

A i d e - m é m o i r e

In the past the Commonwealth of Australia has several times availed itself of the facilities offered by the Swiss capital market. It may be remembered that since 1954 five Australian Government bond issues amounting to 289 millions Swiss francs (approximately 60 millions Australian Dollars) have been placed in Switzerland. In view of the good relations between the two countries the Swiss authorities have always readily granted the approval required by the Swiss banking legislation for these transactions. It seems that further issues are contemplated.

In spring 1967, on the occasion of the last bond issue, the Swiss Bank Corporation has mentioned to the Permanent Secretary of the Australian Treasury two pending problems, the solution of which would facilitate the further development of the mutual economic relations.

51
One of them concerns the conclusion of an air traffic agreement between Switzerland and the Commonwealth. On different occasions in the past the Embassy of Switzerland in Canberra has informed the Australian Government of the Swiss Government's desire to open negotiations in this respect. However, views which have been exchanged during the last ten years have not met with success. The Government of Switzerland would, therefore, appreciate very much if the Commonwealth Department of Civil Aviation could agree to enter into consultations in the near future.

The other matter which merits closer attention is the conclusion of an agreement on double taxation. Mutual contacts in this field have been made in the past. In September 1956 a draft of an agreement has been submitted by the Australian authorities. The outline of this text generally follows the OECD draft, but differs in a number of important items from the pattern of this organisation. The Australian draft in particular provides for integral taxation by each country of dividends, interest, royalties,



- 2 -

income from air and sea freight, as well as of wages and salaries. In May and September 1966 the Swiss authorities have informed their Australian counterparts that they were prepared to enter into consultations provided that substantial alterations of the initially submitted draft in line with the OECD text were made with a view of fostering Swiss investment in Australia. It was especially pointed out that taxation in Switzerland is relatively low which would necessitate reductions of Australian rates in order to make investment in the Commonwealth more attractive.

The Swiss authorities would appreciate receiving the texts of recently concluded double taxation agreements, such as the one with the United Kingdom. Furthermore, it is suggested that in case an Australian Delegation stays in Europe time should be provided for talks of technical nature with Swiss Government experts.