

GOVERNMENT RESPONSE TO REPORT 50

OF

THE JOINT STANDING COMMITTEE ON TREATIES

Government Response to Report 50 of the Joint Standing Committee on Treaties.

Recommendation 2

**The Committee recommends that, where proposed treaty actions seek to amend existing international taxation arrangements, the costs and benefits of past tax treaty arrangements be included in the National Interest Analysis.
(paragraph 2.22)**

The Government has already commenced a practice of providing the Committee with greater detail of the specific issues and quantitative gains and losses of amendments to tax treaty arrangements. In this regard, the Committee specifically noted and expressed its satisfaction with the efforts of Treasury on page 21 of Report 48, October 2002 and on page 7 of Report 50, December 2002. The Government will continue with its efforts to provide additional information, including costs and benefits of past treaty arrangements, in future National Interest Analyses. The Government notes however that it is often difficult to identify and measure the costs and benefits of specific past treaty actions. The Government will provide the information sought by the Committee on a best endeavours basis.

At paragraph 2.17 on page 7 of Report 50, the Committee sought specific additional information on the historical cost of tax sparing arrangements with Vietnam when considering the 2002 Exchange of Letters between Australia and Vietnam. The sole purpose of these Letters was to ensure that tax sparing arrangements provided for in the Vietnamese Agreement and 1996 Exchange of Notes continue as intended until 30 June 2003. The Government's subsequent analysis shows that the total cost of tax sparing with Vietnam for the four year period from 1997-98 to 2000-01 was approximately \$6 million. Further information on the cost of tax sparing is provided in the 2002 Tax Expenditure Statement (pages 50 and 101).

Recommendation 4

**The Committee recommends that future National Interest Analyses list all agencies consulted in relation to the proposed treaty action.
(paragraph 3.18)**

The Government agrees to this recommendation. The Treaties Secretariat, Department of Foreign Affairs and Trade, has informed all Government Departments and agencies of the need to annex a list of all agencies consulted to National Interest Analyses tabled from the beginning of 2003.
