

**JOINT MEDIA RELEASE
WITH
THE HON WAYNE SWAN
TREASURER**

**REMOVAL OF INTEREST WITHHOLDING TAX ON
COMMONWEALTH GOVERNMENT SECURITIES**

Today the Government announces the removal of interest withholding tax (IWT) on Commonwealth Government Securities.

This will address the anomaly that has existed since IWT was removed from publicly issued corporate bonds in 1999 and state government securities in 2008.

It will also bring Australia's tax treatment of Commonwealth Government Securities into line with most other countries, including the United States and the United Kingdom.

Removing this anomaly will help improve the neutrality of the tax system and improve the efficiency of financial markets.

This will also increase the attractiveness of Commonwealth Government Securities in global financial markets.

The forgone tax revenue will largely be offset by savings in interest paid on Commonwealth Government Securities.

These changes will make Commonwealth Government Securities eligible for exemption from IWT under section 128F of the *Income Tax Assessment Act 1936*, and will apply to interest paid after the day the bill receives Royal Assent.

The Exposure Draft Bill and draft Explanatory Memorandum are available on the Treasury website at www.treasury.gov.au. Consultation will close on Friday, 28 August 2009.

The Government will introduce the legislation during the current Spring sittings of Parliament, with a view to receiving Royal Assent before the end of the year.

SYDNEY
21 August 2009