

# ***IT 2518 - Income tax : foreign tax credit system - interest derived from a transaction directly related to the active conduct of a trade or business***

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capital assets should not be treated as falling within the scope of paragraph 160AE(3)(d). As the relevant trade or business of the taxpayer in that case is not the construction or acquisition of capital assets, funds committed to or held for that purpose are not currently "employed and risked" in the relevant trade or business. Generally, interest on funds deployed for extraordinary purposes will be construed as interest income rather than business income. For instance, in another case recently considered, interest derived from the investment in a foreign country of funds allocated for the construction of a factory for the future conduct of the branch operations of the taxpayer in that country was ruled to not be relieved from quarantining for FTCS purposes by paragraph 160AE(3)(d).

COMMISSIONER OF TAXATION  
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