


PR 2000/70A - Addendum - Income tax: deductibility of interest incurred on borrowings under the Macquarie Geared Equities Investment Facility

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Addendum

Income tax: deductibility of interest incurred on borrowings under the Macquarie Geared Equities Investment Facility

This Addendum does not apply to investors who entered into the arrangement covered by PR 2000/70 on or before 23 May 2001, the date this Addendum is made.

Paragraph 14:

Omit the words “blocked non-interest bearing deposit account”; and substitute with:

“blocked income earning cash management account”.

Paragraph 15(f):

Omit the words “blocked non-interest bearing account”; and substitute with:

“blocked income earning cash management account”.

Paragraph 15(h)

Omit the words “exercise its rights as mortgagee of the shares”; and substitute:

“acquire such of the securities whose market price has fallen below the amount of the loan.”

Paragraph 15(o):

Insert a paragraph 15(o) as follows:

“Clause 23.1 of the GEI Loan and Security Agreement grants the option to the borrower to require the Bank to acquire such of the securities whose market price has fallen below the amount of the loan.”

Paragraph 18(b):

Omit the words “as the average between the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans and Credit Cards. The ATO has released the benchmark interest rates that govern the amount of interest that an investor is permitted to claim in respect of capital protected equity products such as the GEI.”; and substitute with:

“for investors entering the GEI for a term of 3 years, as the lower of the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans or 80% of the total interest charged by the Bank. For investors entering the GEI for a term of 5 years, the deductible amount is the amount as does not exceed a benchmark interest rate calculated as the lower of the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans or 85% of the total interest charged by the Bank. Where the interest rate charged on the GEI is a variable rate the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans Variable is used, and where the interest rate charged is a fixed rate the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans Fixed is used.”

Paragraph 18(h):

Insert a paragraph 18(h) as follows:

“The amount of the interest charged that is not deductible under the formula described above in paragraph 18(b) represents the payment for a put option by instalments and becomes part of the cost base of this put option.”

Paragraph 19(h):

Insert a paragraph 19(h) as follows:

“Clause 23.1 of the Loan and Security Agreement creates a separate and identifiable asset being a put option.”

Paragraph 43:

In existing subparagraph (i) of paragraph 43 insert after the word “Exchange”:

“or units in a trust that has at least 300 beneficiaries and is a widely held unit trust as defined in section 272-105 of Schedule F of the 1936 Act”.

In existing subparagraph (ii) of paragraph 43 insert after the word “dividends”, “or trust income”.

Paragraph 26A:

Insert a new paragraph 26A as follows:

“That amount which is not deductible to the investor under section 8-1 forms the cost base of a put option and constitutes an asset for capital gains tax purposes which is separate and in addition to the other rights created under the GEI as described in this Ruling.”

Commissioner of Taxation

23 May 2001

ATO references:

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