NATIONAL INTEREST ANALYSIS:

AGREEMENT BETWEEN NEW ZEALAND AND THE REPUBLIC OF SLOVENIA FOR THE ELIMINATION OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND THE PREVENTION OF TAX EVASION AND AVOIDANCE

1 Executive summary

1.1 On 3 December 2024 New Zealand signed the *Agreement between New Zealand and the Republic of Slovenia for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.*

1.2 Double tax agreements (DTAs) are bilateral international treaties that are designed to reduce or eliminate double taxation and other tax impediments to cross-border economic activity and investment. Businesses and individuals contemplating engaging in cross-border activity can be deterred by the costs, risk and uncertainty. DTAs reduce some of the costs and generally help improve certainty for investors. They tend to be favoured by all relevant stakeholder groups and are expressly recommended by the Organisation for Economic Co-operation and Development (OECD) as a tool for encouraging growth in economic ties between countries. Slovenia is a member of the OECD.

1.3 New Zealand currently has 40 DTAs in force. DTAs are negotiated and administered by Inland Revenue. Inland Revenue's DTA negotiation programme generally prioritises the negotiation of agreements that will provide the greatest benefits for New Zealand. Sometimes this may mean updating and modernising existing agreements with major trading and investment partners rather than concluding new agreements. However, additional new agreements are also entered into as opportunities arise.

1.4 A new DTA has now been concluded with Slovenia. A key factor in the decision to negotiate the agreement was the fact that Slovenia is a member of the European Union (EU), and New Zealand has recently negotiated a Free Trade Agreement (FTA) with the EU. DTAs can help maximise the benefits of FTAs. Trade and investment with Slovenia has not previously been particularly high but potential for significant future growth in trade and investment exists.

2 Nature and timing of the proposed treaty action

2.1 The *Agreement between New Zealand and the Republic of Slovenia for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance* (the Slovenian DTA) was concluded in Ljubljana on 20 September 2023 and signed in Wellington on 3 December 2024.

2.2 The proposed treaty action is to bring the Slovenian DTA into force through an exchange of diplomatic notes, in accordance with Article 28 of the Slovenian DTA. The Slovenian DTA will enter into force on the first day of the third month following the date of receipt of the later note. This is expected to occur in mid to late 2025.

2.3 Before the treaty comes into force, Standing Orders 405 to 408 require the Slovenian DTA to undergo Parliamentary treaty examination. It must also be given the force of law in New Zealand, which is achieved by means of an Order in Council made under section BH 1 of the Income Tax Act 2007.

2.4 Like other DTAs, the Slovenian DTA will not apply to the Cook Islands, Niue, or Tokelau.

3 Reasons for New Zealand becoming Party to the treaty

3.1 New Zealand entered into its first DTA in 1947, and currently has a network of 40 DTAs in force.

3.2 DTAs are bilateral international treaties that are principally designed to encourage growth in economic ties between countries. They are entered into to foster a more favourable economic environment that will increase cross-border income-earning activity and investment.

3.3 The OECD has assumed a leading role in promoting the use of DTAs as a way of contributing to the expansion of world trade and developing the world economy. As a member of the OECD, New Zealand is subject to an express recommendation issued by the OECD Council in 1997 for all member countries:

> *… to pursue their efforts to conclude bilateral tax conventions … with those member countries, and where appropriate with non-member countries, with which they have not yet entered into such conventions …*

3.4 At a practical level, DTAs are complex technical documents that provide an interface between two, often conflicting, tax systems. Despite their complexity, however, DTAs are generally favoured by all of the key stakeholder groups that are involved in cross-border economic activity:

a. **Taxpayers**. A primary concern for any taxpayer contemplating engaging in commercial or employment activity in another jurisdiction is that they must comply with the tax and other legal obligations of two separate jurisdictions. This can be perplexing and obtaining professional advice or tax rulings can be costly and time consuming. Unique issues also arise from cross-border activities, ranging from complex matters such as transfer pricing disputes, to more mundane considerations such as whether taxes paid in the other jurisdiction are creditable against home jurisdiction tax. DTAs help alleviate many of these problems. They establish a framework for the taxation of cross-border activity, prohibit discriminatory taxation, and establish a low-cost mechanism for taxpayers to raise concerns if they think that the DTA is not being correctly applied or interpreted.

