

**Australian Government
The Treasury**

**Corporate and International Tax Division
The Treasury
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Date: 19th April 2024

Dear Sir or Madam

Topic: ASCC submission to support expanding Australia's tax treaties network discussion

1. Executive summary

The Australian Serbian Commerce Chamber ("ASCC") is keen to support the dialogue regarding the expansion of Australia's Double Tax Treaty ("DTA") network, as outlined on the treasury.gov.au consultation webpage. We provide the submission which outlines the rationale for expanding Australia's tax treaty network, notably with the focus being on a DTA between the Commonwealth of Australia and the Republic of Serbia being included for consideration by the Treasury.

As the premier body charged with strengthening the economic relations between the two countries, ASCC strongly supports the view that the conclusion of the tax treaty between Australia and Serbia would benefit both economies. In particular, this is the case for Australian multinationals and the growing number of medium sized enterprises that have established in Serbia over the last 10 years and those that aspire to expand into the Serbian market. With the growing membership base of companies from within key sectors, ASCC is well placed to provide further insights into economic trends that can support the conclusion of a DTA between the two countries.

2. Background - ASCC

ASCC is a not-for-profit association incorporated in Melbourne, Australia, with representatives in key hubs across Australia and Serbia. The chamber was established in Melbourne, Victoria on 13 November 2016 (source Australian Business Register). A representative office in Belgrade, Serbia was established on 29 May 2017 (source: Serbian Business Registers Agency). Our mission is to realise the full potential of trade ties between Serbia and Australia and empower economic growth, integration and broader social prosperity. ASCC strong stakeholder engagement has helped steer the chamber's activities to align with both Australian and Serbian governments through liaison with the respective embassies in Canberra and Belgrade. We continue to be the voice of stakeholders in relevant forums and play a pivotal role in strengthening trade, investment, tourism, education, and other socio-economic links between the two countries.

3. Country brief - Serbia's growing economy

With the population of just under 7 million, Serbia occupies the central position on the Balkan peninsula and is the junction of key pan European air, road and rail corridors, including sea access through the ports of Bar and Rijeka in Montenegro and Croatia respectively. Whilst the road to European Union integration has been slower than expected, Serbia continues to enjoy a free-trade agreement with the EU as well as equivalent agreement with neighbouring non-EU countries of Albania, Bosnia and Herzegovina, North Macedonia, Moldova, Montenegro. The accession talks between Serbia and the EU continue to advance and the Serbian government's strategic goal remains to join the block in the near future.

According to Serbian government sources, nominal GDP in 2024 is projected to reach \$US82 billion, which is \$US12,385 per capita, while GDP based on purchasing power parity (PPP) stood at circa \$US185 billion, which is \$US27,985 per capita with projected growth in 2024 of 4.6%. Attracting foreign direct investments (FDI) is set as a priority for the government of Serbia, which provides both financial and tax incentives to companies willing to invest. Leading investor nations in Serbia include Germany, Italy, United States and China. In 2023 Serbia attracted €4.2 billion of FDI with most funds coming from EU, USA and China. Serbia has also attracted growing interest from Australian companies with both large multinational, smaller ASX listed and privately owned companies continuing to expand their presence. In an example of most recent activity, Strickland Metals acquired the Rogozna gold project to establish itself in Serbia, in what is regarded as a Tier 1 mining jurisdiction according to the company.

In more recent developments, Belgrade, the capital of Serbia, has recently been awarded the rights to host the specialised exposition ("Expo") under the name "Play for Humanity: Sport and Music for All". It is scheduled to begin on 15 May and close on 15 August 2027. This will be the first time such an Expo is being held in Southeastern Europe and represents a significant opportunity for Serbia to showcase its potential as a host country of a major international event and Belgrade to cement its position as a focal city and leading regional business hub. To support this significant event, the Serbian government has recently announced a €12b infrastructure overhaul and Expo is expected to draw millions of tourists to the country leading up to and during the exposition. The event presents an opportunity for Australian business to seek out avenues for involvement, whether directly through the Expo or more generally by establishing presence in the Serbian market.

4. Increasing trade exchange between Australia and Serbia

According to DFAT, Australia's goods and services trade with Serbia in 2021-22 was \$A91.1 million. Australia imported \$A84.9 million worth of items from Serbia, while Australia's exports amounted to \$A6.2 million, with the primary item being 'education-related travel'. By 2022-23, Australia's goods and service trade with Serbia significantly increased, with Australia importing \$A158.5 million and exporting \$A16 million, two-way trade totalling \$A175.5m, exceeding the pre Covid peak. Australian companies and entrepreneurs are showing growing interest in Serbia and the Balkans, particularly in services and mining. Many Australian-based corporations and medium-size companies operate in Serbia, including global market leaders such as Rio Tinto and BHP. In addition, a growing number of enterprises backed local Australian entrepreneurs have set-up successful business in Serbia employing 100's of people. Over the last two years in particular, ASCC has registered increased levels of enquiry from Australian based companies interested in establishing presence in the Serbian market and a DTA between the two countries is regularly featured on the investor's wishlist.

5. Strong case for DTA to cement the economic links between the two countries

A DTA between the two jurisdictions would be crucial in enhancing the current economic ties. To date, Australia has concluded, or is in the process of concluding DTAs with many neighbouring jurisdictions to Serbia, including Hungary, Austria, Croatia, Romania, and Ukraine. As such, there is an increasingly strong business case for Serbia to be selected as a future DTA partner in the context of continued regional economic development along the strategic 'Danube corridor' of Southeastern Europe. We note below some of the compelling arguments that advocate for a DTA between Australia and Serbia to be prioritised.

- There is strong momentum between the two countries on the back of the recently ratified Social Security Agreement between Australia and Serbia. The agreement represents a significant milestone in bilateral relations which will unlock further social benefits for the citizens of the two countries.
- The two countries continue to enjoy strong cultural ties. According to the 2021 Australian census, approximately 46,000 Australians declared they were born in Serbia, however conservative estimates Australians with Serbian ancestry to be closer to 150,000.
- At a tax technical level, a tax treaty between Australia and Serbia can provide numerous benefits, including but not limited to areas outlined below. These benefits will contribute to increased movement of people and assets between the two countries, facilitate enhanced business ties, and ensure more significant investment and opportunities in Serbia and Australia alike.
 - The prevention of double taxation (mainly via clarity on residency);
 - Clarity around the taxation on passive income streams as well as capital gains tax outcomes;
 - Reduction of withholding taxes on all passive income streams; and
 - Enhanced exchange of information between the two countries' tax authorities.

We thank you for the opportunity to be part of the discussion and remain at your disposal to discuss in further detail all aspects of this submission with Treasury.

Your sincerely

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