TD 93/77 - Income tax: is interest paid by an Australian resident to a non-resident government savings bank exempt from withholding tax under paragraph 128B(3)(a) of the Income Tax Assessment Act 1936 ?

Taxation Determination

Income tax: is interest paid by an Australian resident to a non-resident government savings bank exempt from withholding tax under paragraph 128B(3)(a) of the *Income Tax Assessment Act 1936*?

1. Yes, if all of the following conditions are met:

(i) The foreign bank is a non-resident in terms of subsection 6(1).

(ii) The foreign bank is exempt from Australian income tax by virtue of paragraph 23(i) [i.e., the income of a savings bank conducted exclusively for the benefit of depositors].

(iii) The foreign bank provides documentary evidence from the taxation authority in the country in which the foreign bank resides (i.e. broadly speaking, either where it is incorporated or where it carries on business and where its central management and control are located) that it is exempt from income tax in that country.

Commissioner of Taxation
29/04/93

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