

Government Response to the 25th Report of the Joint Standing Committee of Treaties

The Government thanks the Joint Standing Committee on Treaties for the comprehensive consideration given to the eight treaty actions considered in the 25th Report. The Report makes recommendations relating to four treaty actions. The Government response to the recommendations is provided below.

Double Taxation Agreements with South Africa and Malaysia

The Government is pleased to note that the Committee recommended that binding treaty action be taken in respect of the following three taxation treaty actions:

Agreement with South Africa for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Protocol, done at Canberra on 1 July 1999 (6.46). The Agreement entered into force on 21 December 1999.

Protocol, done at Sydney on 2 August 1999, to amend the Agreement between the Government of Australia and the Government of Malaysia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 20 August 1980 (6.47). The Protocol to amend the Agreement entered into force on 27 June 2000.

Exchange of Letters constituting an Agreement to extend the Application of Certain Provisions of Article 23 of the Agreement between the Government of Australia and the Government of Malaysia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 20 August 1980 (6.48). Binding treaty action was taken on 9 November 1999.

The Government offers the following response to the recommendation put forward by the Committee in relation to the taxation treaty actions considered by the Committee.

6.51 The Joint Standing Committee on Treaties recommends that:

the Australian Taxation Office extend its community and industry consultation program by inviting representatives of country-specific business organisations to participate in meetings of the Treaties Advisory Panel when treaty proposals relating to those countries are being considered.

The Government has taken on board the Committee's recommendation and invited representatives from the country specific Business Councils to attend the Tax Treaties Advisory Panel Meeting on 5 May 2000.

For that meeting several Councils were invited to attend and asked for comment, but only a representative from the Russia-Australia Business Council was able to attend.

Alternative methods of consulting interested Councils will be used where this is more convenient. For example, a presentation on proposed double taxation agreements was held for a Business Council in Sydney in August 2000.

Fourth Amendment to the IMF's Articles of Agreement

The Government is pleased that the Committee supported acceptance of the *Fourth Amendment, done at Hong Kong on 23 September 1997, of the Articles of the Agreement of the International Monetary Fund of 27 December 1945* (3.68). Australia's instrument of acceptance is yet to be lodged.

The Government offers the following response to the recommendation put forward by the Committee in relation to the amendment.

3.66 The Joint Standing Committee on Treaties recommends that:

The Australian Government, at meetings of the governing bodies of the World Bank and the International Monetary Fund, actively support reform of these institutions, with a view to reducing duplication and waste in their operations and, as a longer term goal, their amalgamation.

Australia has been an active participant in discussions about reform of the international financial system and these discussions include, as a key part, ensuring that the international financial institutions (IFIs), such as the IMF and World Bank, operate effectively.

In recent years, reform of the IFIs has included a number of measures:

- a clearer focus by both institutions on their 'core' mandates – with the IMF more focussed on promoting international macroeconomic stability and providing temporary financial assistance for balance of payments needs, and the World Bank focussed on longer-term development issues;
- for the IMF, this has involved a strengthening of its economic surveillance role;
- for the World Bank, this has involved a greater focus on the developmental impact of its activities rather than on inputs (eg loans processed, amount of funds lent);
- both institutions have focussed on the elimination of unnecessary duplication and more effective collaboration (including recent pilot surveys of member country financial vulnerability and observance of internationally accepted standards and codes);
- greater transparency of the policies, work and operations of the two institutions; and

- an improvement of the range of financing facilities which better serve the needs of members of each institution.

The issue of reform of the IMF and World Bank will remain an important part of the discussions for reform of the international financial system in the period ahead.

The Australian Government will continue to actively participate in these discussions.