IT 2507 - Income tax : foreign tax credit system - foreign taxes eligible for credit against australian income tax

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TAXATION RULING NO. IT 2507

INCOME TAX : FOREIGN TAX CREDIT SYSTEM - FOREIGN TAXES ELIGIBLE FOR CREDIT AGAINST AUSTRALIAN INCOME TAX

F.O.I. EMBARGO: May be released

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I 1211455	FOREIGN TAX CREDIT SYSTEM - CREDITABLE FOREIGN TAXES	6AB(2) 6AB(6) 160AF

PREAMBLE Taxation Ruling No. IT 2437 sets out the relevant legislative provisions and general criteria which apply in determining whether a foreign tax is a creditable tax under the general foreign tax credit system (FTCS).

2. That Ruling contains a non-exhaustive list of foreign taxes which are recognised as creditable taxes. Paragraph 7 of the Ruling foreshadows periodical updates of that list - in the form of future Rulings incorporating an updated consolidated list of creditable taxes - as a consequence of changes in other countries' taxes and as other foreign taxes are admitted as creditable taxes. This Ruling represents the first such update.

3. While the issue of this Ruling in that form will obviate the need for reference back to the list of creditable taxes contained in IT 2437, the comments in the Preamble to that Ruling concerning the relevant statutory provisions and guidelines for creditable tax determinations remain pertinent. In particular, it is emphasised that taxpayers who seek credit for foreign taxes not identified in this Ruling (or in the subsequent Rulings) should supply the following details of those taxes in the relevant income tax returns:

- the precise title of the tax;
- the title of the law under which the tax is imposed;
- whether the tax is levied by a national, state or local authority and the name of that authority; and
- a description of the nature of the tax and the basis for its implementation.

4. Decisions as to whether particular foreign taxes not included in this Ruling (or in subsequent Rulings) are creditable taxes under the FTCS will continue to be taken in National Office. Branch Offices should therefore refer enquiries received, or claims in returns, in relation to such taxes to National Office

for consideration and advice. It would also continue to assist with the processing of returns if taxpayers were to supply relevant details to National Office as soon as a liability to pay such a foreign tax becomes apparent.

RULING 5. Subject to the provisions of Division 18 of Part III of the Income Tax Assessment Act 1936, a taxpayer will be entitled to a credit against Australian tax payable on foreign income for any of the foreign taxes listed below paid in respect of that income (changes and additions to the taxes listed in IT 2437 are marked with an asterisk):

ARGENTINA

Income tax (Impuesto a las ganancias)
Tax on casual gains (Impuesto sobre los beneficios eventuales)

AUSTRIA

Income tax (Einkommensteuer)
Corporation tax (Korperschaftsteuer)
Tax on Interest Yields (Zinserstragsteuer)
Directors' tax (Aufsichtsratsabgabe)
Tax on commercial and industrial enterprises (Gewerbesteuer), only where levied on a basis other than capital or the sum of wages

BANGLADESH

Income tax

BELGIUM

Individual income tax (impot des personnes physiques/personen belasting)
Corporate income tax (impot des societes/ vennootschapsbelasting)
Income tax on legal entities (impot des personnes morales/rechtspersonenbelasting)
Income tax on non-residents (impot des non-residents/belasting der nietverb- lijfhouders)

including the prepayments, the surcharges on these taxes and prepayments, and the communal supplement to the individual income tax.

BRAZIL

Income tax (Imposto de renda)
Withholding tax on pure income, e.g. interest or dividends
Supplementary tax (Imposto suplementar), where charged on dividends or branch profits arising in Brazil
Payments to the development funds PIN and PIS (Programa

de integracao nacional/social) and MOBRAL (Fundacao moviments brasileiro de alfabetizacao)

BRUNEI

Income tax
Petroleum income tax

BURMA

Income tax

CANADA

Federal: Income taxes imposed by the Government of Canada

Provincial:

ALBERTA
Provincial income tax

BRITISH COLUMBIA
Provincial income tax
Mining tax
Mineral resource tax
Logging tax

MANITOBA
Provincial income tax

NEW BRUNSWICK
Provincial income tax
Mining tax

NEWFOUNDLAND
Provincial income tax
Mining tax

NOVA SCOTIA
Provincial income tax
Mining tax

ONTARIO
Provincial corporation tax on company profits
Provincial income tax on individuals
Mining tax

