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Agreement ready soon on shipping tax relief

By GISELLE MILITANTE

THE governments of Hongkong, China, the United Kingdom and the United States are expected to announce in the next few days a long-awaited agreement on an exchange of notes that will grant Hongkong shipowners relief from shipping taxes imposed at US ports of call.

According to Tony Clark, principal assistant at the Economic Services Department, a statement will be issued soon on an agreement.

Under the contested US

Tax Reform Act of 1986, Hongkong shipowners with ships domiciled or flagged in Hongkong are required to pay the US Government taxes equivalent to 2.5 per cent of their gross earnings from cargo loaded or discharged at American ports of call.

At the same time, US vessels touching port in Hongkong are liable to pay taxes based on the gross earnings of their cargo.

However, as soon as the bilateral exchange of notes among the countries is ap-

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proved, the shipowner is entitled to a tax refund, with exemption backdated to January 1, 1987.

"We have been undertaking negotiations and we're hopeful we can come to a positive resolution very shortly. It's possible that a statement will be made by next week," Mr Clark said.

Sources said Hongkong had finally ironed out problems with Beijing and that Mr Clark was closely working with the Finance Depart-

ment on a statement that would be released soon.

The Hongkong Shipowners Association said the US Tax Reform Act of 1986 was detrimental to local shipowners' operations.

Mr Clark said the Hongkong Registry was proceeding according to schedule.

"There is no great problem. We will await the drafting of legislation and bring it in late next year. This means getting final recommendations towards the end of this year," Mr Clark said.