2019

The Parliament of the

Commonwealth of Australia

HOUSE OF REPRESENTATIVES

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| **EXPOSURE DRAFT (07/08/2019)** |

Treasury Laws Amendment (International Tax Agreements) Bill 2019

No. , 2019

(Treasury)

A Bill for an Act to amend the law relating to taxation, and for related purposes

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A Bill for an Act to amend the law relating to taxation, and for related purposes

The Parliament of Australia enacts:

1 Short title

This Act is the *Treasury Laws Amendment (International Tax Agreements) Act 2019*.

2 Commencement

(1) Each provision of this Act specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

| Commencement information | | |
| --- | --- | --- |
| Column 1 | Column 2 | Column 3 |
| Provisions | Commencement | Date/Details |
| 1. Schedule 1 | The day after this Act receives the Royal Assent. |  |
| 2. Schedule 2 | The first 1 January, 1 April, 1 July or 1 October to occur after the day this Act receives the Royal Assent. |  |

Note: This table relates only to the provisions of this Act as originally enacted. It will not be amended to deal with any later amendments of this Act.

(2) Any information in column 3 of the table is not part of this Act. Information may be inserted in this column, or information in it may be edited, in any published version of this Act.

3 Schedules

Legislation that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this Act has effect according to its terms.

Schedule 1—Israeli convention

International Tax Agreements Act 1953

1 Subsection 3AAA(1)

Insert:

***Israeli convention*** means:

(a) the Convention between the Government of Australia and the Government of the State of Israel for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance; and

(b) the protocol to that convention;

each done at Canberra on 28 March 2019.

2 Subsection 5(1) (after table item relating to Isle of Man agreement)

Insert:

|  |  |
| --- | --- |
| Israeli convention | nil |

Schedule 2—Source rules

Income Tax Assessment Act 1997

1 Before Division 768

Insert:

Division 764—Source rules

Table of Subdivisions

Guide to Division 764

764‑A General source rules

Guide to Division 764

764‑1 What this Division is about

This Division is about determining whether income is from an Australian source.

Subdivision 764‑A—General source rules

Table of sections

764‑5 When income is from an Australian source

764‑10 General source rule for international tax agreements

764‑5 When income is from an Australian source

(1) \*Ordinary income or \*statutory income is from an ***Australian source*** if:

(a) it is from a source in Australia; or

(b) a provision of this Act provides that it is \*derived from, attributable to or otherwise has a source in Australia (however described).

(2) However, \*ordinary income or \*statutory income is *not* from an ***Australian source*** if a provision of this Act provides that it is \*derived from, attributable to or otherwise has a source other than in Australia (however described).

(3) Subsection (2) has effect subject to section 764‑10.

764‑10 General source rule for international tax agreements

(1) Income, profits or gains \*derived by a person are taken to be derived from an Australian source if:

(a) the person is a resident of a foreign country or foreign territory for the purposes of an \*international tax agreement; and

(b) the effect of the agreement is that the income, profits or gains may be taxed in Australia.

(2) Subsection (1) applies in relation to \*international tax agreements made on or after 28 March 2019.

(3) This section has effect subject to Part IVA of the *Income Tax Assessment Act 1936*.

2 Subsection 995‑1(1) (definition of *Australian source*)

Repeal the definition, substitute:

***Australian source*** has the meaning given by section 764‑5.

International Tax Agreements Act 1953

3 Paragraph 3AA(2)(c)

Omit “11(3)”, substitute “11(2)”.

4 At the end of subsection 3AA(2)

Add:

; (d) section 764‑10 of the *Income Tax Assessment Act 1997*.