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Committee Secretary
Joint Standing Committee on Trade
PO Box 6021
Parliament House
CANBERRA ACT 2600

By email: jsct@aph.gov.au

Dear Sir/Madam

CPA Australia submission on the Australia-Hong Kong Free Trade Agreement

CPA Australia represents the diverse interests of more than 164,000 members working in 150 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

In making this submission on the [Free Trade Agreement between Australia and Hong Kong, China](#), we have not only drawn on our experience in the Australian market but also the Hong Kong market, where we have been operating for over 60 years and have over 12,000 members.

General comments

We support the free trade agreement (FTA) between Australia and Hong Kong. We believe that both markets will be net beneficiaries of the agreement and recommend that both governments seek to bring the FTA into force.

We encourage both governments to explore, at an appropriate time, further options to improve the connectivity between the two economies, including making the movement of people between economies easier, encouraging joint innovation, increasing the linkages between our respective capital markets through, for example, a stock connect scheme, and improving cooperation on health and aged care.

We expect that the FTA will complement the China-Australia Free Trade Agreement (ChAFTA) and possibly expand the benefits that are flowing out of that agreement, for Australian and Hong Kong businesses.

The need for a double tax treaty between Australia and Hong Kong

We note that Australia and Hong Kong have not entered into a double tax agreement (DTA). As a consequence, we expect the anticipated economic benefits of the free trade agreement may not fully materialise. Therefore, we recommend that the Committee suggest to the Government that they seek to conclude a DTA with Hong Kong as a priority.

A DTA would help to encourage trade and investment and the movement of people between the two markets by reducing or eliminating double taxation caused by overlapping tax jurisdictions. A DTA will also reduce tax impediments to cross-border trade and investment by providing taxpayers greater certainty on the tax rules that apply to particular transactions between the two jurisdictions and assist tax administration.

At an individual level, a DTA could reduce disincentives to the movement of people between both jurisdictions as a DTA would remove double taxation in, for example, circumstances where a person from one jurisdiction is temporarily earning a salary in the other jurisdiction. For companies, it should encourage greater cross-border trade and investment by reducing foreign withholding tax on dividends, interest and royalties.

Other benefits that could flow from a DTA include:

- increasing certainty by prescribing how certain profits are to be calculated

- exempting certain short-term activities in the host jurisdiction from income tax
- providing certainty of tax treatment
- providing procedures that assist in resolving disputes, and
- enabling more information to be exchanged between tax administrations.

If you have any queries contact Gavan Ord, Manager Business and Investment Policy at CPA Australia on

Yours sincerely

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