Hong Kong

Tax Guide

2015/16

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

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- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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PKF INTERNATIONAL LIMITED
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MEMBER FIRM

For further advice or information please contact:

City	Name	Contact information
Hong Kong	Ricky Lai	+852 2969 4015 rickylai@pkf-hk.com

BASIC FACTS

Full name:	Hong Kong
Capital:	N/A. Hong Kong is a Special Administrative Region of the People's Republic of China
Main language:	Chinese (Cantonese)
Population:	7.26 million (2014 PRB)
Major religions:	Buddhism, Taoism, Christianity, Islam and others
Monetary unit:	Hong Kong Dollar (HKD)
Internet domain:	.hk
Int. dialling code:	+852

KEY TAX POINTS

- Profits tax is charged on any person (including a corporation, partnership or individual) carrying on a trade, business or profession in Hong Kong. Income derived from outside Hong Kong is exempt (subject to rules deeming certain receipts to be derived from Hong Kong) regardless of residence status.
- Property tax is charged at 15% on the net assessable value of any land or buildings in Hong Kong.
- There transfer pricing regime is not very developed but there are general anti-avoidance rules.
- Dividends received by a Hong Kong corporate, whether from a domestic or overseas company, are not chargeable to tax and payments by Hong Kong resident companies are not subject to withholding tax.
- There is no VAT or sales tax.
- There is no capital gains tax, and capital gains are not subject to personal or corporate income tax.
- There is no inheritance tax. 'Estate Duty' was abolished with effect from 2006.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
PROFITS TAX

Profits tax shall be charged on every person (including corporations, partnerships and individuals) carrying on a trade, business or profession in Hong Kong. Income derived outside Hong Kong is generally exempt from tax. In the case of a financial institution carrying on business in Hong Kong, foreign sourced interest income is treated as taxable income in Hong Kong.

No distinction is made between residents and non-residents.

TAX YEAR

The tax year covers a period of 12 months commencing on 1 April and ending on 31 March of the following year. Profits earned by a person during an accounting year ending within the tax year will be deemed to be their profits for that tax year.

TAX RATES

The profits tax rates are as follows:

	2014/15 (year ended 31 March 2015)	2015/16 (year ended 31 March 2016)
Corporations	16.5%	16.5%
Persons other than corporations	15.0%	15.0%

DEEMED TRADING RECEIPTS

The following income of a non-resident person is deemed to be receipts from a trade, profession or business carried on in Hong Kong:

(1) Royalties receivable from the exhibition or use in Hong Kong of cinematograph or television film or tape, any sound recording or any advertising material connected with such film, tape or recording;

(2) Royalties receivable for the use of, or right to use in Hong Kong a patent, design, trademark, copyright, formula or other property of a similar nature;

(3) Royalties receivable for the use of, or right to use outside Hong Kong a patent design, trademark, copyright, formula or other property of a similar nature if the payee of such royalties has claimed a tax deduction in Hong Kong;

(4) Sums received or accrued in respect of the hire, rental or similar charges for the use of movable property in Hong Kong.

The assessable profits for cases (1) to (3) above are equal to 30% of the sum receivable by the non-resident person if the Inland Revenue Department is satisfied that no person carrying on a trade, profession or business in Hong Kong has, at any time, wholly or partly-owned the relevant intellectual property. However, if the above condition is not satisfied, the assessable profits will be the full amount receivable by the non-resident person.

BRANCH PROFITS TAX

There is no distinction between branch profits tax and corporation profits tax. Branch profits of foreign corporations are also taxed at the flat rate of 16.5% on Hong Kong sourced profits.

OTHER TAXES

Other important taxes imposed include the following.

PROPERTY TAX

Property tax is charged at a standard rate of 15% on the net assessable value of any land or buildings in Hong Kong. The net assessable value is the rent payable to the owner of the land or building after deducting the following amounts:

(a) Unpaid rent;

(b) Government rates paid by the owner;

(c) 20% of the assessable value after deduction of (a) and (b) above.

Any building occupied by the owner as their residence is exempted from tax.

ESTATE DUTY

The Hong Kong Government abolished Estate Duty from 11 February 2006 pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005.

No Estate Duty will be imposed on the value of an individual's Hong Kong property passing on death.

STAMP DUTY

Stamp Duty applies only to the following categories of transactions:

(a) Contract notes on Hong Kong shares and marketable securities;

(b) Assignment of immovable property;

(c) Leases and assignment of leases of Hong Kong property;

(d) Insurance of bearer instruments.

Transactions in Hong Kong shares or marketable securities during the year 2015/16 will attract an ad valorem duty of HKD 2 per HKD 1,000 payable equally by the buyer and the seller.

Stamp Duty on the transfer of immovable property is levied at the following rates:

Sales consideration (HKD)	Stamp Duty rates 2015/16
1 – 2,000,000	1.50%
2,000,001 – 2,176,470	HKD 30,000 + 20% of excess over HKD 2M
2,176,471 – 3,000,000	3.00%

Sales consideration (HKD)	Stamp Duty rates 2015/16
3,000,001 – 3,290,330	HKD 90,000 + 20% of excess over HKD 3M
3,290,331 – 4,000,000	4.50%
4,000,001 – 4,428,580	HKD 180,000 + 20% of excess over HKD 4M
4,428,581 – 6,000,000	6.00%
6,000,001 – 6,720,000	HKD 360,000 + 20% of excess over HKD 6M
6,720,001 – 20,000,000	7.50%
20,000,001 – 21,739,130	HKD 1,500,000 + 20% of excess over HKD 20M
21,739,131 or above	8.50%

Special Stamp Duty

With effect from 20 November 2010, any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of where it is incorporated), and resold within 24 months (if the property was acquired on or after 20 November 2010 and before 27 October 2012) or 36 months (if the property was acquired on or after 27 October 2012), will be subject to a Special Stamp Duty.

