IT 2227 - Income tax : interest charged on overdue customer accounts

This cover sheet is provided for information only. It does not form part of *IT 2227 - Income tax : interest charged on overdue customer accounts*

This document has been Withdrawn.
There is a Withdrawal notice for this document.

TAXATION RULING NO. IT 2227

INCOME TAX : INTEREST CHARGED ON OVERDUE CUSTOMER ACCOUNTS

F.O.I. EMBARGO: May be released

REF H.O. REF: 85/3320-2
84/6398-1

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1194323	ASSESSABLE INCOME - INTEREST ON OVERDUE ACCOUNTS	25(1)

PREAMBLE It is usual for some trading concerns, particularly retail trading concerns, to provide some form of credit facility for their customers. It is the practice to charge interest on customers' accounts when they become overdue.

2. This office was asked recently to provide advice on the correct method of returning the interest income. It had been suggested that interest charged to an account but not received at the end of the year of income should not be treated as assessable income at that time but at the time when the interest is paid.

RULING 3. Where the provision of credit to customers is a regular feature of the operations of a business and interest charged accrues on a daily basis any interest owing by customers at the end of the year of income would represent, according to ordinary business and commercial principles, part of the earnings of the business for the year. It follows, therefore, that the interest owing by customers at the end of the year is assessable income derived in that year.

COMMISSIONER OF TAXATION
21 November 1985

<