IT 2598W - Notice of Withdrawal - Income tax: Foreign Tax Credit System: treatment of export market development grants and relevant expenses for purposes of foreign loss quarantining

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Notice of Withdrawal

Taxation Ruling

Income tax: Foreign Tax Credit System: treatment of export market development grants and relevant expenses for purposes of foreign loss quarantining

Taxation Ruling IT 2598 is withdrawn with effect from today.

1. Taxation Ruling IT 2598 states that grants under the Export Market Development Grants Scheme (EMDGS) are accepted as a class of income derived from a foreign source against which relevant expenditure incurred in establishing or developing export markets may be offset under the quarantining provisions of the foreign tax credit system. The ruling also provides that grants paid under the EMDGS do not qualify as foreign income for foreign tax credit purposes.

2. The Foreign Tax Credit System contained in Division 18 of Part III of the *Income Tax Assessment Act 1936* was repealed, by *Tax Laws Amendment (2007 Measures No. 4) Act 2007*, with effect from 24 September 2007, applicable in relation to income years, statutory accounting periods and notional accounting periods starting on or after 1 July 2008. The new Foreign Income Tax Offset system contained in Division 770 of the *Income Tax Assessment Act 1997* applies from 1 July 2008.

3. Guidance on how the new Foreign Income Tax Offset system operates is contained in publications on international tax, available on the Tax Office website at www.ato.gov.au. See for example the Guide to Foreign Income Tax Offset rules 2008-09 NAT 72923.

4. Accordingly, IT 2598 is no longer current and is therefore withdrawn.

Commissioner of Taxation
10 March 2010

ATO references

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