


***TD 94/2 - Income tax: when Division 16D of Part III of the Income Tax Assessment Act 1936 applies to an arrangement, a proportion of each arrangement payment, representing the notional principal amount, may be treated as non-assessable by the operation of subsection 159GK(1). In such cases is a proportion of the costs relating to the non-assessable amount not deductible under subsection 51(1)?***

 This cover sheet is provided for information only. It does not form part of *TD 94/2 - Income tax: when Division 16D of Part III of the Income Tax Assessment Act 1936 applies to an arrangement, a proportion of each arrangement payment, representing the notional principal amount, may be treated as non-assessable by the operation of subsection 159GK(1). In such cases is a proportion of the costs relating to the non-assessable amount not deductible under subsection 51(1)?*

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: when Division 16D of Part III of the *Income Tax Assessment Act 1936* applies to an arrangement, a proportion of each arrangement payment, representing the notional principal amount, may be treated as non-assessable by the operation of subsection 159GK(1). In such cases is a proportion of the costs relating to the non-assessable amount not deductible under subsection 51(1)?**

1. No. We consider that the otherwise deductible costs of an arrangement to which Division 16D applies relate wholly to the assessable notional interest amount. No deduction will be denied under subsection 51(1) merely because the amount in question relates to the notional principal amount.

**Commissioner of Taxation**

13/1/94

---

FOI INDEX DETAIL: Reference No. I 1216878

Previously issued as Draft 93/D246

Related Determinations:

Related Rulings:

Subject Ref: allowable deductions; finance arrangements; lease financing

Legislative Ref: ITAA Pt III Div 16D ; ITAA 159GK(1); ITAA 51(1)

Case Ref:

ATO Ref: Public Infrastructure Unit DTD/06

---

ISSN 1038 - 8982