Press Release

LCQ8: Signing of comprehensive avoidance of double taxation agreements between Hong Kong and its trading partners

Wednesday, April 26, 2017

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (April 26):

Question:

According to the Government, a comprehensive avoidance of double taxation agreement (CDTA) signed between Hong Kong and its trading partner helps investors of both places better assess their potential tax liabilities on business activities and provides incentives for cross-border investments. As at February this year, Hong Kong has signed CDTAs with 37 tax jurisdictions but this figure is far below the relevant figures in other major economies (e.g. the relevant figures in the United Kingdom, Japan and Singapore are above 90). Moreover, there are views that among the 60-odd countries along the "Belt and Road", quite a number of them are emerging economies with huge business opportunities and development potential, Hong Kong should therefore sign CDTAs with these countries as soon as possible. In this connection, will the Government inform this Council:

(1) whether it has assessed the reasons why the number of CDTAs signed by Hong Kong is far below than that of other major economies; if so, of the details;

(2) of the tax jurisdictions with which the authorities are having discussions over the signing of CDTAs; the relevant progress and specific timetable; and

(3) whether it has plans to expedite the signing of CDTAs with countries along the Belt and Road so as to promote cross-border investments; if so, of the details; if not, the reasons for that?

Reply:

President,

Hong Kong has all along been actively conducting negotiations with other tax jurisdictions, with a view to concluding more comprehensive avoidance of double taxation agreements (CDTAs) to help Hong Kong residents assess their tax liabilities from cross-border economic activities and to resolve double taxation issues.

My reply to the question raised by the Hon Chan Chun-ying is as follows:

(1) and (2) The Government started to explore the feasibility of establishing a CDTA network with our major trading partners in 1998, and concluded an avoidance of double taxation arrangement with the Mainland China in the same year. In December 2003, Hong Kong signed a CDTA with Belgium, which was our first CDTA. After more than a decade of efforts, Hong Kong has signed CDTAs with 37 tax jurisdictions, and 12 of them are among Hong Kong's top 20 major trading partners. In 2016, the total value of trade between Hong Kong and these 12 partners exceeded $5,334 billion, amounting to about 70 per cent of Hong Kong's world trade. This depicts that the CDTAs signed suit Hong Kong's needs and mere reference to the number of CDTAs signed may not be comprehensive.

Moreover, we are now pursuing CDTA negotiations with 13 tax jurisdictions, including Bahrain, Bangladesh, Cyprus, Finland, Germany, India, Israel, Macao Special Administrative Region, Macedonia, Mauritius, Nigeria, Saudi Arabia and Turkey. It is worth noting that the commencement and the progress of CDTA negotiations depend heavily on the motivation and CDTA policies of both parties.

(3) There are many partners along the Belt and Road, amongst others, with which Hong Kong has signed or is in negotiation for CDTAs.

Those with which Hong Kong has signed CDTAs include Thailand, Mainland China, Vietnam, Brunei Darussalam, Indonesia, Hungary, Kuwait, Czech Republic, Malaysia, Qatar, United Arab Emirates, Romania, Russia, Latvia, Belarus and Pakistan.

Those with which we are now pursuing negotiations include Bahrain, Bangladesh, India, Israel, Macedonia, Saudi Arabia and Turkey.

The Government will continue to actively persuade other trading partners (including those along the Belt and Road) for commencement of negotiations so as to establish a wide CDTA network, thereby enhancing bilateral trade ties and avoiding double taxation.

Ends