

**JOINT MEDIA RELEASE
WITH
THE HON SIMON CREAN MP
MINISTER FOR TRADE**

NEW TAX TREATY SIGNED WITH NEW ZEALAND

The Minister for Trade, Simon Crean, and the Assistant Treasurer, Senator Nick Sherry, today announced that Australia and New Zealand have signed a new tax treaty to replace the existing treaty and amending protocol. The new treaty was signed by Mr Crean in Paris on 26 June, 2009.

"Australia and New Zealand continue to strengthen their economic links and move towards an integrated trans-Tasman economy under the Closer Economic Relations trade agreement and the Single Economic Market initiative. This treaty represents an important further step in those endeavours," Mr Crean said.

"New Zealand is a country with which Australia shares an exceptionally close trade and investment relationship. The changes made by the new treaty to update the taxation arrangements between the countries will be of benefit to both the Australian and New Zealand economies," the Assistant Treasurer said.

While changes were made to the treaty in 2005 to strengthen its integrity aspects, the provisions of most interest to business and investors, including the rates of withholding tax applicable to dividends, interest and royalty payments, were left unchanged pending finalisation of New Zealand's international taxation law review.

The new treaty reduces withholding tax rate limits on certain dividends, on certain classes of interest, and on royalty payments. These changes reduce the cost to Australian businesses of accessing intellectual property, equity and finance for expansion.

The new treaty will also assist the Australian managed funds industry by providing rules to allow Australia's managed investment trusts to access the treaty's benefits on income derived from New Zealand.

New rules providing time limits on transfer pricing audits, the inclusion of arbitration provisions and a non-discrimination article, as well as new provisions to facilitate short term cross-border secondments will benefit Australian businesses engaged in trans Tasman activities. These changes accord with business and industry's message to the Government in the course of the tax treaty policy review.

The new treaty will commence when both countries advise that they have completed their domestic requirements. Legislation will be introduced into the Parliament as soon as practicable.

CANBERRA

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