

# HONG KONG TAX ALERT

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## 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.



# Contact us:



**Lewis Y. Lu**  
National Head of Tax  
Tel: +86 21 2212 3421  
[lewis.lu@kpmg.com](mailto:lewis.lu@kpmg.com)



**Curtis Ng**  
Head of Tax, Hong Kong  
Tel: +852 21438709  
[curtis.ng@kpmg.com](mailto:curtis.ng@kpmg.com)

## Corporate Tax Advisory



**Matthew Fenwick**  
Partner  
Tel: +852 21438761  
[matthew.fenwick@kpmg.com](mailto:matthew.fenwick@kpmg.com)



**Stanley Ho**  
Partner  
Tel: +852 2826 7296  
[stanley.ho@kpmg.com](mailto:stanley.ho@kpmg.com)



**Charles Kinsley**  
Partner  
Tel: +852 2826 8070  
[charles.kinsley@kpmg.com](mailto:charles.kinsley@kpmg.com)



**Alice Leung**  
Partner  
Tel: +852 2143 8711  
[alice.leung@kpmg.com](mailto:alice.leung@kpmg.com)



**Ivor Morris**  
Partner  
Tel: +852 2847 5092  
[ivor.morris@kpmg.com](mailto:ivor.morris@kpmg.com)



**John Timpany**  
Partner  
Tel: + 852 21438790  
[john.timpany@kpmg.com](mailto:john.timpany@kpmg.com)



**Eva Chow**  
Director  
Tel: +852 26857454  
[eva.chow@kpmg.com](mailto:eva.chow@kpmg.com)



**Elizabeth de la Cruz**  
Director  
Tel: +852 28268071  
[elizabeth.delacruz@kpmg.com](mailto:elizabeth.delacruz@kpmg.com)



**Natalie To**  
Director  
Tel: +852 2143 8509  
[natalie.to@kpmg.com](mailto:natalie.to@kpmg.com)



**Michael Olesnick**  
Special Advisor  
Tel: +852 2913 2980  
[michael.olesnick@kpmg.com](mailto:michael.olesnick@kpmg.com)

## Deal Advisory, M&A Tax



**Darren Bowdern**  
Head of Financial Services  
Tax, Hong Kong  
Tel: +852 28267166  
[darren.bowdern@kpmg.com](mailto:darren.bowdern@kpmg.com)



**Yvette Chan**  
Partner  
Tel: +852 28475108  
[yvette.chan@kpmg.com](mailto:yvette.chan@kpmg.com)



**Sandy Fung**  
Partner  
Tel: +852 2143 8821  
[sandy.fung@kpmg.com](mailto:sandy.fung@kpmg.com)



**Benjamin Pong**  
Partner  
Tel: +852 2143 8525  
[benjamin.pong@kpmg.com](mailto:benjamin.pong@kpmg.com)



**Malcolm Prebble**  
Partner  
Tel: +852 26857472  
[malcolm.j.prebble@kpmg.com](mailto:malcolm.j.prebble@kpmg.com)

## China Tax



**Daniel Hui**  
Partner  
Tel: +852 26857815  
[daniel.hui@kpmg.com](mailto:daniel.hui@kpmg.com)



**Adam Zhong**  
Partner  
Tel: +852 26857559  
[adam.zhong@kpmg.com](mailto:adam.zhong@kpmg.com)



**Travis Lee**  
Director  
Tel: +852 2143 8524  
[travis.lee@kpmg.com](mailto:travis.lee@kpmg.com)



**Wade Wagatsuma**  
Head of US Corporate Tax,  
Hong Kong  
Tel: +852 2685 7806  
[wade.wagatsuma@kpmg.com](mailto:wade.wagatsuma@kpmg.com)



**Vivian Tu**  
Director  
Tel: +852 2913 2578  
[vivian.tu@kpmg.com](mailto:vivian.tu@kpmg.com)



**Becky Wong**  
Director  
Tel: +852 2978 8271  
[becky.wong@kpmg.com](mailto:becky.wong@kpmg.com)

## Global Transfer Pricing Services



**Karmen Yeung**  
Head of Global Transfer  
Pricing Services, Hong Kong  
Tel: +852 2143 8753  
[karmen.yeung@kpmg.com](mailto:karmen.yeung@kpmg.com)



**Lu Chen**  
Partner  
Tel: +852 2143 8777  
[lu.chen@kpmg.com](mailto:lu.chen@kpmg.com)



**Patrick Cheung**  
Partner  
Tel: + 852 3927 4602  
[patrick.p.cheung@kpmg.com](mailto:patrick.p.cheung@kpmg.com)



**Irene Lee**  
Director  
Tel: +852 2685 7372  
[irene.lee@kpmg.com](mailto:irene.lee@kpmg.com)



**Lachlan Wolfers**  
National Head of Indirect  
Tax & Tax Technology;  
Asia Pacific Regional Leader,  
Indirect Tax  
Tel: +852 2685 7791  
[lachlan.wolfers@kpmg.com](mailto:lachlan.wolfers@kpmg.com)



**Alexander Zegers**  
Director, Tax Technology  
Tel: +852 2143 8796  
[zegers.alexander@kpmg.com](mailto:zegers.alexander@kpmg.com)

## People Services



**Murray Sarelius**  
National Head of People  
Services  
Tel: +852 3927 5671  
[murray.sarelius@kpmg.com](mailto:murray.sarelius@kpmg.com)



**Barbara Forrest**  
Partner  
Tel: +852 2978 8941  
[barbara.forrest@kpmg.com](mailto:barbara.forrest@kpmg.com)



**David Siew**  
Partner  
Tel: +852 2143 8785  
[david.siew@kpmg.com](mailto:david.siew@kpmg.com)



**Gabriel Ho**  
Director  
Tel: +852 3927 5570  
[gabriel.ho@kpmg.com](mailto:gabriel.ho@kpmg.com)



**Kate Lai**  
Director  
Tel: +852 2978 8942  
[kate.lai@kpmg.com](mailto:kate.lai@kpmg.com)

## [kpmg.com/cn](http://kpmg.com/cn)

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