

BUSINESS

COMPANIES,
SUPERANNUATION FUNDS,
PARTNERSHIPS AND TRUSTS

INSTRUCTIONS

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SEGMENT

AUDIENCE

FORMAT

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Australian Government

Australian Taxation Office

Thin capitalisation schedule 2008

Schedule and instructions for 1 July 2007 – 30 June 2008



For more information visit
www.ato.gov.au

INSTRUCTIONS FOR COMPLETING THE THIN CAPITALISATION SCHEDULE

If you are subject to the thin capitalisation provisions, you must complete this schedule when preparing your tax return.

The schedule is available through the electronic lodgment service (ELS) for both companies and funds. Alternatively, companies, funds or other entities should complete the paper schedule. The **completed** paper schedule **only** should be posted to the following address:

Australian Taxation Office
PO Box 1365
Albury NSW 2640

Some entities are excluded from the requirement to apply the thin capitalisation provisions and do not need to complete this schedule. To find out whether you are so excluded or, if not, how to calculate the amounts requested on the schedule, refer to our thin capitalisation guides, which are available on our website at www.ato.gov.au

If you are subject to more than one application of the provisions during the income year, complete the schedule showing details of the last application.

ITEM 1

At **C** write the code which represents the type of thin capitalisation entity you are at the end of the income year or relevant period. If you do not know what type of entity you are, you will need to refer to the thin capitalisation guides and to the *Income Tax Assessment Act 1997* (ITAA 1997).

The acronym ADI stands for authorised deposit-taking institution.

NON-ADI

Code	Type
1	Outward investor (general)
2	Outward investor (financial)
3	Inward investment vehicle (general)
4	Inward investment vehicle (financial)
5	Inward investor (general)
6	Inward investor (financial)

ADI

Code	Type
7	Outward
8	Inward

ITEM 3a

At **E** write the code which represents the type of averaging method that you used for calculating 'average values'. For more information refer to the thin capitalisation guides and the ITAA 1997.

Code	Averaging method used
1	Opening/closing balances
2	Three measurement days
3	Frequent measurement – quarterly
4	Frequent measurement – regular intervals

ITEM 3b

The thin capitalisation transitional provision allows you to undertake calculations for thin capitalisation purposes using Australian generally accepted accounting principles (AGAAP) as they existed on 31 December 2004.

In June 2007 Royal Assent was given to legislation to extend the period for the transitional provision from three years to four years. As such, the transitional provision is available to all taxpayers for a period of four income years starting on or after 1 January 2005.

If you have chosen to use AGAAP to work out your thin capitalisation position, you are required to complete **A** item **3b**. If you have not chosen to use the transitional provision, you are not required to complete this item. For more information visit our website www.ato.gov.au

ITEM 4

If you are subject to thin capitalisation, you are required to complete item **4**. However, if you have used code 7 or 8 at **C** to represent the type of thin capitalisation entity you are (ADI), you do not need to insert an amount at **K**. See the thin capitalisation guides to find out how to calculate the amounts to be inserted.

At **L** item **4**, write the amount of your debt deductions that were deductible under section 25-90 ITAA 1997 (costs in relation to a debt interest incurred in deriving income exempt under section 23AI, 23AJ or 23AK of the *Income Tax Assessment Act 1936*). If none of the debt deductions shown at **F** item **4** were deductible under section 25-90, write 0 (zero) at **L**.

At **M** item **4**, write the amount of your debt deductions for any debt interest held or ultimately funded (via a back-to-back arrangement) by a non-resident person who is either a controller or majority owner of you, or is controlled or majority owned by the same person(s) as you (this includes majority ownership through other companies, partnerships or trusts). If none of the debt deductions shown at **F** item **4** were for debt interests held or ultimately funded by such non-resident entities, write 0 (zero) at **M**.

ITEM 5

If you have used code 7 or 8 at **C** to represent the type of thin capitalisation entity you are (ADI), complete all relevant labels at item **5**. See the thin capitalisation guides to find out how to calculate the amounts to be inserted.

ITEM 6

If you have used code 1, 2, 3, 4, 5 or 6 at **C** to represent the type of thin capitalisation entity you are (non-ADI), complete all relevant labels at item **6**. See the thin capitalisation guides to find out how to calculate the amounts to be inserted.

ITEMS 7 AND 8

If you rely on the arm's length test (item **7**) or the worldwide gearing debt/capital test (item **8**), you are required to complete items **7** and **8** as appropriate. Refer to the thin capitalisation guides to find out how to calculate the amounts to be inserted.

