

**SOUTH AUSTRALIA**



**STATE TAXATION OFFICE**

**Financial Institutions Duty**

**Circular No. 60**

**TRANSFERS OF FUNDS BETWEEN ACCOUNTS**

This circular is issued to provide further clarification of transactions outlined in Circular No. 6 that can be regarded as falling within the concept of “internal accounting practice”. Section 6(7) of the Financial Institutions Duty Act, 1983 provides that an entry made in an account of a financial institution by that financial institution solely in accordance with its internal accounting practices does not constitute a dutiable receipt.

Where changes are made due to the accounting procedures of the financial institution rather than the actions of the client, the account holder is at a disadvantage by being required to pay financial institutions duty on the transaction.

**EXAMPLES**

The following are examples of transactions that are usually generated by the financial institution:-

- (i) A branch closes and all accounts are transferred to another location;
- (ii) A product line is discontinued and accounts are transferred to another product;
- (iii) Change of location of the account is made to allow the account holder to use the full facilities of the account at a different branch;
- (iv) Change of location of the domicile of the account is made for the convenience of the account holder due to change of personal or business address;
- (v) Transfer of debit balances due to a change in the branch location of the loan, resulting in a credit to the existing loan account.

In all the examples listed above to be classed as exempt pursuant to this circular, the original account would need to be closed and a new account under the same terms and conditions would need to be opened.

## **RULING**

The application of the Act to transactions such as those outlined above gives rise to differences in treatment of account holders. If the accounting procedures of the financial institution had permitted a change of the operating location of the account without requiring a closure of one account and a transfer of funds to the new account, no liability to financial institutions duty would arise. An administrative ruling is considered necessary to ensure a uniform and consistent tax treatment with respect to these transactions.

Financial institutions duty will not be payable in respect of a receipt of money:-

- (i) being the proceeds of the closing of a customer account with a financial institution; and
- (ii) the money is credited or the outstanding balance is debited to another account of the customer with the financial institutions; and
- (iii) the customer accounts mentioned in (i) and (ii) above have the same or substantially similar terms and conditions; and
- (iv) the account mentioned in (ii) above is located in South Australia.

Examples of situations where duty would continue to be payable are:-

- (i) the transferring of money between current accounts;
- (ii) the opening of a new account with different conditions;
- (iii) the transferring of money between accounts of a different nature.

## **DATE OF OPERATION**

This ruling will come into effect on 1 November, 1992. No refunds of duty previously paid will be considered.

**20 October, 1992**

**COMMISSIONER OF STAMPS**