



ASSISTANT TREASURER

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**PRESS
RELEASE**

AUSTRALIA AND TURKEY SIGN HISTORIC TAX TREATY

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

"This historic treaty will promote closer economic cooperation between our countries and is a great step forward for future trade and investment flows," the Assistant Treasurer said.

"The new treaty will provide certainty and stability of tax treatment for Australian and Turkish investors in each other's country and reduce tax-related barriers."

"The treaty also expands Australia's tax treaty network with OECD countries and boosts our world leading efforts against tax evasion."

The treaty was signed in Ankara last night by His Excellency Mr Peter Doyle, Australian Ambassador to Turkey, and Mr Mehmet Kilci, President of Revenue Administration, Turkish Ministry of Finance, in the presence of Her Excellency Ms Quentin Bryce AC, Governor-General of the Commonwealth of Australia, and His Excellency Dr Abdullah Gül, President of the Republic of Turkey. The Governor-General's official duties in Turkey also included attending the Anzac Day memorial services at Gallipoli.

"Australia and Turkey have long shared a special relationship, which has provided a solid foundation for our expanding economic and investment relationship," the Assistant Treasurer said.

Tax treaties provide for the allocation of taxing rights between countries over certain income, in order to prevent double taxation.

"Turkey is an increasingly important investment destination, with privatisation programs and a growing Turkish market creating opportunities for Australian businesses," the Assistant Treasurer said.

"The treaty will help Australian business be more competitive and simplify their dealings in Turkey."

"In particular, the treaty will substantially reduce withholding taxes on certain dividend, interest and royalty payments."

"These changes reduce tax barriers to cross-border transfers by Australian businesses of intellectual property, equity and finance for expansion."

"The treaty will also maintain the integrity of Australia's tax base by allowing the exchange of taxpayer information between Australian and Turkish tax administrators."

"Tax evasion is a serious problem for all countries. Being able to obtain information under tax treaties is a key tool in combating this evasion," the Assistant Treasurer said.

The Convention will enter into force when both countries advise that they have completed their domestic requirements. Legislation for this purpose will be introduced in the Australian Parliament as soon as practicable.

CANBERRA

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Attachment

Provisions of the new tax treaty with Turkey include:

- Reductions in source-country withholding taxes on certain cross-border payments of dividends, interest and royalties;
- Rules to determine when an enterprise or an individual of one country may be taxed on its activities abroad;
- An agreed basis for determining the allocation of profits within a multinational company to reflect the pricing that would be adopted by independent parties. These rules are an important tool in dealing with international profit shifting through transfer pricing;
- Rules that ensure that profits derived from the operation of ships and aircraft in international traffic are generally taxed only in the country of residence of the operator.
- Rules for the taxation of income, profits or gains from the alienation of property;
- Provisions that provide for most pension and retirement annuities, and lump sums paid after the age of 60 in lieu of a right to receive a pension, to be taxed only in the country of residence of the recipient. In respect of other lump sum payments, taxing rights are to be shared between the country of residence and the country of source;
- A general obligation for both countries to relieve double taxation on cross-border income by permitting tax paid under the other country's laws, and in accordance with the proposed Treaty, to be allowed as a credit against tax payable under their own laws;
- Mechanisms through which the Australian and Turkish administrators may by mutual agreement resolve tax disputes and relieve double taxation;
- Rules to protect nationals and companies of one country from tax discrimination in the other country; and
- A framework to provide for the full exchange of taxpayer information.