Date Introduced: 27 August 1981
House: House of Representatives
Presented by: Hon. J.C. Moore,

Short Digest of Bill

Purpose

To give force of law in Australia to the Double Taxation Agreement with Denmark, signed in Canberra on 1 April 1981.

Background

Australia has a number of double taxation agreements with overseas countries, including the U.K., U.S.A., Canada and Japan. These agreements are designed to provide relief from the double taxation of income and for the prevention of fiscal evasion. The agreement with Denmark is typical of others entered into by Australia in recent years, the latest being concluded with Sweden and the Philippines (refer Income Tax (International Agreements) Amendment Bill 1981). The Agreement will provide a basis on which, and the extent to which, income derived in one country by residents of the other is to be taxed in each country and the basis on which relief from double taxation is to be effected where income may be taxed in both countries.

Main Provisions

Clause 3 of the Bill proposes to define the Danish agreement for the purposes of the Principal Act.

Clause 4 inserts new section 11H into the Principal Act. New sub-section 11H(1) proposes that the Danish agreement apply as follows:-

(i) in relation to withholding tax - interest and dividends derived on or after 1 January in the calendar year immediately following that in which the agreement enters into force; and
(ii) in relation to tax other than withholding tax - income of any year commencing on or after 1 July in the calendar year immediately following that in which the agreement enters into force.

New sub-section 11H(2) provides that the Treasurer shall publish in the Gazette a notice specifying the date on which the agreement entered into force. New sub-section 11H(3) relates to the treatment for Australian tax purposes of dividends received by Australian residents from Danish sources. In Denmark, taxpayers receive a tax credit for the tax paid by a company paying a dividend; new sub-section 11H(3) provides that this credit is to be included in a taxpayers assessable income for Australian tax purposes.

Clause 5 of the Bill proposes to amend the Principal Act by inserting new paragraph 12(1)(am) which effectively provides that where the Danish tax on interest and royalties is limited in accordance with the Agreement, the interest and royalties are not exempt from Australian tax; however, taxpayers are entitled to an Australian tax credit equal to the Danish tax. This is consistent with Australia's other double taxation agreements.

Clause 6 proposes to include the Danish agreement as a Schedule to the Principal Act. Full details of the provisions are included in the explanatory memorandum; however the main provisions include:

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<th>Tax limit on Gross Amount</th>
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<tr>
<td>Withholding tax on interest</td>
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<td>Withholding tax on dividends</td>
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<td>Tax on royalties</td>
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For further information, if required, contact:

Finance, Industries, Trade & Development Group

7 September 1981

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