

# SECTION 24J DEBT INSTRUMENTS

## Scope

- Applies to **instruments** which are:
- Interest-bearing arrangements / debt
  - Acquisition / Disposal of any **right to receive interests / obligation to pay interest** in terms of interest-bearing arrangements.
  - Repurchase / resale agreement.

## Purpose

Spreads the accrual or incurral of interest over the period / term of the instrument.

## 8F - hybrid debt

### Scope:

1. Conversion / exchange for shares.
2. Deferral of an obligation to pay based on **solvency**.
3. No obligation to repay within 30 years.

Interest - Deemed Dividend subject to dividends tax

## Tax on Interest received

1. Individuals only applies section 24j to **income** instruments.
2. **Income Instruments** - Issued / Acquired at a discount / premium and term > 12 months.

## Tax on Interest paid

1. In production of income (exl exempted income)
2. Incurred in carrying on a trade.

NB - Apply normal caselaw

## Yield to Maturity method

1. Determine **total interest charge** over term and express as a YTM rate which discounts payments to initial transaction amount.
2. Allocate interest to **accrual** periods.
3. **Accrual Amount** = Adjusted Initial amount x YTM rate

NB - Apportion by **DAYS** and not **MONTHS**

## Adjusted Initial Amount

|                           |              |
|---------------------------|--------------|
| Initial Amount            | XXX          |
| Add Interest              | XXX          |
| Payments                  | (XXX)        |
| <b>Adjusted Initial A</b> | <b>xxxxx</b> |

NB - Adjust for **holder vs issuer**