



HONG KONG TAX ALERT

ISSUE 21 | November 2018

Hong Kong concludes negotiations with Australia on a Free Trade Agreement (FTA) and Investment Agreement (IA)

Summary

On 15 November 2018, Hong Kong concluded negotiations for a FTA and an IA with Australia. The details of the FTA and IA will be released when both countries sign the agreements in the first half of 2019.

The main objectives for Hong Kong launching the FTA negotiations were to achieve zero tariffs for Hong Kong products sold into the Australian market and to secure for Hong Kong services providers freer access to Australia's markets.

On 15 November 2018, Hong Kong and Australia successfully concluded negotiations on a FTA and a new IA replacing the existing IA. The FTA and the IA negotiations between Hong Kong and Australia commenced in May 2017, bringing the 18 month negotiation to a close.

Given recent global trade tensions, the Hong Kong – Australia FTA and IA mark a milestone in the development of the substantial bilateral trade and investment relationship between the two jurisdictions.

The FTA and IA, when signed, will cover trade in goods, trade in services, investment and other related areas, and will boost the flow of trade and services between Hong Kong and Australia. This will enhance the competitiveness of Hong Kong exports in the Australian market and promote Hong Kong's competitiveness as an investment jurisdiction.

The main objectives for Hong Kong launching the FTA negotiations were to:

- Ensure zero tariffs for Hong Kong products sold into the Australian market; and
- Secure for Hong Kong services providers the best FTA commitments that Australia has offered.

Currently, Hong Kong has FTA arrangements with Mainland China, New Zealand, Iceland, Liechtenstein, Norway, Switzerland, Chile, Macao, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and Georgia. Hong Kong has also concluded negotiations with Maldives and Australia. This brings the total number of FTA arrangements which Hong Kong has to 21.

Hong Kong also has existing 20 IA arrangements with Australia, Austria, Belgium, Luxembourg, Canada, Chile, Denmark, Finland, France, Germany, Italy, Japan, Republic of Korea, Kuwait, the Netherlands, New Zealand, Sweden, Switzerland, Thailand and the United Kingdom.

In addition, Hong Kong has 17 treaty arrangements with investment provisions with Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, China, Chile, Iceland, Liechtenstein, Norway, Switzerland and New Zealand.

KPMG observations

The Hong Kong FTA and IA with Australia will foster and strengthen bilateral ties between both countries. It will provide certainty for Hong Kong corporations doing business in Australia as well as providing better access to the Australian market for Hong Kong exporters of education, financial and professional services.

The details of Hong Kong and Australia's FTA and IA will be released when both countries sign the agreements in the first half of 2019.

Typically, FTAs are accompanied by a comprehensive double taxation agreement. We hope this will be the case with Australia.

For more information and assistance, please contact your usual tax advisor or one of our tax contacts below.

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