


TD 93/215 - Income tax: Offshore Banking Units (OBU) - where an institution that is registered as an OBU lends money to another institution that is registered as an OBU, how do the counterparties know whether the loan qualifies as an offshore banking (OB) activity?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *28 October 1993*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: Offshore Banking Units (OBU) - where an institution that is registered as an OBU lends money to another institution that is registered as an OBU, how do the counterparties know whether the loan qualifies as an offshore banking (OB) activity?

1. To qualify as an OB activity the OBU making the loan must provide a written statement to the OBU borrowing the funds that the money is, in effect, OB money - that is, that none of the money is non-OB money as defined in section 121C of the *Income Tax Assessment Act 1936*.
2. There is no requirement for the OBU borrowing the funds to inform the lending OBU whether it intends to use those funds in OB activities. The lending OBU can assume that once it has given the appropriate notice to the borrowing OBU that it has completed an OB activity.
3. Where an OBU lends money to another OBU, the transaction between the two OBUs would constitute an OB activity. Whether or not the borrowing OBU uses the funds in OB activities does not affect the situation. The subsequent use of the funds by the borrowing OBU will, of course, determine whether that activity will constitute OB activity.
4. This determination also applies to other transactions between OBUs that involve the payment of any money.

Example 1

OBU 1 borrows money from OBU 2. OBU 2 provides written confirmation that none of the money is non-OB money. OBU 1 uses the money to earn OB income. The transaction between the two OBUs is an OB activity.

Example 2

OBU 1 borrows money from OBU 2. OBU 2 provides written confirmation that none of the money is non-OB money. OBU 1 uses the money to earn non-OB income. The transaction between the two OBUs is still an OB activity. However, the income earned by OBU 1 will be taxed at normal company tax rates.

Commissioner of Taxation

28/10/93

FOI INDEX DETAIL: Reference No. I 1216508 Previously issued as Draft TD 93/D210

Related Determinations:

Related Rulings:

Subject Ref: Offshore Banking; OBUs, offshore persons

Legislative Ref: ITAA 121E

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ATO Ref: NAT 93/3707-5

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