PRINCE EDWARD ISLAND
Provincial income tax

QUEBEC
Provincial corporation tax on company profits
Provincial income tax on individuals
Mining tax
Logging tax

SASKATCHEWAN
Provincial income tax
Mining royalty tax

CHILE

Income tax (Impuesto a la renta)
Additional tax (Impuesto adicional)
Additional tax (Tasa adicional)

CHINA

Individual income tax
Income tax concerning joint ventures with Chinese and foreign investment
Income tax concerning foreign enterprises
Local income tax

COOK ISLANDS

* Income tax (including withholding tax)

CYPRUS

Income tax
Special contributions under Law 55 of 1974 and subsequent annual extensions

CZECHOSLOVAKIA

Tax on profits (Dan ze zisku)
Artists' tax (Dan z prijmu literarni a umelecke cinnosti)

DENMARK

Income taxes to the State and to the municipalities (indkomstskatterne til staten og til kommunerne)

FINLAND

State income tax
Communal tax
Church tax
Tax withheld at source from non-residents' income

FRANCE

Income tax and corporation tax including any withholding tax, prepayment (precompte) or advance payment with respect to the aforesaid taxes.

FRENCH POLYNESIA (TAHITI)

Corporation tax (Impot sur les benefices des societes)

Territorial solidarity tax (Prelevement territorial de solidarite)
Extraordinary solidarity tax (Prelevement exceptionnel de solidarite)

FIJI

Income tax (including basic tax and normal tax)
Non-resident dividend withholding tax
Interest withholding tax
Royalty withholding tax
Dividend tax
Land sales tax

GERMAN DEMOCRATIC REPUBLIC

Corporation tax (korperschaftsteuer)
Trade tax (Gewerbesteuer) to the extent that it is computed by reference to trading profits
Wages tax (Lohnsteuer)

GERMANY (FEDERAL REPUBLIC)

Income tax (Einkommensteuer) including the surcharge (Erganzungsabgabe) thereon
Corporation tax (korperschaftsteuer) including the surcharge (Erganzungsabgabe) thereon
Trade tax (Gewerbesteuer) only where it is levied on a basis other than capital or pay-roll

GHANA

* Income tax

GREECE

Income tax, including schedular or analytical tax

HONG KONG

Tax on earnings, profits and interest, comprising:
- salaries tax
- profits tax
- interest tax

HUNGARY

Income taxes (a jovedelemadok)
Profit taxes (a nyeresegadok)
Enterprises special tax (a vallalati kulonado)
Contribution to communal development (a kozsegf-ejlesztesi hozzajarulas)
Levy on dividends and profit distributions of commercial companies (a kereskedelmi tarsasagok osztalek es nyereseg kifizetesei utani illetek)

INDIA

Income tax, including any surcharge thereon
Income tax and super tax levied by States on agricultural income
Surtax imposed on chargeable profits of companies

INDONESIA

Income tax (pajak pendapatan)
Company tax (pajak perseroan)
Withholding tax on interest, dividends and royalties (pajak atas bunga, dividen dan royalty)

IRELAND

Income tax
Corporation tax
Capital gains tax

ISRAEL

Income tax (including capital gains tax)
Company tax
Tax on gains from the sale of land under the Land Appreciation Tax Law

ITALY

Individual income tax (Imposta sul reddito delle persone fisiche
Corporate income tax (Imposta sul reddito delle persone giuridiche) even if they are collected by withholding taxes at source
Local tax on income (Imposta locale sui redditi)
Communal tax on capital appreciation of real property (Imposta comunale sull incremento di valore degli imm (INVIM)), where charged on a capital gain also chargeable in Australia.

JAPAN

Income tax
Corporation tax
Enterprise tax, so far as payable on profits or income
Local (prefectural or municipal) inhabitant taxes, so far as payable on profits, income or chargeable gains from sources in Japan

JERSEY

* Income tax

KENYA

Income tax

REPUBLIC OF KIRIBATI

* Income tax

REPUBLIC OF KOREA

- Income tax
- Corporation tax
- Inhabitant tax
- Defence tax, where charged by reference to income tax or corporation tax

LIBERIA

* Income tax

LUXEMBOURG

- Income tax on individuals (Impot sur le revenu des personnes physiques)
- Tax on fees of directors of companies (Impot sur les tantiemes)
- Corporation tax (Impot sur le revenu des collectivites)
- Tax on the total amount of wages and salaries (Impot commercial communal Y compris limpot sur le total des salaries), except in so far as it is computed on a basis other than profits

