

AUSTRALIA AND CHILE SIGN NEW TAX TREATY

The Assistant Treasurer, Senator Nick Sherry, today announced that Australia and Chile have signed a new income tax treaty - the first between the two countries.

"The new income tax treaty between Australia and Chile will provide certainty and stability of tax treatment for Australian and Chilean cross-border investors and reduce tax-related barriers so the economic relationship between our countries can continue to grow," the Assistant Treasurer said.

The treaty signing had been delayed due to the tragic earthquake that struck Chile on 27 February.

"Both I and the entire Australian Government have sent our condolences to the people and Government of Chile, and we have also pledged \$1 million in emergency assistance and an initial contribution of \$4 million in reconstruction assistance," said the Assistant Treasurer.

"I thank my Chilean Ministerial counterpart and relevant officials for being able to bring this agreement to conclusion in very difficult circumstances."

"This is a comprehensive new tax treaty for Australia - and our second with a South American country."

"Chile is a major destination for Australian investment, especially in the mining sector. The signing of this historic tax treaty is a great step forward for Australian businesses."

"It will help maintain the integrity of Australia's tax base by allowing the exchange of taxpayer information, including bank information, between Australian and Chilean tax administrators."

"Tax evasion is a serious problem for all countries. Being able to obtain information under tax treaties, particularly information held by banks, is a key tool in combating this evasion."

Legislation to give the new treaty the force of law will be introduced into the Parliament as soon as practicable. After entry into force, the provisions of the new tax treaty will take effect in Australia in four stages, namely:

- in respect of withholding tax, on income derived on or after the first day of the second month following entry into force;

- in respect of fringe benefits tax, on fringe benefits derived on or after 1 April in the year following entry into force;
- in respect of other tax, on income derived in the year beginning 1 July following entry into force; and
- in respect of administrative provisions, upon entry into force.

CANBERRA
10 March 2010