

What are borrowing costs

In the meaning of the Income Tax Act, borrowing costs are deemed to be interest expenses of any debt obligation and other costs that are economically equivalent to interest and expenses incurred in raising funds, including:

1. payments on profit-sharing loans;
2. estimated interest accrued on convertible bonds and zero coupon bonds;
3. amounts received under alternative financing arrangements;
4. part of financing costs of finance lease payments;
5. capitalized interest that is included in the carrying amount of the related asset or capitalized interest depreciation expense;
6. amounts corresponding to the return on financing calculated on the basis of the market value principle;
7. the conditional interest arising on the borrowing-related derivatives or hedging arrangements of the entity concerned;
8. exchange rate gain or loss arising from borrowing and involvement of funds instruments;
9. guarantee fees for financing agreements, management fees and similar costs related to borrowing of funds. (**Subsection 2 of § 54² of the Income Tax Act**)

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