LOANS (TAXATION EXEMPTION) BILL 1978

Date Introduced: 9 November 1978
House: House of Representatives
Presented by: Hon. J. Howard, M.P., Treasurer

Short Digest of Bill

Purpose

To extend exemption from Australian taxes on payments concerned with overseas borrowings by the Commonwealth to loans for which stocks or securities have not been issued.

Background

Unless a special exemption were provided, payments to overseas lenders by way of principal, interest, commitment fees etc. might be subject to Australian taxes such as withholding tax, income tax and stamp duties on documents.

Since 1959, section 6B of the Loans Securities Act 1919 has allowed Australian tax exemptions on such payments in respect of certain overseas borrowings by, or on behalf of, the Commonwealth, except where the moneys are payable to residents of Australia. However, this section only allows tax exemption where stocks or other securities are issued as evidence of the indebtedness to overseas lenders.

Over recent years the international capital market has developed to the state where overseas borrowings are commonly undertaken by means not involving the issue of stocks or securities, e.g. by direct bank loans and medium-term syndicated loans.

These changes in borrowing procedures have not affected the need to provide tax exemption for payments to overseas lenders. This Bill proposes to allow the Commonwealth to continue to make these tax exemptions but without the necessity of issuing stocks or securities.

Provisions

Sub-clause 4(1) provides that no Australian taxes will be due on documents relating to overseas borrowings by or on behalf of the Commonwealth not involving the issue of stocks or securities of a kind to which s.6B of the Loans
Securities Act 1919 applies, where the Commonwealth has given an undertaking to this effect.

Sub-clause 4(2) provides that no Australian taxes will be due on any amount payable by or on behalf of the Commonwealth in respect of such overseas borrowings where the Commonwealth has given an undertaking to this effect, except where the amounts are received by residents of Australia.

13 November 1978

Finance, Industries, Trade & Development Group
LEGISLATIVE RESEARCH SERVICE