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BUNDESMINISTERIUM FOR FINANZEN

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Double Taxation Convention
between Austria and Brasil;
introduction of a withholding
tax on interest



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Sachbearbeiter:

Dr. Jirousek

MINISTERIO DA FAZENDA
GABINETE DO MINISTRO

Vienna, 28th December 1983

11 JAN 08 15 000224

Dear Sir, BRASÍLIA - DF.

With the beginning of the year 1984 a new Austrian legislation will enter into force providing for a withholding tax on interest yields. With respect to the general clause of the Double Taxation Convention concluded between our countries referring to the extension of the scope of application of this Convention to taxes imposed after the date of signature, this new tax will be covered by the scope of application of this Convention. We may therefore take this opportunity to inform you about the details of this new legislation and would like to draw your attention to the enclosed copy of the bill as well as to the brief survey of the main characteristics of this new legislation.

If you should be interested in further information, please do not hesitate to contact us.

Accept, dear Sir, the assurance of my highest consideration.

(Dr. Philipp)

Ministério da Fazenda

Rio de Janeiro

Brazil

WITHHOLDING TAX ON INTEREST
(INTEREST YIELD TAX)

With the beginning of the year 1984 a withholding tax on interest will enter into force which shall apply to

- a) interest yields from monetary accounts at credit institutions as well as interest yields from similar debt-claims towards credit institutions resulting from banking transactions;
- b) interest yields from securities confirming a debt-claim which are emitted in Austrian currency by domestic emitters after the 31st December 1983.

Income from shares and other corporate rights are not covered by this tax. Interest yields derived from accounts or debt-claims held by credit institutions are exempt from tax. A tax exemption applies also in respect of interest yields derived from convertible bonds and bonds participating in profits. Furtheron, no withholding tax is levied on interest yields derived from accounts and debt-claims held in foreign currency.

The tax will be withheld at source by the credit institution or emitting institution at a flat rate of 7,5 % from the gross amount of interest. The interest yield tax will be applicable on interest yields attributable to periods beginning after the 31th December 1983.

The new interest yield tax will be levied on interest yields in addition to income tax. Since it is a special tax on interest, no credit will be granted against Austrian income tax.

If this tax is covered by a double taxation convention by virtue of the general clause referring to the extension of the scope of application of this Convention to taxes im-