

REVENUE RULING NO. SD 219

FINANCIAL INSTITUTIONS DUTY REFINANCING OF A LOAN

PREAMBLE

1. Refinancing is often used as a mechanism for varying or restructuring a person's or organisation's financial obligations.
2. In most cases, a new loan is negotiated including an amount for the payout of the original loan. If the loan is refinanced with the same financial institution, the payout amount would be credited by the lender to the original loan account, and the borrower would not be required to make a repayment to that account.
3. The question has arisen as to the liability to financial institutions duty of the credit to the original loan account.

RULING

4. Section 98(1) of the Stamp Duties Act defines a receipt to include "a payment, repayment, deposit or subscription and the crediting of an account" (emphasis added).
5. Section 98(12) states:

"For the purposes of this Division, a reference to a crediting of an account includes a reference to:

(a) the depositing of money to the credit of the account by the person in whose name the account is kept or by another person;

(b) without limiting the generality of paragraph (a), the transfer of money to the credit of the account from another account of the person in whose name the account is kept or from an account of another person;

(c) . . . ">
6. Although there may be no repayment or deposit by the borrower, refinancing involves a crediting of the original loan account by the lender.
7. The crediting of that account is a "receipt" as defined in Section 98(1) of the Stamp Duties Act, and therefore a receipt of money in accordance with Section 98(3) of the Act, and liable to financial institutions duty.

B. BUCHANAN,
for Chief Commissioner of Stamp Duties
25 June 1992

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