



UNIVERSITY  
OF WOLLONGONG  
AUSTRALIA

## Submission: Inquiry into the Free Trade Agreement between Australia and Hong Kong, China and the Investment Agreement between the Government of Australia and the Government of the Hong Kong Special Administrative Region of the People's Republic of China

August 2019

### **Introduction**

The University of Wollongong (UOW) welcomes the opportunity to provide input on the Free Trade Agreement (FTA) between Australia and Hong Kong, China (HK) and, the Investment Agreement between the Government of Australia and the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

UOW has a deep commitment to developing close links between Australia and HK in educational services, and strongly supports efforts of the Federal Government to continue to promote and develop strong links between Australia and HK.

### **About the University of Wollongong**

UOW is a research-intensive university that has built a strong international reputation for world-class research and exceptional teaching quality, and is ranked amongst the top 250 of universities worldwide. In 2018, UOW had over 36,000 total student enrolments globally and more than 2,400 staff (Full Time Equivalent).

The University offers more than 300 undergraduate/postgraduate courses and research degrees across a wide range of disciplines through the five broad faculties of Business, Engineering and Information Sciences, Law, Humanities and the Arts, Science, Medicine and Health and, Social Sciences.

UOW is an international multi-campus university, with campuses at Wollongong, Shoalhaven, Batemans Bay, Bega, and the Southern Highlands, and three Sydney campuses (at Loftus, Liverpool and Sydney CBD). The University also has campuses in Hong Kong and Dubai.

In late 2018 UOW continued its global expansion by acquiring the university colleges of Malaysian private education provider KDU from long-standing Malaysian investment company Paramount Corporation Berhad (PCB). Through the deal, UOW immediately acquired a substantive majority equity interest in the university colleges in Kuala Lumpur and Penang, including a new campus under construction in Batu Kawan.

UOW also continues to deliver its education programs at other international locations, including at the Central China Normal University (CCNU), the Singapore Institute of Management, INTI College in Malaysia and, the PSB Academy in Singapore.

UOW has developed the Innovation Campus in Wollongong which is an education, research and related business precinct. This state of the art facility provides strong linkages between business and research, and complements the University's leading research and innovation institutes.

### **UOW operations in Hong Kong, China**

In 2015 UOW established its UOW College Hong Kong (UOWCHK) campus through a transitional partnership arrangement with the City University of Hong Kong (CityU). UOWCHK, formerly the Community College of City University (CCCU), has over 35 years of experience in providing quality tertiary education in HK.

UOWCHK is one of the leading institutions of its kind in HK and is highly regarded for its rigor in quality assurance and its emphasis on holistic education. It currently has approximately 5,500 enrolled students, 180 staff, and offers a wide range of academic programmes, from foundation to degree level.

UOWCHK offers a variety of programs across a broad range of disciplines, including the arts and humanities, business, science and technology and, social sciences. It is continually introducing new programs, including new bachelor degree programs in the disciplines of aviation, social innovation, business, Chinese and Japanese, which were launched in 2019.

### **Key Points in response to this Inquiry**

UOW supports the provisions contained in Annexure 7B (Education Cooperation) of the proposed Australia - HK FTA which, if effectively implemented, could assist in the continued development of Australia's education links with HK. In addition to the provisions of Annexure 7B, UOW submits that the negotiation of an international tax agreement with Hong Kong SAR in conjunction with the FTA will assist to provide certainty and consistency on tax matters for Australian institutions operating in Hong Kong. UOW makes the following key points in relation to the four key provisions of Annexure 7B and a potential double taxation agreement:

#### **1. Development of collaborative training, research and development initiatives, technology transfer and joint ventures between appropriate entities**

Ensuring that the research grants frameworks of both Australia and HK are supportive of collaborative training, research and development initiatives, technology transfer and joint ventures across the borders would assist entities to further develop research links between Australian and HK campuses and also other institutions and industry bodies.

After several years establishing itself in HK with a focus on teaching, one of UOWCHK's new strategic priorities is to build research capacity of the College. Support for collaborative arrangements advancing research and development initiatives, such as government funding for research grants to help support cross-jurisdictional collaboration, would help to further develop research links between our Australian and HK campuses and also other institutions and industry bodies.

