ACCA

The Financial Services and The Treasury Bureau
24/F Central Government Offices
2 Tim Mei Avenue
Tamar
Hong Kong

17 November 2014

Dear Sir

Hong Kong's programme for Comprehensive Avoidance of Double Taxation Agreement (CDTA) and Tax Information Exchange Agreement (TIEA)

Thank you for your letter dated 31 October 2014 inviting suggestions from ACCA Hong Kong on jurisdictions which the Government should approach for CDTA/TIEA discussions this year.

Attached is a duly completed Annex C as requested in your letter regarding our suggestions and the reasons for the need of a CDTA with the suggested jurisdictions. We would like to reiterate our suggestion that the Government should continue to accord priority to CDTA negotiations, but not to shift any negotiation from CDTA to TIEA. However we agree to the framework for TIEA in order not to expose Hong Kong to the unnecessary risk of economic sanctions in the absence of any TIEA powers or network. As such, only where there is a mutual commitment to sign a CDTA, should the Government enter into a TIEA with a particular jurisdiction.

Should you wish to clarify any of the above issues, kindly please feel free to contact us at 2973 1108.

Yours faithfully

Fergus Wong
Chairman

Enclosures

c.c. Commissioner of Inland Revenue (Attn: Ms Mabel Mei)

Proposed Potential CDTA Negotiation Partners

	Jurisdictions	Priority (High/Medium/Low)	Any particular reasons for the need of a CDTA/TIEA
1	United States	High	These three countries are Hong Kong's major trading partners and fall into the top 10 countries with outbound / inbound FDI from / to Hong Kong, as shown by the External Direct Investment Statistics of Hong Kong 2012. Note: We note that United States is included in Annex B under TIEA. However, we request that the Government will continue to pursue the CDTA negotiation.
2	Australia	High	
3	Singapore	High	
4	Taiwan	High	Taiwan is also one of the major trading partners of Hong Kong. Taiwan imposes a 20% withholding tax on dividends, interest and/or royalties received by foreigners, but generally this rate is reduced to 10% under its tax treaties. As Hong Kong does not have a tax treaty with Taiwan, Hong Kong businesses that derive any of these income streams in Taiwan are subject to a very high Taiwanese tax. This tax is twice as high as the tax imposed on other foreign companies in Taiwan that could benefit from a tax treaty. Payments for services rendered by a Hong Kong-based company outside Taiwan for the benefit of companies in Taiwan could likely be deemed as Taiwan sourced income and

			subject to 20% withholding tax. With a tax treaty in place, cross border payments of similar nature should be free of withholding tax. For Hong Kong-based start-up companies and other smaller companies, the costs of excessive Taiwanese burden can be prohibitive and can prevent them from being able to enter the Taiwanese market at all. These companies thus cede this market to their competitors from other countries that have tax treaty which reduces the Taiwanese tax.
5	Brazil	High	It is a major south American country and one of the BRIC countries with growing economy and cannot be ignored in the coming years. Note: We also note that Brazil is included in Annex B under TIEA. However, we request that the Government will continue to pursue the CDTA negotiation.
6	Turkey	High	Turkey's economy is growing fast in the past years and its trade with China was doing well. In addition, it is a major gateway to Russia and western Asian countries
7	Mongolia	High	Mongolia is a high potential jurisdiction in terms of its economic performance and its resources industry. As per the World Bank's data, its GDP growth has been at double digit in the past few years and the trend is expected to continue. Its GDP in 2012 is five times of that in 2004.