

31 October 2002

The International Taxation Project
Board of Taxation Secretariat
C/- The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sirs,

**SUBJECT: REVIEW OF INTERNATIONAL TAXATION ARRANGEMENTS
RE: TAX TREATY WITH NEW CALEDONIA**

Goodman Fielder is Australia's largest food company with operations also in New Zealand, China and the Pacific Islands. Goodman Fielder International generates annual sales of approximately \$280 million through its manufacturing operations in China, New Caledonia, Fiji, Papua New Guinea and the Solomon Islands and its worldwide exports of Australian and New Zealand products.

In line with Goodman Fielder's strategic direction to position itself as the leading retail branded food company in Australasia and the Pacific, we regularly explore opportunities to develop operations within our region and we strongly support the Government's leadership in working towards securing stable environments in our neighbouring economies.

To that end, Goodman Fielder continues to develop sustainable operations in the Asia Pacific Region and is actively involved in growing its business in New Caledonia. Goodman Fielder is one of the largest Australian investors in New Caledonia and is a significant food producer with turnover in excess of AUD25M (CFP1.7 billion) and employing 73 people.

The three business units within Goodman Fielder New Caledonia are:

- SICA-NC, an animal feed mill located at Boulouparis
- MPS, a flour mill located in Noumea
- GFNC a retail food business located in Noumea, produces extruded snacks (eg. Twisties) and packs flour for retail sale and manages imported products such as Uncle Tobys muesli bars and Meadow Lea margarine from Australia and New Zealand.

The Current Situation



Currently, Goodman Fielder is penalised when it repatriates profit from New Caledonia due to charging of withholding tax on dividends. The withholding tax represents a direct cost of investment and discourages investors such as Goodman Fielder. The inclusion of withholding tax on the repatriation of dividends on foreign sourced profits (on which tax has been paid) has the effect of increasing the cost of capital and our ability to compete and expand our operations in New Caledonia.

It is our view that the international tax treatment for dividends repatriated from New Caledonia should be comparable with the domestic tax treatment for the payment of dividends as if the investment was based in Australia. As you would be aware both countries apply a company tax rate of 30%. However, when a dividend is paid from New Caledonia, although the taxpayer is not subject to additional tax, they are still subject to withholding tax of 13.5% on those dividends.

To allow a more equitable international taxation agreement we support the establishment of a tax treaty with Australia and New Caledonia. This will foster the growth of investment of Australian based companies such as Goodman Fielder in New Caledonia. Currently Australia has a tax treaty with France and France has a tax treaty with New Caledonia, but there is no corresponding treaty between Australia and New Caledonia.

The terms of this treaty should be similar to the recent protocols established with between Australia and USA, whereby:

- No tax is chargeable in the source country on dividends where the beneficiary entitled company resident in the other country holds 80% or more of the voting power of the company paying the dividends and satisfies public listing requirements for that country;
- A limit of 5% withholding tax applies where the resident company holds less than 80% of the voting power.

We strongly recommend, given the additional complexity of investment and development of New Caledonia, that the 80% threshold is reduced to 50%. This would allow Australian resident companies holding 50% or more of the voting power of the company paying the dividends to be exempt from deducting withholding tax on those dividends.

Conclusion

We support the establishment of a tax treaty with Australia and New Caledonia to ensure Australian based companies are not disadvantaged in their investments in New Caledonia. This will enable us to continue the long-term growth and development of our New Caledonian operation, which will be mutually beneficial for both countries.

Yours sincerely

Garry A Habel
Managing Director