MACAU

- Complementary tax on income (Imposto complementar de rendimentos)

MALAYSIA

- Income tax and excess profit tax
- Supplementary income taxes (i.e. tin profits tax, development tax and timber profits tax)
- Petroleum income tax
- Real property gains tax

MALTA

- Income tax, including prepayments of tax, whether made by deduction at source or otherwise

MEXICO

- Income tax
- Federal District tax on income from capital (Impuesto sobre productos de capitales)
- Federal District surcharge, in so far as charged on the tax above

MONACO

Tax on profits (Impot sur les benefices)

NETHERLANDS

Income tax (Inkomstenbelasting)
Wages tax (Loonbelasting)
Corporation tax (vennootschapsbelasting)
Dividend tax (Dividend belasting)

NEW ZEALAND

Income tax
Excess retention tax
* Non-resident withholding tax

NIGERIA

* Personal income tax

NIUE

* Income tax

NORWAY

National tax on income (Inntektsskatt til staten)
County municipal tax on income (Inntektsskatt til fylkeskommunen)
Municipal tax on income (Inntektsskatt til kommunen)
National contributions to the Tax Equalisation Fund (Fellesskatt til Skattefordelingsfondet)
National tax relating to income from the exploration for and the exploitation of submarine petroleum resources and activities and work relating thereto, including pipeline transport of petroleum produced (Skatt til staten vedrorende inntekt og formue i forbindelse med undersokelse etter og utnyttelse av undersjoiske petroleumsforekomster og dertil knyttet virksomhet og arbeid, herunder rorledningstransport av utvunnet petroleum)
National dues on remuneration to non-resident artistes (avgift til staten av honorarer som tilfaller kunstnere bosatt i utlandet)
Seamen's tax (Sjomannsskatt)

PAKISTAN

Income tax
Super tax

PAPUA NEW GUINEA

The Income tax imposed under the law of Papua New Guinea, including:

. salary or wages tax;
. additional profits tax upon taxable additional profits

from mining operations;
. additional profits tax upon taxable additional profits from petroleum operations;
. specific gains tax upon taxable specific gains; and
. dividend withholding tax upon taxable dividend income.

PHILIPPINES

Income tax imposed by the Government of the Republic of the Philippines

POLAND

Income tax (podatek dochodowy)
Tax on wages and salaries (podatek ad wynagrodzen)
Surcharge on the income tax or on the tax on wages or salaries (podatek wyrownawczy)

PORTUGAL

Agricultural tax (Imposto sobre a industria agricola)
Industrial tax (Contribuicao industrial)
Tax on income from capital (Imposto de capitais)
Professional tax (Imposto profissional)
Complementary tax (Imposto complementar)
Tax on capital gains (Imposto de mais-valias)
Any surcharges on the preceding taxes

ROMANIA

Tax on incomes derived by individuals and corporate bodies (Impozitul pe veniturile realizate de persoane fizice si juridice)
Tax on the profits of joint companies constituted with the participation of some Romanian economic organisations and some foreign partners (Impoz- itul pe beneficiile societatilor mixte constituite cu participare romana si straina)
Tax on income realised from agricultural activities (Impozitul pe veniturile realizate din activitati agricole)

SINGAPORE

Income tax

SOLOMON ISLANDS

Income tax

SOUTH AFRICA

Normal tax (the general income tax)
Non-resident shareholders' tax
Undistributed profits tax
Non-residents' tax on interest
* Non-residents' tax on royalties

SPAIN

Individual income tax (Impuesto sobre la renta de las personas fisicas)
Company tax (Impuesto sobre sociedades)
Local taxes on income
* Chamber of Commerce surcharge based on admissible taxes

SRI LANKA

Income tax

SWEDEN

State income tax including sailors' tax and coupon tax
Tax on undistributed profits of companies and the tax on distribution in connection with reduction of share capital or the winding-up of a company
Tax on public entertainers
Communal income tax

SWITZERLAND

The Federal, cantonal and communal taxes on income (total income, earned income, income from capital, industrial and commercial profits and other items of income)

TAIWAN

Business income tax
Personal income tax
Withholding tax on interest
Withholding tax on dividends

THAILAND

Income tax
Petroleum income tax

TURKEY

Income tax, including withholding or "stoppage" tax where charged on net profits
Corporation tax, where charged on net profits