b. **Investors**. Investing across an international border always involves risk. Specific risks arise in respect of tax because of the inherent complexity of tax laws, which can lead to uncertainty as to the actual tax outcome. Tax laws can also change suddenly in some jurisdictions. DTAs assist investors by specifying the maximum rates of withholding tax that can be applied to dividends, interest and royalties. This makes it easier for investors to determine the after-tax returns on potential investments. These withholding tax rates are also "locked in" by the DTA, which means that investors can make business decisions with greater confidence. To encourage greater inward investment, New Zealand has unilaterally reduced withholding taxes on certain returns from inbound investment. However, lowering withholding tax rates in a bilateral treaty setting ensures that the rates are also reduced on a reciprocal basis by the DTA partner. This provides benefits to New Zealand residents that invest abroad.

c. **Governments**. As double taxation distorts business decisions and generally hinders cross-border economic activity, most jurisdictions unilaterally relieve double taxation of their tax residents. For example, New Zealand tax legislation allows tax residents who derive foreign-sourced income, to credit the foreign tax paid against their New Zealand tax liability. However, DTAs provide more comprehensive relief from double taxation than is possible unilaterally and allow the cost of relieving double taxation to be shared. They do this by allocating taxing rights between the jurisdictions concerned. In addition, DTAs facilitate international cooperation between tax authorities. This is now a less significant role for DTAs than it once was, given that tax cooperation is now also provided for under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. This convention, which applies to 147 jurisdictions including New Zealand and Slovenia, was significantly updated in 2010 and enables the automatic exchange of information, as well as other assistance measures such as the recovery of foreign tax claims.

3.5 As DTAs are primarily concerned with taxation, they are negotiated and administered by Inland Revenue. Inland Revenue's DTA negotiation programme seeks to strike a balance between updating and modernising existing DTAs with major trading and investment partners and entering into new agreements as opportunities arise. Generally, negotiations are prioritised on the basis of greatest economic benefit for New Zealand, as part of a work programme agreed to by the Minister of Revenue. Strategic and foreign policy considerations may also be relevant to prioritisation decisions.

3.6 New Zealand recently negotiated a Free Trade Agreement (FTA) with the European Union (EU). DTAs with EU partner countries may help maximise the benefits of the FTA. New Zealand currently has DTAs with 13 of the 27 EU Member Countries, and the DTA with Slovenia is one of several being progressed with the remaining 14.

3.7 Slovenia is not a major trading and investment partner for New Zealand, though trade has increased in recent years (albeit from a low base). Exports from New Zealand to Slovenia have been around $5-10 million per annum over the 2015-2022 period, while imports from Slovenia to New Zealand have grown from around $15 million in 2015 to around $38 million in 2023. Investment flows have been less than $2 million per year in both directions for the past five years.

3.8 There is potential for further growth, particularly if the DTA helps maximise the benefits of the EU FTA. Slovenia, like New Zealand, is a small, open trading nation and a strong supporter of the multilateral system. Slovenia's membership in the OECD means that the OECD Council's recommendation to pursue efforts to conclude bilateral DTAs with other member countries is a relevant factor in the recommendation to progress a DTA.

4 Advantages and disadvantages to New Zealand of the treaty entering into force and not entering into force for New Zealand

4.1 The Slovenian DTA involves a trade-off between advantages and disadvantages to New Zealand. On balance, entering into the Slovenian DTA is expected to be in New Zealand's overall interests.

Advantages of the treaty entering into force

4.2 The advantages to New Zealand of the Slovenian DTA entering into force can be summarised as follows:

a. In concert with the recently negotiated EU FTA, the DTA can be expected to foster some forms of bilateral economic activity (such as services and investment). This will benefit New Zealand in terms of employment and business opportunities and offshore earnings.

b. For New Zealand business interests, the DTA will reduce the cost of importing capital.

c. For investors in both jurisdictions, the DTA will reduce compliance costs and provide the certainty of lower headline withholding tax rates, locked in by the DTA.

d. For investors, businesses and taxpayers from both jurisdictions, the DTA will provide safeguards such as a mutual agreement procedure, which will facilitate the resolution of tax disputes (including disputes in complex areas such as transfer pricing).

e. For taxpayers engaged in certain short-term income-earning activities in Slovenia, the DTA will reduce compliance costs and provide cash-flow advantages by eliminating the need to pay tax in Slovenia and then claim that tax against their tax liability in New Zealand.

f. The DTA will provide an equitable framework for sharing the cost of relieving double taxation between New Zealand and Slovenia.

g. In some circumstances, due to New Zealand now having the exclusive taxing right over a piece of income, New Zealand will no longer need to provide credits for foreign tax paid.

h. The Slovenian DTA represents a good precedent for New Zealand in future negotiations with other jurisdictions. This is because New Zealand and Slovenia both favour a greater focus on source taxation (as opposed to residence taxation). As a result, New Zealand was able to secure agreement on important negotiating positions. The Slovenian DTA also includes all of the key base erosion and profit shifting (BEPS) model anti-abuse provisions.

