



**THE AMERICAN
CHAMBER OF COMMERCE
IN HONG KONG**

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James E. Thompson

Chairman

June 24, 2002

Mrs. Lau Mak Yee-ming, Alice
Commissioner of Inland Revenue
Revenue Tower, 36/F.
5 Gloucester Road, Wan Chai
Hong Kong

Dear Mrs. Lau:

We refer to your request dated 2 April 2002 requesting our comments on whether Hong Kong should exchange tax information with other countries in order to achieve a comprehensive double taxation agreement ("DTA").

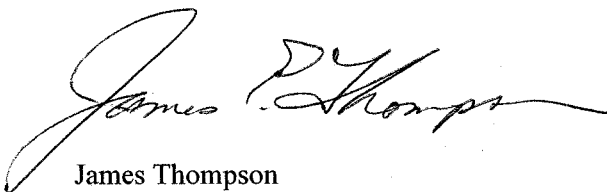
As a starting point, we agree that it is beneficial for Hong Kong to negotiate and execute DTAs with other countries. A network of DTAs help multinational corporations minimize double taxation and promote cross-border business operations.

We understand that the exchange of information has been a major obstacle for Hong Kong in negotiating DTAs. Hong Kong has few withholding taxes and is a relatively low-tax environment. Thus, the primary reasons why many other countries may be willing to negotiate a DTA with Hong Kong would be to obtain access to tax information from Hong Kong. We believe that Hong Kong should be willing to exchange tax information with other countries in order to conclude comprehensive DTAs.

Your Consultation Paper lists four alternative versions of the exchange of information provisions. They vary in their level of disclosure from most restrictive to liberal. Hong Kong should be willing to exchange tax information as necessary to expand the scope of DTA provisions. Since the exchange of information is the primary bargaining chip for Hong Kong, it should be carefully evaluated in each negotiation and offered with a "give and take" strategy. For example, if the other country is willing to execute a more comprehensive DTA, then Hong Kong should offer a more liberal version of the exchange of information provisions. Thus, we suggest that the exchange of information should be offered at its most liberal version if Hong Kong were able to conclude a comprehensive DTA. On the other hand, we would oppose the idea of Hong Kong negotiating an exchange of information agreement on a stand-alone basis since Hong Kong would be giving away its only bargaining chip.

We hope this letter helps you in developing your policy in this regard. If you have questions, please do not hesitate to contact me at

Sincerely yours,



James Thompson