

general, while such arrangements have not been to date a significant factor in Canadian-Australian trade, the potential and scope for this type of co-operation is considerable.

Australians often point out that there are benefits to be derived from joint ventures in the domestic market and also in markets in Southeast Asia and other areas where advantage could be taken of established Australian connections, Australian sales techniques and, in some cases, Australian export incentives. There are many cases where either country, relying only on its own technology and resources, would find it difficult to meet Japanese and European competition, but where a joint operation would strengthen their chances of success. Canadian companies might benefit from such arrangements.

4. Double Taxation Agreement

A new bilateral double taxation agreement was signed on May 21, 1980. The agreement covers all forms of income flowing between the two countries and limits the tax that may be levied by the source country to 15 per cent on dividends and interest and 10 per cent on royalties. As is customary, however, those limits will not apply to income effectively derived from a permanent establishment or fixed base held in one country by a resident in the other.

Apart from other changes to bring the arrangements with Canada into line with Australia's recent agreements, the new agreement provides for limited taxation rights for the country of source in respect of pensions paid to residents of the other country, and for some relaxation of the rules under which residents of one country working for short periods in the other are freed from taxation in the country being visited. Measures for the relief of double taxation of income that remains taxable in both countries correspond with those that apply in the context of other Australian agreements. Australia will continue to give credit for Canadian tax on dividends received by Australian individuals. As is customary the legislation giving force of law to the agreement in Australia will provide for credit relief to apply to interest and royalties derived by Australian residents where the Canadian tax on that income is subject to the agreement limit of 15 or 10 per cent respectively. Other non-dividend income that Australian residents derive from Canada will continue to be exempt from Australian tax if taxed in Canada.