Disadvantages of the treaty entering into force

4.3 As noted above, DTAs offer bilateral solutions to problems that are difficult or impossible to solve unilaterally. However, as positions in a DTA are "locked-in", they can be difficult and costly to change. This can create difficulties if DTA provisions need to be changed urgently. Practical experience indicates that in genuine cases, DTA partners are usually amenable to making necessary changes. However, in extreme cases, if the DTA partner were to refuse to cooperate, the DTA may need to be terminated.

4.4 A second general disadvantage of DTAs is that they typically give rise to an upfront revenue cost. This is because DTAs lower withholding tax rates on investment returns. They also allocate taxing rights between the two jurisdictions. These features could rise to revenue costs depending on trade flows. The allocation of taxing rights means that New Zealand will lose the ability to tax some income streams to the extent that it could previously (this applies on a reciprocal basis). However, any upfront costs could be mitigated to the extent that the DTA fosters increased cross-border economic activity. Further, as noted below in section 8 “Costs to New Zealand of compliance with the treaty”, in the case of Slovenia, any upfront revenue costs are expected to be negligible.

4.5 A third general disadvantage of DTAs is the potential for abuse, in particular, as regards “treaty shopping” or use of DTAs in tax planning techniques designed to reduce taxation in unintended ways. However, the Slovenian DTA incorporates the key model anti-abuse provisions which have arisen out of the international BEPS work to provide protection against such abuse.

Advantages of the treaty not entering into force

4.6 Not bringing the Slovenian DTA into force is an option. In that case, the disadvantages identified above will not arise.

Disadvantages of the treaty not entering into force

4.7 If the Slovenian DTA does not enter into force, the possibilities for increased trade, investment and other economic activity, particularly those that may arise as a consequence of the EU FTA, may not be maximised to their full potential. Further, the other advantages identified above would not arise.

5 Legal obligations which would be imposed on New Zealand by the treaty action, the position in respect of reservations to the treaty, and an outline of any dispute settlement mechanisms

Summary of key legal obligations

5.1 DTAs do not impose requirements on taxpayers. The obligations DTAs impose only apply to the respective Governments, requiring both to restrict their taxing rights on a reciprocal basis. When income is derived from one country (the source jurisdiction) by a tax resident of the other country (the residence jurisdiction), the residence jurisdiction generally retains taxing rights under the DTA. The main impact of the DTA is to restrict the ability of the source jurisdiction to tax the income in certain circumstances and to require the residence jurisdiction to provide tax relief for the tax the source jurisdiction is permitted to charge.

5.2 The key allocation of taxing rights in the Slovenian DTA is as follows:

a. **Business profits** of an enterprise will be taxable only in the jurisdiction in which the enterprise is resident, unless profits are derived through a permanent establishment in the source jurisdiction. In that case, the profits may also be taxed in the source jurisdiction (Article 7 refers). The term “permanent establishment” is generally defined in the Slovenian DTA as meaning a fixed place of business through which the business of an enterprise is wholly or partly carried on. However, this rule is supplemented by a number of clarifications and deeming rules which follow New Zealand’s preferred formula, and which will ensure that New Zealand can continue to impose tax on significant business activities here such as natural resource exploration or exploitation (Article 5 refers).

b. **Investment returns (dividends, interest and royalties)** may generally be taxed in both jurisdictions. However, the amount of withholding tax that can be imposed by the source jurisdiction is limited to 5% for dividends if the dividend is paid to a company that directly holds at least 10% of either the voting power (in the case of New Zealand) or capital (in the case of Slovenia) of the company paying the dividends, 15% for all other dividends (Article 10 refers), and 10% for interest and royalties (Articles 11 and 12 refer). The limitation does not apply if the dividends, interest or royalties are derived in connection with a permanent establishment in the source jurisdiction.

c. Article 11 of the Slovenian DTA also contains an exemption for interest derived by certain government entities, provided the government entity does not directly or indirectly hold more than 10% of the voting power in the payer of the interest. This is in line with New Zealand's policy to provide sovereign immunity from tax only for passive investment activity, where the investment itself is not in competition with private investment. New Zealand's DTA policy is that sovereign immunity from tax should not be available where the Government owns an active business to ensure the exemption cannot be used to strip profits out of New Zealand through interest payments.

