



Tax Treaties Branch
Corporate and International Tax Division
Treasury
Email: TaxTreatiesBranch@treasury.gov.au

23 December 2022

Dear Sir or Madam,

Submission on Australia's Tax Treaty Network Expansion

The Australian Chamber of Commerce in Hong Kong (AustCham) represents more than 900 members from 230+ companies. We are one of the largest international Chambers in Hong Kong and one of the largest Australian Chambers abroad. AustCham's membership includes Australian businesses operating offshore, Hong Kong companies with significant investments in Australia, international companies with operations in Australia and Hong Kong, and individuals leading Small and Medium Sized businesses and working in Hong Kong. AustCham has been in Hong Kong since 1987 supporting our members, their business and the Australia-Hong Kong bi-lateral relationship.

The Treasury's consultation on Tax treaty network expansion provides another opportunity to once again share AustCham's support for expanding Australia's tax treaty network by considering a comprehensive Double Tax Agreement (DTA) between Australia and Hong Kong.

Hong Kong is home to over 100,000 Australian nationals, with the largest number of Australian businesses based outside Australia and our second largest expatriate community globally. As at June 2020, there were 29 regional headquarters, 50 regional offices and 85 local offices in Hong Kong with parent companies located in Australia – the 10th largest international representation of regional HQs in Hong Kong.

Hong Kong is a global financial centre and Asia's leading finance hub. It is a major logistics and transportation hub and remains the gateway to and from China for investment and capital flows. Hong Kong is Australia's 7th largest trade partner and fifth largest source of direct foreign investment.

Hong Kong has 46 DTAs in place with jurisdictions that include Australian tax treaty partners such as the United Kingdom, Singapore, New Zealand, Japan, Indonesia and Malaysia. As an example, Hong Kong and New Zealand signed a tax treaty in December 2010, which entered into force in November 2011. Hong Kong is also currently in DTA negotiations with 13 other jurisdictions, including Germany, Israel and Norway. We understand the Hong Kong government is very receptive to entering into DTA negotiations with Australia.

A DTA between Australia and Hong Kong is critical for Australian business and important in strengthening the relationship between Australia and Hong Kong. Such an agreement fosters increased cross-border trade and investment between the two jurisdictions and secure economic



growth into the future, whilst demonstrating a shared commitment to addressing international tax avoidance practices.

In 2017 AustCham provided a detailed submission (enclosed) on the benefits of an Australia-Hong Kong Double Taxation Agreement. The issues discussed in this submission remain significant and relevant today. There are real and tangible advantages to Australia in terms of greater information and transparency in entering into a DTA with Hong Kong, including:

- providing complementarity and support to the Australia-Hong Kong Free Trade Agreement
- strengthening investment into Australia, particularly given large infrastructure projects requiring capital such as green energy and decarbonisation projects
- providing greater access to information in Hong Kong for the ATO
- protecting Australian tax residents temporarily based in Hong Kong, from Australian tax on their foreign source income (assuming they are allocated to Hong Kong under the tie-breaker provisions)
- Increasing the attractiveness of Australia for leading global talent, especially international executives, identified as a solution to addressing Australia's skills deficit and accelerating economic growth.

These last two points are particularly critical given the proposed reform of Australia's individual tax residency tests and proposed adoption of the Board of Taxation's recommendations in its 2019 report¹.

Recent developments with the implementation of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Inclusive Framework also underscore the need for greater certainty a DTA can provide for Australian businesses in Hong Kong.

If you have any queries about this submission, contact myself on austcham@austcham.com.hk or by phone +852 6398 6105.

Yours sincerely,

Stefanie Evennett
Chief Executive

Encl.: March 2017, AustCham Hong Kong Submission, Australia - Hong Kong Comprehensive Double Taxation Agreement: Securing economic growth into the future (Confidential)

¹ The previous Federal Government in the 2021/2022 Federal Budget proposed to consider the recommendations of the Board of Taxation in reforming Australia's tax residency rules as contained in its report released in 2019 '[Reforming Individual Tax Residency Rules – a model for modernisation](#)'.