

What are surplus borrowing costs

The residual borrowing cost is the amount by which the deductible borrowing costs of a resident company exceed interest income and other taxable income which is economically equal (**subsection 2 of § 54² of the Income Tax Act**). Interest income and other economically equivalent taxable income is income arising from debt claims.

The calculation of surplus borrowing cost is done a cash basis, i.e. the borrowing cost is compared with cash-based interest income. The surplus borrowing cost is if, based on the income statement, the cost of borrowing on a cash basis is greater than the interest income.

Interest income is a so-called mirror image of the same types of income that are defined as the cost of loan use for the borrower.

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