d. **Income from employment** will be taxable primarily in the jurisdiction in which the employee is resident. Where a resident of one jurisdiction performs work in the other (source) jurisdiction, that income can be taxable in the source jurisdiction if certain conditions are met. Those conditions are that the employee is present in the source jurisdiction for not more than 183 days in any 12-month period, the employer is not resident in the source jurisdiction, and the employee's renumeration is not borne by a permanent establishment in the source jurisdiction. (Article 14 refers).

e. **Pensions** will be taxable only in the jurisdiction in which the recipient is resident (Article 17 refers)

5.3 A number of exceptions to the above rules also apply. These include:

a. **Income from real property** (referred to as "immovable property" in the Slovenian DTA) will always be taxable in the jurisdiction where the property is situated (Articles 6 and 13 refer).

b. Profits of an enterprise from the operation of **ships or aircraft in international traffic** will be taxable only in the jurisdiction in which the enterprise is resident. However, profits from purely domestic carriage by ship or aircraft will always be taxable in the source jurisdiction (Articles 8 and 13 refer).

c. **Directors' fees** will always be taxable in the jurisdiction in which the company paying the fees is resident (Article 15 refers).

d. Income from the activities of **entertainers and sportspersons** will generally be taxable in the source jurisdiction, regardless of whether the entertainer or sportsperson's residence country also has a taxing right (Article 16 refers). If the visit is wholly or mainly supported by the public funds of either state, then it is taxable only in the residence country.

e. Salaries and wages for **services to a government** of one jurisdiction will generally be exempt from tax in the other jurisdiction. (Article 18 refers).

5.4 Where the allocation of taxing rights permits both jurisdictions to tax an item of income, the Slovenian DTA will require New Zealand to relieve double taxation of its residents by allowing a credit for the tax paid in Slovenia (Article 21 refers). This is consistent with the unilateral relief mechanism that already applies under New Zealand domestic law. The obligation also applies reciprocally, so Slovenia must allow its residents a credit for New Zealand tax paid.

5.5 The non-discrimination provision also requires that New Zealand does not subject nationals of Slovenia to a greater tax burden than New Zealand nationals would be subject to in the same circumstances, in particular regarding residence (Article 22 refers). This requirement applies to both taxation and connected requirements, but only to the taxes covered by the agreement (Article 2 refers). Additional non-discrimination rules apply with respect to permanent establishments, deductions and New Zealand companies that are wholly or partly owned or controlled by residents of Slovenia. This provision does not apply to rules designed to prevent the avoidance or evasion of taxes. The non-discrimination obligations are reciprocal.

5.6 In addition to the above obligations, New Zealand will be required to comply with various reciprocal administrative requirements imposed by the Slovenian DTA. These are as follows:

a. **Mutual agreement procedure:** New Zealand must comply with the procedures for settling disputes set out in the mutual agreement procedure Article of the Slovenian DTA (Article 23 refers). This is discussed below, in the section *Dispute resolution*.

b. **Exchange of information:** New Zealand has obligations to exchange tax related information between tax authorities, for the purpose of detecting and preventing tax evasion and tax avoidance (Article 24 refers). However, the Exchange of Information provisions in the DTA do not create any new legal obligations beyond those already applying under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters to which New Zealand and Slovenia are already party.

c. **Assistance in collection:** New Zealand has agreed to lend assistance to Slovenia in the collection of their revenue taxes. However, the Assistance in Collection provisions in the DTA do not create any new legal obligations beyond those already applying under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters to which New Zealand and Slovenia are already party.

Dispute resolution

5.7 The Slovenian DTA establishes a "mutual agreement procedure" for resolving disputes. Under this procedure, a taxpayer who considers that they have been taxed incorrectly under the DTA, including in transfer pricing cases, can approach their local tax authority under Article 23 to invoke a mutual agreement procedure. If the tax authority considers the case to be justified and is unable to resolve the case through its own actions, it must approach the tax authority of the other jurisdiction to seek a bilateral resolution. This bipartisan approach is particularly appropriate in the DTA context because a single issue will generally affect a person's tax position in both jurisdictions. Note that under the mutual agreement procedure the two sides are only obliged to "endeavour" to reach resolution within three years. Where an agreement is unable to be reached, the taxpayer may request arbitration. Further to this, the taxpayer remains free to pursue a case through the Courts (including if they do not agree with the decision reached under the mutual agreement procedure).

