

**Table 2.**

**Branch Banking: Interest Deductions and Withholding Tax (WHT)  
Summary of International Experience**

Country	Method used to determine interest deduction to branch on intrabank funds	Is WHT payable on intrabank interest?	Is WHT payable on interest paid by branch to non resident (non-bank) entities	Is WHT payable on interest paid by branch to non resident (non-bank) entities	Is an interest deduction denied to the extent of any notional branch capital?	Is there any additional thin capitalisation requirements?
Belgium	Separate entity	No	No	Yes, but various exemptions	Yes	No?
France	Separate entity	No	Yes, but various exemptions	Yes, but various exemptions	Yes	No
Germany	Separate entity	No	No	No	Yes	Yes
Hong Kong	Separate entity	No	No	No	No	No
Japan	Separate entity	No	Yes, but in practice not funded on this basis	Yes, but in practice not funded on this basis	Yes	No
Netherlands	Separate entity	No	No	No	Yes	No
New Zealand	Separate entity if parent bank in treaty country	No	Yes but reductions exist	Yes but reductions exist	No	No
Singapore	Separate entity	No	No	No	Yes	No
UK	Separate entity	No	No	No	Yes	No
USA	Allocation of foreign banks world-wide interest to US branch	No, but BLIT exists	Yes, but various exemptions	Yes, but various exemptions	Yes	No

Source: IBSA (AMBA) Submission to Treasury on Foreign Bank Entry and the Establishment of Banks in Australia, April 1992.