest paid by an investor on a loan used for the full purchase price of an infrastructure bond will be tax deductible depends on an investor's particular circumstances. In order for the interest to be deductible the investor must have entered into the loan solely for the purpose of funding the investment in or acquisition of the infrastructure borrowings. One indicator that the investor had a purpose other than, or in addition to, funding the infrastructure borrowing would be where the interest deduction return on the infrastructure borrowing is greater than the net exempt return of the infrastructure borrowing grossed up by the investor's marginal tax rate.

Commissioner of Taxation

26/5/94

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings:

Subject Ref: infrastructure borrowings, public infrastructure projects.

Legislative Ref: ITAA Pt III; ITAA 159GZZZZF

Case Ref:

ATO Ref: Public Infrastructure Unit DTD/18

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