COMMONWEALTH OF AUSTRALIA

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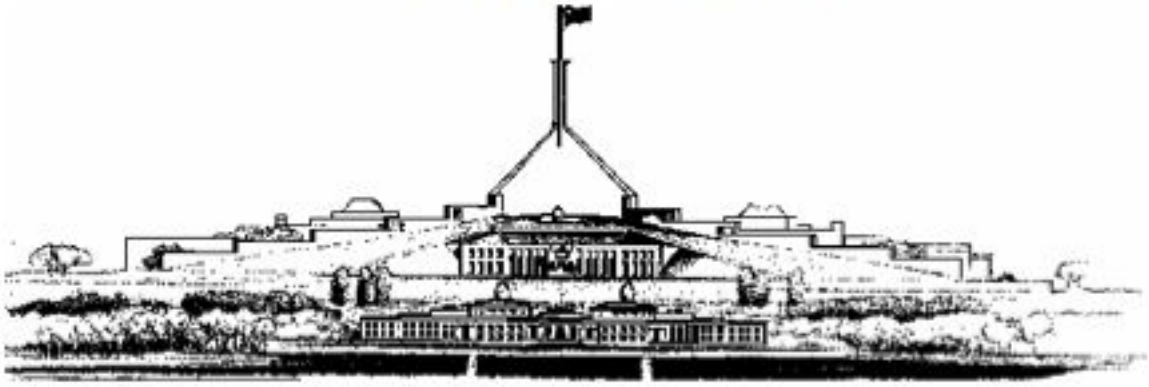

HOUSE OF REPRESENTATIVES

Main Committee

INTERNATIONAL TAX AGREEMENTS AMENDMENT BILL (NO. 1) 2007

Second Reading

SPEECH

Thursday, 21 June 2007

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 21 June 2007	**Source**	House
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Questioner		**Responder**	
Speaker	Hayes, Chris, MP	**Question No.**	

Mr HAYES (Werriwa) (10.59 am)—I will not take too much of the chamber's time on this International Tax Agreements Amendment Bill (No. 1) 2007. As the member for Prospect has indicated, this bill is supported by the Labor Party. I am pleased to see the bill finally being debated. It was introduced into the House back in March this year. I will speak briefly to some aspects of the bill and its wider implications for sectors of industry, particularly those sectors of industry that are dominant in my part of the world.

The amendments to the International Tax Agreements Act before us are essential to bring into force the renegotiated tax treaties with France and Norway. Australia has had bilateral agreements with a number of countries aimed at preventing the double taxation of income that it is received by a resident of one country from activities in another country. Such agreements are aimed at aiding the minimisation of tax avoidance and evasion. These double tax arrangements, as they are known, tend to have standardised rules for the taxation of various categories of income depending on its source and the place of residence of the person deriving that income. Broadly, income from certain categories is reserved for taxation in the country of residence of the taxpayer, while income from other sources may be taxed in its country of source, usually at the maximum percentage. Where the country of residence also taxes these classes of income, it is required to allow a credit for the tax paid in the country of source.

The bill before us will incorporate into the act the text of the treaties signed with France and Norway that relate to the avoidance of double taxation with respect to taxes on income. Schedule 1 of the bill amends the act to give force to the Convention between the Government of Australia and the Government of the Republic of France for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion. This convention updates the treaty signed in 1976 and aligns the tax agreement with modern-day business practices, respective tax systems and modern tax treaty practice.

Schedule 2 extends the coverage of the Norway convention to Australian tax on capital gains and updates the list of taxes to which the new treaty arrangements will apply. In the case of Australia, these taxes are income tax, resource rent tax and any identical or substantially similar taxes imposed under the federal laws of this country. The Norway convention replaces the previous convention of 1982.

On the face of it many might wonder why it is important that Australia not only enter into such international tax arrangements but bring them into force. Bringing these bilateral conventions with France and Norway into force is important in building stronger relationships with these two countries and enhancing our trade prospects and opportunities. All members of this place would acknowledge the importance of trade to the Australian economy. Some would even say that trade, particularly in relation to the current resources boom, has been propping up the entire Howard government strategy over the last few years—at least for a number of us that would be a reasonable conclusion.

Last year Australia's exports were worth $210 billion. That is a significant sum by anyone's reckoning. As a member representing an electorate in the south-west of Sydney, I know the importance of facilitating trade. The industry sector that employs the greatest number of people in the south-west of Sydney is manufacturing. A report by the Committee for Economic Development of Australia recently noted that, contrary to popular belief, manufacturing exports have not declined. CEDA found that in 1980 manufacturing comprised eight per cent of our total exports while two decades later it is now slightly short of 20 per cent. In 1981 exports were at least one-tenth of manufactured sales but, according to CEDA, now the export share has doubled.

The greater west of Sydney, quite frankly, is the manufacturing heart of Australia. The region generates more than $70 billion of economic value added a year and accounts for a quarter of the state product. Our manufacturing accounts for almost 20 per cent of the gross regional product of greater Western Sydney and this is almost half of the total of value-added manufactured products throughout New South Wales.

Trade is very important to Western Sydney. It is certainly very important to the people who live in Western Sydney, whom I have the very distinct honour to represent. Manufacturers in Western Sydney also understand

how important trade is. Just down the road from my electorate office in Ingleburn is Broens Industries. I have spoken about Carlos Broen on a number of occasions in the House. Once again, I just draw the attention of the House to the success of this particular manufacturing story in the south-west of Sydney. Broens has not given up the game when it comes to stiff competition from various overseas manufactured sources, particularly out of China. Carlos Broen knows that, in order to survive, he needed to transform his business and has set about doing that. In fact, Broens now is substantially exporting to places including China. The days of low value-added manufacturing are virtually over because of cheaper offshore labour, but important for Western Sydney is the drive for the new era of Australian manufactured goods, particularly attacking the high end of manufacturing.

The keys to growth in this part of the manufacturing sector are good trade links and, more importantly, good and well-developed trade skills. As many as 50,000 people in the Fairfield, Liverpool and outer south-western Sydney region understand how important this is, because that is how many are employed in the manufacturing area in the south-west of Sydney.

The European Union, when it is taken as a whole, is Australia's largest trading partner. In 2006, exports to the European Union rose by 25 per cent to a total of $28.6 billion. Between 2005 and 2006 Australia's manufactured exports to France grew by almost 14 per cent—a move very much in the right direction. I trust it is the sort of thing which will only be able to grow further with the passing of this particular legislation.

For this reason and for the continued growth of our trade with Europe, and in particular France and Norway, I support the provisions of this bill. I hope that this will assist in opening more doors for Australian businesses into France and Norway because I am sure that the quality of export business in south-western Sydney will only benefit from these approaches, particularly in the manufacturing sector, and they will be able to expand their markets into these destinations and hopefully, through that, create more local jobs.