



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES
INTERNATIONAL TAX AGREEMENTS
AMENDMENT BILL (NO. 1) 2009

Second Reading

SPEECH

Wednesday, 16 September 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

<p>Date Wednesday, 16 September 2009</p> <p>Page 9801</p> <p>Questioner</p> <p>Speaker Robert, Stuart, MP</p>	<p>Source House</p> <p>Proof No</p> <p>Responder</p> <p>Question No.</p>
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Mr ROBERT (Fadden) (4.51 pm)—I rise to talk on the International Tax Agreements Amendment Bill (No. 1) 2009 and do so proudly looking at the coalition's track record of initiating, growing, developing and nurturing bilateral tax agreements. In fact, from 1996 until when the coalition lost office in 2007, over 30 treaties have been signed with 19 different countries. It is demonstrable of the coalition's commitment to ensuring foreign investment, providing opportunities for all Australians and ensuring Australian businesses overseas both are competitive in the environments they operate in and are not punitively damaged in any way by double taxation or information losses. It is telling to look at the 19 countries which, in the great and glorious times of the coalition government when the nation was debt free, signed taxation treaties—Argentina, Belgium, Canada, East Timor, Finland, France, Japan, Malaysia, Mexico, New Zealand, Norway, Romania, Russia, Slovakia, South Africa, Taipei, United Kingdom, United States of America and Vietnam. So it is pleasing to stand here and lend some comment on the two agreements that this bill is seeking to enact with both the British Virgin Islands and the Isle of Man.

In 2001, the coalition provided a significant commitment to look at a whole raft of international tax arrangements through the Securing Australia's Prosperity policy document. In reviewing those arrangements, the coalition put forward a range of reforms with the sole intent of ensuring that our businesses were competitive not just in Australia but also overseas and that Australia's status would continue to be maintained, and indeed enhanced, as a great place for foreign companies to invest foreign dollars and for businesses to sink their roots and call Australia a business port of call. That began bilateral negotiations with many countries, in the areas of double taxation and information sharing, to ensure that there were no punitive areas that would damage people working in the government's base or those seeking education or looking at educational institutions. Many of the agreements that were signed included the exchange provisions that met OECD standards and provided a range of reciprocal assistance between agencies which were invested with the issues of tax collection. The opportunity to sit down in dialogue with different nations and to pull down barriers stopping mutually beneficial investment certainly strengthened

relationships between countries. Those 19 countries and over 30 tax treaties went a long way to helping out in that environment.

Today we are looking at a bill which gives force of law to the tax agreements between the government of Australia and the governments of the British Virgin Islands and the Isle of Man. The agreement with the British Virgin Islands, signed on 27 October last year, deals with the allocation of taxing rights with respect to certain income of individuals, and the agreement with the government of the Isle of Man deals with the allocation of taxing rights with respect to certain income of individuals and the establishment of a mutual agreement procedure in respect of transfer pricing adjustments. The agreements are significant inasmuch as they add to the 19 previous ones, meaning there are 21 significant agreements at a bilateral level which deal with the issues of tax. But they also continue the great work of the coalition in dealing with the issue of tax havens. The coalition can stand very proudly on its record of tax reform at both a domestic and an international level. No-one can discount the courage of the member for Higgins, and indeed the entire Howard government, in reforming taxation, especially through bringing in a GST. The measures today continue, in some part, that reform process, by adding to the 19 bilateral tax agreements.

The agreement with the British Virgin Islands ensures that those employed by governments will not be subject to double taxation. It takes away a punitive measure that may seek to 'double dip', if I may use the words from *Seinfeld*, into the salaries of those who are working hard in the British Virgin Islands. It also provides that any income received from government services is taxable only in the one country. The provision of course does not apply to those earning income from private business or commerce. It also ensures that education related payments received by students are exempt from tax. This is good news for students who have so viciously felt the weight of the Labor government's initiatives, those in the regional areas who were looking at missing out on incentives just because they took a gap year. It is encouraging to see the government make a move to ensure that education related payments received by students in the British Virgin Islands are exempt from tax. The agreement also provides an exemption for

students from Australia or the British Virgin Islands from paying income tax on money received from their resident country for the purposes of education and maintenance.

It is important to recognise that the bill covers not only the British Virgin Islands but a favourite part of the world for me—the Isle of Man. The agreement between Australia and the Isle of Man provides for a complete exchange of information in both criminal and, importantly, civil tax matters. This will remove the ability for Australian taxpayers to use the Isle of Man as a tax haven. It is important to realise, if I may use Japan as an example, that companies in Japan are proud to pay tax. They are proud to be part of a society in which they can earn, develop a profit and then put back into their nation. The idea of tax havens, where people try to escape their fundamental responsibility to contribute to their nation, its people and its values by passing back some of their profits through taxation, should be a moribund idea to all of us in this House. A well-ordered, well-managed, well-operated and simple tax system is paramount for the success of a nation in going forward, which is why, as a coalition, we can draw great pride from our tax reform, not only the brave efforts of the GST but onwards as we move forward towards greater tax reform.

This House looks forward with great interest to the Henry tax review. We look forward with great interest to where Labor is taking tax reform in this country. This House can be assured that the Henry tax review will be scrutinised in keen detail to ensure that the tax system that Labor was envisaging continues to be robust but fair; continues to be significant in its breadth across business; becomes simple; rewards innovation; seeks to lift up business; and will not punitively damage Australians who are looking forward to raising a family and earning an income. The Henry tax review must be built on solid standards. It must seek to deliver to this country the fairness and the balance that the tax review and reforms delivered under the Howard-Costello years.

The Labor government is certainly on notice that the bill that they bring forward after the Henry tax review is brought down will have the weight of scrutiny applied to it. The great tax reform that this House has seen in the last 12 years should not be undone by an ideology that is bent on punishing small business, a return to collectivism and a return to unions coming into businesses. That the Treasurer has said that only collective agreements can deliver productivity is both reckless in its statement and false in its premise. In the last 12 or 13 years under the Howard-Costello reign we saw productivity increase substantially. We saw real wages increase 24 per cent compared to the previous Hawke-Keating government where real

wages went backwards by 1.9 per cent. The House can be assured that that review will receive significant and due attention.

The SPEAKER—I remind the House that standing order 76 was suspended earlier today for the duration of the speech by the member for Bradfield and that the member may speak without limitation of time.