



TD 93/77W - 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?

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 This document has changed over time. This is a consolidated version of the ruling which was published on 7 May 2008



Notice of Withdrawal

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*?

Taxation Determination TD 93/77 is withdrawn with effect from today.

1. Taxation Determination TD 93/77 explains that interest paid by an Australian resident to a non-resident government savings bank is exempt from withholding tax under paragraph 128B(3)(a) of the *Income Tax Assessment Act 1936* (ITAA 1936) provided three conditions are satisfied. One condition is that the foreign bank is exempt from Australian income tax by virtue of paragraph 23(i) of the ITAA 1936.
2. Paragraph 23(i) of the ITAA 1936, which exempted from income tax the income of a savings bank conducted exclusively for the benefit of depositors, was repealed with effect from the 1994-95 year of income by the *Taxation Laws Amendment Act 1994*. The exemption was removed as a consequence of the integration of savings bank activity into trading bank business under the *Bank Integration Act 1991* whereby the distinction between savings and trading banks was no longer valid.
3. A corresponding amendment was made to paragraph 128B(3)(a) of the ITAA 1936 to delete the reference to paragraph 23(i) of the ITAA 1936, as the exemption from withholding tax was no longer necessary. The amendment to paragraph 128B(3)(a) of the ITAA 1936 applied to income derived on or after 1 July 1994.
4. Accordingly, Taxation Determination TD 93/77 is no longer current.

Commissioner of Taxation

7 May 2008

ATO references

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ATOlaw topic: Income Tax ~~ Withholding Tax ~~ dividends, interest and royalties