#### **2. Development of programs which can be jointly delivered by educational institutions**

Currently, development of new programs awarded by UOWCHK must be approved by the higher education accreditation agency in HK, the HK Council for Accreditation and Vocational Qualifications (HKCAAVQ). Separately, new programs developed by UOW and accredited under its self-accrediting authority must comply with the Australian higher education regulatory framework as regulated by the Tertiary Education and Quality Assurance Agency (TEQSA). The education regulations of each jurisdiction can vary, making it challenging for education providers such as UOW and UOWCHK to develop new collaborative programs such as joint or dual awards, distance learning programs and multi-campus programs.

It would be beneficial for respective governments to develop a coordinated approach to accreditation activities in the development of joint or dual awards within the Australian and HK higher education regulatory framework. Coordinated regulatory activity between TEQSA and the HKCAAVQ in the accreditation of joint, dual and multi-campus programs would help UOW and UOWCHK to provide a global experience for our students who wish to study an international degree across our international campuses.

#### **3. Exchange of teaching staff, administrators, researchers and students by educational institutions**

UOW and UOWCHK seek to enable the flexible exchange of teaching staff, administrators, researchers and students between Australia and HK to truly realise the benefit of a seamless global experience in the delivery of education services and advancement of research projects. To achieve this, it is important to have the support of both the Australian and HK governments, recognizing the particular challenge for our staff in relation to double income taxation.

Whilst UOW supports the robustness of Australia's current tax regime, the current Australian tax residency rules, when combined with HK income tax regime, gives rise to potential double income taxation liabilities for staff undertaking exchange or secondment for periods of less than 2 years. Currently this acts as a

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disincentive for our Australian staff to work in HK. Where Australian personnel carry out activities in HK and the aggregated period of visits exceeds 60 days, this gives rise to a taxable presence or 'permanent establishment' under HK tax laws. Similar, Australia's income tax residency rules also apply and potentially result in staff liable for income tax in both jurisdictions when working for more than 60 days and less than 2 years.

Addressing the issue of double income taxation in the exchange of academic and professional staff will assist to ease the potentially inhibitive financial impact on staff undertaking such arrangements. See point 5 below on a double taxation agreement.

In relation to student exchange, support for ongoing and increased student exchange between Australia and HK can be facilitated through a streamlined student visa regime in both countries. While UOW has a good framework to support student exchange between Australia and HK, some barriers to student mobility include the availability of student visas, their cost and their conditions for work during and after study. Government support to address these barriers would assist to encourage the flow of tertiary students between HK and Australia.

#### **4. Academic credit transfer and mutual recognition of academic and vocational education and training qualifications between educational institutions**

Support by Australia and HK's accreditation agencies (TEQSA and HKCAAVQ) for the establishment of credit transfer and qualification recognition between education institutions in each country would greatly assist in smoothing the path for students transferring between the two countries in the post-secondary education setting and help to further grow the transfer of students between the two countries.

#### **5. Double Taxation Agreement (DTA)**

Current issues of concern include personal income tax liabilities for our Australian staff working in HK (as outlined above), potential double taxation of corporate income as well as withholding tax levied in HK on royalties and interest payments. The creation of a tax treaty with HK would assist if it addressed the personal income tax issues identified above, eliminated double taxation and eliminated or reduced withholding tax within corporate groups. Such an agreement would ideally set the withholding tax rates at no more than 5% for dividends, interest and royalty income.

In addition to the above points, it is noted that a successful FTA which supports educational institutions operating in the two countries and facilitates further growth of education services between Australia and HK, will also strengthen Australia's ability to leverage from other opportunities in the HK region.

The Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) comprises the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province. The total area is 56 000 km<sup>2</sup> and, at the end of 2017, the total population was around 70 million.

Relevant governments of the Greater Bay Area are pursuing more coordinated economic development activity within the region. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area has been developed outlining government priorities and strategies how this will be achieved. One particular aim of the Plan is to build more research activity and education linkages between HK and the Greater Bay region. UOWCHK is exploring how it can best support the various policy initiatives outlined in the Plan. A supportive FTA between Australia and HK will help to position UOWCHK in a way that it can best leverage from this opportunity.

#### **Further Information**

The University would welcome further opportunities to elaborate upon, or further clarify, the matters raised within this submission. To do so, please do not hesitate to contact the UOW Director, Government Relations (Mr Canio Fierravanti) on 42215931 or via [caniof@uow.edu.au](mailto:caniof@uow.edu.au).

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