

# **Draft Amendments to Article 29-1 of the Act Governing Relations with Hong Kong and Macao Pass the Third Reading in the Legislative Yuan, Providing a Legal Basis for Taiwan to Sign Agreements related to Mutual Tax Exemption on Sea and Air Transportation with Hong Kong and Macao and Helping to Enhance Taiwan's International Competitiveness**

**Date: November 28, 2017**

**MAC Press Release No. 85**

Draft amendments to Article 29-1 of the Act Governing Relations with Hong Kong and Macao passed the third reading in the Legislative Yuan on November 28. The Mainland Affairs Council (MAC) Minister Chang Hsiao-yueh especially thanked the ruling and opposition party legislators for their support. Once promulgated and brought into force, the amended act will provide a legal basis for the executive branch to promote the signing of related agreements. It will also help companies to strengthen their international competitiveness, optimize Taiwan's tax environment, and attract foreign investment to Taiwan.

The MAC stated that to help sea and air transport businesses reduce operating costs and enhance competitiveness, the governments of Taiwan and Macao, represented by the directors of their respective representative offices, signed the Taiwan-Macao Double Taxation Avoidance Agreement on Aviation Businesses on December 10, 2015, based on the Memorandum of Understanding between Taiwan and Air Macao Company on Mutual Exemption from Aviation Taxes. The agreement was approved by the seventh meeting of the Fourth Session of the Ninth Legislative Yuan on November 7, 2017. Furthermore, negotiations are nearing completion on the Taiwan-Hong Kong Double Taxation Avoidance Agreement on Sea Transportation Businesses promoted by the government.

The MAC further explained that the MAC and the Ministry of Finance promoted the amendments to the Act Governing Relations with Hong Kong and Macao in consideration of the "principle of taxation by law," due to the lack of explicit related provisions in the Act. Therefore, the passage of the aforementioned draft amendments clarifies the legal basis for Taiwan's executive branch to sign mutual tax exemption agreements with the governments of

Hong Kong and Macao. In the future, the government will continue to promote related agreements to reduce the tax burden, lower industry operating costs, and enhance competitiveness.