5.8 The mutual agreement procedure also authorises the tax authorities of the two jurisdictions to collectively resolve any difficulties or doubts about the correct interpretation or application of the Slovenian DTA.

Reservations

5.9 The Slovenian DTA does not allow parties to make reservations upon ratification. Reservations typically only feature in multilateral treaties. When permitted, they effectively enable a party to specify which treaty obligations they are committing to.

6 Measures which the Government could or should adopt to implement the treaty action, including specific reference to implementing legislation

6.1 Subject to the successful completion of the Parliamentary treaty examination process, the Slovenian DTA will be incorporated into New Zealand legislation by an Order in Council made pursuant to section BH 1 of the Income Tax Act 2007. Section BH 1 provides for the giving of overriding effect to DTAs by Order in Council. However, the override relates only to tax matters, and only the Inland Revenue Acts, the Official Information Act 1982 and the Privacy Act 2020 may be overridden.

6.2 The override of the Inland Revenue Acts is necessary to give effect to the core provisions of the Slovenian DTA, which provide relief from tax that would otherwise be imposed under domestic law. The override of the Official Information Act 1982 is necessary to ensure that confidential communications between the two jurisdictions do not have to be disclosed. The override of the Privacy Act 2020 is necessary to ensure that information regarding natural persons can be exchanged according to the terms of the DTA.

6.3 Article 28 of the Slovenian DTA provides for the agreement to be brought into force through an exchange of diplomatic notes between the Contracting States. The Slovenian DTA will enter into force on the date of receipt of the later diplomatic note. New Zealand will be able to notify Slovenia that all procedures required by domestic law have been completed once the Order in Council has entered into force, which will be 28 days after its publication in the New Zealand Gazette.

6.4 Thereafter, the provisions of the Slovenian DTA will have effect from various dates, according to the terms of the DTA. In New Zealand, the provisions relating to withholding taxes will take effect on the first day of the third month after the date on which the DTA enters into force. The provisions relating to other taxes will have effect for income years beginning on or after 1 April after the date on which the DTA enters into force.

6.5 As an alternative to the above Order in Council mechanism, the Slovenian DTA could be given legislative effect by means of the enactment of a dedicated statute. However, this option would unnecessarily increase the amount of primary tax legislation required and is not preferred.

7 Economic, social, cultural and environmental costs and effects of the treaty action

7.1 As noted elsewhere in this National Interest Analysis, the overall economic effects of the Slovenian DTA are expected to be favourable to New Zealand. This is because the Slovenian DTA can be expected to encourage growth in trade and investment between New Zealand and Slovenia. It is not possible to quantify the economic benefits but, as noted below, the costs of entering into the DTA are expected to be negligible, and overall, the benefits of the Slovenia DTA are expected to outweigh the costs.

7.2 No social, cultural or environmental costs or effects are anticipated.

8 The costs to New Zealand of compliance with the treaty

8.1 DTAs constrain New Zealand from taxing certain income and limit the rate at which tax on dividends, royalties and interest can be imposed, and therefore typically can be expected, prima facie, to result in some reduction of New Zealand tax.

8.2 This potential upfront revenue cost is typically offset by other factors. For example, there will be an offsetting effect to the New Zealand tax base from the reduction of tax in Slovenia on New Zealand residents, and the reduced need for New Zealand to allow foreign tax credits.

8.3 Data limitations prevent officials from accurately estimating the actual revenue cost of DTAs. However, due to the limited existing trade and investment flows between Slovenia and New Zealand, any reduction of New Zealand tax is expected to be negligible.

8.4 In general, as discussed above, DTAs are also expected to give rise to favourable long-term economic benefits, such as increased cross-border services, trade and investment. Again, officials cannot quantify the expected economic benefits of the Slovenian DTA but, overall, the benefits are expected to outweigh the costs.

8.5 Compliance costs for New Zealand businesses are expected to be reduced under the Slovenia DTA.

8.6 While Inland Revenue may incur some costs in the administration of the treaty, these can be accommodated within existing baseline funding.

9 Completed or proposed consultation with the community and parties interested in the treaty action

9.1 The Treasury and the Ministry of Foreign Affairs and Trade were consulted about the content of this extended National Interest Analysis.

