IT 2518W - Notice of Withdrawal - Income tax: Foreign Tax Credit System - interest derived from a transaction directly related to the active conduct of a trade or business

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Notice of Withdrawal

Taxation Ruling

Income tax: Foreign Tax Credit System – interest derived from a transaction directly related to the active conduct of a trade or business

Taxation Ruling IT 2518 is withdrawn with effect from today.

1.   Taxation Ruling IT 2518 provides guidelines on the circumstances in which an interest-earning transaction is treated as directly related to the active conduct of a trade or business, and therefore will not be quarantined interest income for the purpose of calculating foreign tax credits.

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   The Foreign Tax Credit System contained in Division 18 of Part III of the *Income Tax Assessment Act 1936* was repealed, by *Tax Laws Amendment (2007 Measures No. 4) Act 2007*, with effect from 24 September 2007, applicable in relation to income years, statutory accounting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   Accordingly, IT 2518 is no longer current and is therefore withdrawn.

Commissioner of Taxation
10 March 2010