TUVALU

Income tax

UNITED KINGDOM

Income tax (including surtax)
Corporation tax
Capital gains tax

UNITED STATES OF AMERICA

Federal : Federal income taxes imposed by the Internal Revenue Code, but excluding the accumulated earnings tax and the personal holding company tax

* Contributions under the Federal Insurance Contributions Act (FICA)

State or other : As detailed below, but note that any state or other tax which may be construed as a unitary tax (as defined by subsection 6AB(6) of the Australian Income Tax Assessment Act) is not creditable

ALABAMA
- Income tax on individuals
- General income tax

ALASKA
- General income tax

ARIZONA
- General income tax

ARKANSAS
- Income tax

CALIFORNIA
- Bank and corporation income tax
* - Bank and corporation franchise tax
- Excise (income) tax, except where it represents a minimum levy
- Personal income tax
- Insurance companies tax on marine insurance companies

COLORADO
- General income tax
- Excise (income) tax

CONNECTICUT
- Corporation business tax where it is charged on income

DELAWARE
- Corporation income tax
- Personal income tax

DISTRICT OF COLUMBIA
- Individual and corporate income tax

FLORIDA
- Corporation income tax

GEORGIA
- General income tax

HAWAII
  General income tax

IDAHO
  General income tax

ILLINOIS
  Income tax
  Corporate replacement income tax (personal
    property replacement tax)

IOWA
  General income tax

KANSAS
  Income tax

KENTUCKY
  General income tax

LOUISIANA
  General income tax

MAINE
  Corporate income tax
  Personal income tax

MARYLAND
  Income tax

MASSACHUSETTS
  Corporate excise (income) tax, where charged
    on net income
  Personal income tax

MICHIGAN
  Income tax
  Single business tax

MINNESOTA
  Income tax

MISSOURI
  Income tax

MONTANA
  Corporate income tax (licence)
  Personal income tax

NEBRASKA
  Personal income tax

NEW HAMPSHIRE
  Business profits tax

NEW JERSEY

Corporation franchise tax except where it represents a minimum levy or is charged on amounts other than net income
Insurance companies tax on marine insurance companies
Personal income tax

NEW MEXICO
Income tax

NEW YORK CITY
Earnings tax on non-residents where it is charged on salaries
Financial corporation tax where it is charged on income
General corporate (income) tax, where charged on net income
Personal income tax on residents where it is charged on salaries

NEW YORK STATE
Personal income tax
Unincorporated business tax
* Corporation franchise tax where it is charged on the basis of net income. Where charged on a basis other than net income, credit is allowable up to the amount of tax that equates with the amount of tax that would have been payable if the net income basis had applied

NORTH CAROLINA
General income tax
Financial institutions excise tax, except where it represents a minimum levy

NORTH DAKOTA
General income tax

OHIO
Corporation franchise tax when charged on net income
Income tax (Canton, Cincinatti, Cleveland, Columbus and Toledo)
Net profits tax (Cleveland)

OKLAHOMA
General income tax

OREGON
Corporate (excise) income tax
Personal income tax

PENNSYLVANIA
Corporate net income tax except where it is charged on amounts other than net income
Personal income tax
Philadelphia net profits and wages tax
Philadelphia city tax

RHODE ISLAND
Business corporate tax where charged on net income

SOUTH CAROLINA
Income tax

TENNESSEE
Corporate excise (income) tax

UTAH
Corporation franchise tax when charged on net income

VERMONT
Corporate income tax
Personal income tax

VIRGINIA
Direct corporate income tax
Personal income tax

WISCONSIN
Corporate franchise tax
Income tax

U.S.S.R.

Income tax on foreign legal persons
Income tax on the population

WESTERN SAMOA

Income tax

YUGOSLAVIA

Tax on income of a basic organisation of associated labour
Tax on a worker's personal income
Tax on personal income derived from independent exercise of agricultural activity
Tax on personal income derived from independent exercise of economic activity
Tax on personal income derived from independent exercise of professional activity
Tax on personal income derived from copyrights, patents and technical innovations
Tax on revenue derived from capital and capital rights
Tax on total revenue of citizens
Tax on income of a foreign person engaged in economic and professional activities
Tax on compensation obtained by a foreign person from investments in a domestic organisation of associated labour
Tax on income of a foreign person carrying out investment projects
Tax on revenue of a foreign person carrying on

passenger and cargo transport

COMMISSIONER OF TAXATION
10 November 1988