9.2 No specific private sector consultation was undertaken. Consistent with international practice, officials generally do not consult on the content of tax treaties. With the exception of a few countries, most jurisdictions do not make their negotiating models public and, therefore, negotiations are also considered to be confidential.

9.3 The Government sets New Zealand's strategic priorities in relation to tax treaties and New Zealand's negotiating model reflects these priorities.

9.4 New Zealand's negotiating model is also based on a model tax convention published by the OECD (the OECD Model Tax Convention). As issues are discussed and considered for inclusion in the update to the OECD Model Tax Convention, the OECD seeks feedback from the public, including the OECD's Business and Industry Advisory Committee (BIAC) which consists of business representatives from around the world. Accordingly, while officials have not specifically consulted the private sector on the Slovenian DTA, feedback has been provided (including by interested parties from New Zealand) on the provisions on which New Zealand's negotiating model is based.

9.5 There is also a long-standing informal practice whereby practitioners contact Inland Revenue regarding specific issues with New Zealand's existing DTAs as they arise. This feedback is also used to improve New Zealand's negotiating model and potentially inform future negotiations.

10 Subsequent protocols and/or amendments to the treaty and their likely effects

10.1 No further amendments are anticipated at this time. New Zealand will consider future amendments on a case-by-case basis. Any amendments to the Slovenian DTA will be subject to the normal domestic approvals and procedures. While there is no amendment clause in the Slovenian DTA, amendment would be subject to the usual requirements of the Vienna Convention on the Law of Treaties.

10.2 An accompanying Protocol forms an integral part of the Slovenian DTA and was signed at the same time as the main DTA text. Countries often prefer clarifying provisions and departures from their standard DTA model to be located in an accompanying Protocol.

10.3 While there is no formal review planned for the Slovenian DTA, the competent authorities for each country remain in contact to resolve any interpretation and application issues. In addition, taxpayers and practitioners are able to raise such issues with the competent authorities. In the case of New Zealand, the Commissioner of Inland Revenue is the competent authority and the appropriate contact details can be found on the Inland Revenue website.

11 Withdrawal or denunciation provision in the treaty

11.1 Under Article 29 of the Slovenian DTA, after the expiry of five years from the date of entry into force, either party may terminate the agreement by giving written notice of termination through diplomatic channels. The termination would take effect:

a. in New Zealand:

   i. for withholding taxes, for amounts paid on or after the first day of January in the calendar year following the receipt of the notice of termination; and

   ii. for other taxes, for income years beginning on or after 1 April in the calendar year following the receipt of notice of termination;

b. in Slovenia:

i. for withholding taxes, to income derived on or after the first day of the third month following the receipt of the notice of termination; and

ii. for other taxes, for taxable years beginning or after 1 January in the calendar year following the receipt of notice of termination.

11.2 Article 29 generally follows the approach used in New Zealand's other DTAs.

12 Agency Disclosure Statement

12.1 Inland Revenue is solely responsible for the analysis and advice set out in this extended National Interest Analysis. This analysis and advice has been produced for the purpose of informing final decisions to proceed with a policy change to be taken by or on behalf of Cabinet.

12.2 Inland Revenue has analysed the issue of implementing the Slovenian DTA, and the legislative and regulatory proposals arising from that implementation. As part of that process, Inland Revenue considered the option of not entering into the DTA. Inland Revenue is of the view that there are no significant constraints, caveats or uncertainties concerning the regulatory analysis. There are no areas of incompatibility with the "Government expectations for good regulatory practice".

12.3 The allocation of taxing rights under the Slovenian DTA is consistent with the New Zealand negotiating model, which in turn is based on the OECD's Model Tax Convention on Income and on Capital. The revenue cost to New Zealand as a result of the allocation of taxing rights under the DTA is expected to be negligible, given the limited existing trade and investment flows between New Zealand and Slovenia.

12.4 If the Slovenian DTA is entered into, officials expect compliance costs will decrease, administration costs will increase (but only at the margins), and bilateral trade and investment may increase. However, due to data limitations and, particularly in the case of bilateral trade and investment, uncertainty about behavioural responses, officials are unable to quantify the impacts, although they are likely to be minor or small.

12.5 The Treasury and the Ministry of Foreign Affairs and Trade have been consulted about the content of this extended National Interest Analysis. However, consistent with standard international practice, no wider consultation was undertaken.

12.6 Inland Revenue's view is that the policy options considered will not impose additional costs on business interests; nor impair private property rights, market competition, or the incentives for business to innovate and invest; nor override fundamental common law principles.

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