

Part IV - Items of General Interest

Announcement Regarding the Effective Date of Termination of the United States-Hong Kong Shipping Agreement

Announcement 2020-40

In August 1989, the United States and Hong Kong concluded, through an exchange of diplomatic notes, an agreement to exempt from income tax, on a reciprocal basis, income from the international operation of ships (herein referred to as the “shipping agreement”), TIAS 11892. The shipping agreement entered into force on August 16, 1989, and took effect for taxable years on or after January 1, 1987. Paragraph 8 of the shipping agreement provides that either government may terminate the agreement by giving written notice of termination.

On July 14, 2020, the President issued an Executive Order on Hong Kong Normalization, which, among other things, directed the heads of agencies to commence all appropriate actions to further the purposes of the order, including to give Hong Kong notice of intent to terminate the shipping agreement. See E.O. 13936 available at <https://www.whitehouse.gov/presidential-actions/presidents-executive-order-hong-kong-normalization/>. The United States, through its Consulate General in Hong Kong, provided a written notification dated August 18, 2020 to the Government of the Hong Kong Special Administrative Region of its termination of the shipping agreement. The Department of the Treasury and the Internal Revenue Service announce that the

termination shall take effect on January 1, 2021, and shall have effect for taxable years beginning on or after that date.

For further information regarding this announcement contact the Office of Associate Chief Counsel (International) at (202) 317-3800 (not a toll-free call).