

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Financial Technology and Regulatory Technology

2020 - 2021

Division: Corporate and International Tax Division
Topic: Withholding tax on payments made by fintec and regtec
Reference: Spoken

Question:

Senator KITCHING: I might move on to another area. I do have many questions in that area, as you know, but I might move on to something the Australian Financial Markets Association raised when they gave evidence, which was in relation to withholding tax. That organisation asked the committee to look into 'whether the imposition of interest withholding tax on payments made by fintec and regtec companies is hindering the availability of debt capital for such companies and/or increasing the cost of such funding through the gross-up requirement'. Does Treasury have a view on this issue?

Mr Hamilton: I think we would need to take that on notice and go to the relevant part of Treasury for a response.

Answer:

Withholding taxes only apply to non-resident investors. Withholding taxes form an important part of Australia's tax integrity framework, ensuring certain classes of Australian income paid to foreign tax residents are taxed by Australia. Interest withholding tax plays an important integrity role in Australia, especially since interest expenses are tax-deductible against Australian source income across all industry sectors. The default withholding tax rate for interest payments is 10 per cent, however the income tax law and tax treaties provide exemptions from the requirement to pay interest withholding tax in certain circumstances.

Any change to tax policy settings would need to be carefully considered having regard to the broader tax system, tax integrity issues and the Budget's fiscal position. The Treasury continues to monitor international developments to ensure our tax settings remain competitive into the future.

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Division: Corporate and International Tax Division
Topic: Australia's offshore banking unit regime to strengthen the integrity of our tax system
Reference: Spoken

Question:

Senator KITCHING: No, that's fine. I totally understand. I might just ask about the offshore banking unit regime. During a review of that by the OECD's forum on harmful tax practices, some concerns were raised, including on the concessional tax rate and the ring-fence nature of the regime. In October 2018 the government announced—and there was consultation around this—that there was going to be a reform of Australia's offshore banking unit regime to strengthen the integrity of our tax system. Is that work underway?

Mr Hamilton: Again, we'd need to go and check with the relevant part of Treasury. We'll take that on notice.

Answer:

The Government announced on 12 March 2021 that it will reform the Offshore Banking Unit regime. Relevant legislation was introduced into Parliament in March 2021.