

Status of Hong Kong's Double Tax Agreements and Tax Information Exchange Agreements

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Double Tax Agreement with Romania signed

On 18 November 2015, Hong Kong signed a double tax agreement (DTA) with Romania, bringing the total number of DTAs that Hong Kong concluded with its trading partners to thirty-three. This DTA will come into force after the completion of ratification procedures on both sides.

The applicable Romanian withholding tax rates on dividends, interest and royalties received by Hong Kong resident are summarized below:

Tax Rate	Passive Income		
	Dividends	Interest	Royalties
Non-treaty withholding rate	▪ 16%	▪ 16%	▪ 16%
Treaty withholding rate	▪ 3% / 5%	▪ 0% / 3%	▪ 3%

- **Dividends:** 3% rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 15% of the capital of a company paying the dividends. 5% rate applies to other cases.
- **Interest:** 0% rate applies as long as Hong Kong levies no withholding tax on interest. If Hong Kong levies withholding tax on interest, 3% rate applies. Also, 0% rate applies if the beneficial owner is the Hong Kong Government, Monetary Authority, Exchange Fund or any financial institution wholly or mainly owned by the Hong Kong Government as mutually agreed upon by the competent authorities of both sides.
- **Royalties:** reduced from 16% to 3% under the DTA.

Double Tax Agreement with South Africa in force

The DTA between Hong Kong and South Africa has entered into force on 20 October 2015 after the completion of ratification procedures of both sides. This is the first DTA that Hong Kong has entered into with an African jurisdiction. For Hong Kong tax purpose, the DTA will be effective in Hong Kong for any year of assessment beginning on or after 1 April 2016.

The applicable South African withholding tax rates on dividends, interest and royalties received by Hong Kong resident are summarized below:

Tax Rate	Passive Income		
	Dividends	Interest	Royalties
Non-treaty withholding rate	▪ 15%	▪ 15%	▪ 15%
Treaty withholding rate	▪ 5% / 10%	▪ 0% / 10%	▪ 5%

- **Dividends:** 5% rate applies if the beneficial owner is a company which holds directly at least 10% of the capital of a company paying the dividends. 10% rate applies to other cases.
- **Interest:** 0% rate applies if the beneficial owner is the Hong Kong Government, Monetary Authority or any institution wholly or mainly owned by the Hong Kong Government as agreed by the competent authorities of both sides. 10% rate applies to all other cases.
- **Royalties:** reduced from 15% to 5% under the DTA.

DTAs and Tax Information Exchange Agreements in Hong Kong¹

We summarise below the DTAs and Tax Information Exchange Agreements (TIEAs) signed and under negotiation by Hong Kong.

Currently, Hong Kong has signed the following 33 DTAs:

No	Country/Territory	No	Country/Territory	No	Country/Territory
1	Austria	12	Japan	23	New Zealand
2	Belgium	13	Jersey	24	Portugal
3	Brunei	14	Korea (note 2)	25	Romania (note 2)
4	Canada	15	Kuwait	26	Qatar
5	Czech	16	Liechtenstein	27	South Africa (note 1)
6	France	17	Luxembourg	28	Spain
7	Guernsey	18	Mainland of China	29	Switzerland
8	Hungary	19	Malaysia	30	Thailand
9	Indonesia	20	Malta	31	UAE (note 2)
10	Ireland	21	Mexico	32	United Kingdom
11	Italy (note 1)	22	Netherlands	33	Vietnam

Notes:

1. with effect from year of assessment 2016/17

2. pending ratification

¹ A TIEA is a standalone agreement providing for exchange of tax information. It does not provide any double taxation relief of tax benefit.

12 DTAs are now under negotiation with Bahrain, Bangladesh, Finland, Germany, India, Israel, Latvia, Macedonia, Mauritius, Pakistan, Russian Federation and Saudi Arabia.

In addition, Hong Kong has signed 7 standalone TIEAs with the United States (US), Denmark, Faroes, Greenland, Iceland, Norway and Sweden. However, only the one entered into with the US has been entered into force. The others are still pending ratification.

DTAs will certainly bolster the economic and trade connections between the treaty partners. We anticipate that Hong Kong will continue its efforts to expand its DTAs network with its trading and investment partners.

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