



Australia's Tax Treaty with Croatia

The new tax treaty is the first of its kind between Australia and Croatia and will provide an avenue to support closer linkages between Australia and Croatia, particularly in the areas of commercial trade and investment.

A tax treaty with Croatia will encourage cross-border trade and investment by reducing withholding tax rates on dividends, interest and royalties. This will make it cheaper for Australian businesses to access Croatian capital and technology.

Benefits of the Tax Treaty to individuals

The new tax treaty will provide tax certainty for individuals with dealings in both Croatia and Australia, for example by:

- allocating taxing rights between the jurisdictions over different categories of income, such as pensions, employment income and capital gains; and
- providing an avenue for taxpayers to present a case to relevant taxation authorities where a taxpayer considers there has been taxation not in line with the terms of the treaty.

Benefits to Australian businesses

The new tax treaty is expected to enhance the economic relationship between Australia and Croatia, for example by:

- Reducing withholding tax rates on royalties, dividends and interest in both Australia and Croatia under the treaty.
- Reducing compliance costs and improving certainty for businesses that have dealings in both Australia and Croatia.

Enhancing tax system integrity and preventing tax avoidance

The new tax treaty will enhance tax system integrity by incorporating important measures to address base erosion and profit shifting practices, specific treaty anti-abuse rules and mechanisms to facilitate cooperation between taxation authorities.

The treaty will help prevent avoidance and evasion of taxes on various income flows between the treaty partners by:

- providing for the allocation of profits between related parties on an arm's length basis;
- generally preserving the application of domestic law rules that are designed to address tax avoidance; and
- providing for exchanges of information and assistance to recover tax debts between the respective taxation authorities.

The new tax treaty will enter into force after both countries have completed their domestic requirements and instruments of ratification have been exchanged. For Australia, this involves Parliamentary scrutiny and legislation.

The information contained in this factsheet is general in nature and does not constitute advice on individual or business taxation affairs. Individuals or businesses requiring specific taxation advice should contact a tax professional.