Special Stamp Duty is calculated by reference to the stated consideration or the market value of the property (whichever is the higher) at the following rates for different holding periods of the property by the seller or transferor before disposal:

Holding period	The property was acquired on or after 20 November 2010 and before 27 October 2012	The property was acquired on or after 27 October 2012
6 months or less	15%	20%
More than 6 months but for 12 months or less	10%	15%
More than 12 months but for 24 months or less	5%	10%
More than 24 months but for 36 months or less	-	10%

Buyer’s Stamp Duty

With effect from 27 October 2012, unless specifically exempted, Buyer’s Stamp Duty is payable on an agreement for sale, or a conveyance on sale, executed for the acquisition of any residential property.

Buyer’s Stamp Duty is charged at 15% on the stated consideration or the market value of the property (whichever is the higher), on top of the existing Stamp Duty and Special Stamp Duty, if applicable.

CAPITAL GAINS

There is no capital gains tax in Hong Kong and capital gains are not subject to corporate or personal income tax.

SALES TAX / VALUE ADDED TAX

There is neither sales tax nor value added tax in Hong Kong.

FRINGE BENEFITS TAX

There is no fringe benefits tax in Hong Kong.

LOCAL TAXES

There are no local taxes in Hong Kong.

B. DETERMINATION OF TAXABLE INCOME

Generally, in arriving at profits assessable to tax, deductions are allowed for revenue expenditure to the extent that they are incurred in the production of chargeable profits in the basis period. Special rules apply in respect of the following categories of expenditure.

CAPITAL ALLOWANCES

Capital allowances are available to a taxpayer who incurs qualifying capital expenditure on specified assets used in the production of chargeable profits. Capital allowances can be classified into industrial building allowance, commercial building allowance, depreciation allowance for plant and machinery and refurbishment allowance as summarised below:

1. INDUSTRIAL BUILDING ALLOWANCE

An initial allowance of 20% is granted in the year of purchase for capital expenditure incurred on the construction of an industrial building or structure occupied for the purposes of a qualifying trade. An additional allowance of 4% of the capital expenditure (on a straight-line basis) is given annually.

2. COMMERCIAL BUILDING ALLOWANCE

A building or structure used for the purposes of a trade, profession or business other than an industrial building or used as stock in trade can qualify for a commercial building allowance. An annual allowance of 4% of the capital expenditure incurred on the construction of the building is provided.

3. DEPRECIATION ALLOWANCE ON PLANT AND MACHINERY

Depreciation allowance on plant and machinery is in the form of an initial allowance and an annual allowance.

An initial allowance of 60% is granted in the year of purchase for capital expenditure incurred in acquiring the plant and machinery.

The annual allowance is based on the reducing value of each class of plant and machinery (the 'pool'). A pool is made up of all items of plant or machinery carrying the same rate of depreciation. It is only necessary for the assets to be or to have been owned and used in the production of chargeable profits to qualify for the deduction. The annual allowance is equal to the reducing value of the pool multiplied by the appropriate depreciation rate, currently at 10%, 20% or 30% per annum.

4. EXPENDITURE ON PRESCRIBED FIXED ASSETS

Capital expenditure incurred on certain prescribed fixed assets in any year of assessment is allowed to be fully written-off in the year it is incurred. 'Prescribed fixed assets' include computer hardware and software and certain defined plant and machinery used specifically and directly for any manufacturing process.

5. EXPENDITURE OF PRESCRIBED ENVIRONMENTAL PROTECTION FACILITIES

With effect from the year of assessment 2008/09, capital expenditure incurred on certain prescribed environmental protection facilities is entitled to a preferential tax deduction. Expenditure incurred on environmental protection machinery is allowed to be fully written-off in the year it is incurred whereas those on environmental protection installation is allowed to be deducted equally in five years of assessment.

6. CAPITAL EXPENDITURE ON INTELLECTUAL PROPERTY

Capital expenditure incurred in registration of a trademark or design or patent (collectively referred to as intellectual property (IP) or incurred in the acquisition of patent rights and rights to any know-how (collectively referred to as properties) qualify as a tax deduction in the year it is incurred if the IP and properties are used in the production of assessable profits in Hong Kong.

With effect from 1 April 2011, the legislation extends the scope of profits tax deduction for capital expenditure incurred in the acquisition of copyrights, registered designs or registered trademarks (collectively referred to as "specified IP rights”). The capital expenditure incurred on the purchase of specified IP rights is to be deducted equally over five years (or over the remaining years of protection) if certain conditions are met. The legislation was further amended on 9 February 2012 to remove the condition on "use in Hong Kong", capping the sales proceeds to be brought to tax and adding anti-avoidance provision on the deduction of expenses.

7. REFURBISHMENT ALLOWANCE

A special allowance has been introduced to enable taxpayers to deduct 20% of refurbishment expenditure annually over a five-year period.

Note that for industrial buildings and plant and machinery, both the initial allowance and the writing down allowance are available in a period in which the expenditure is incurred and the asset is brought into use (not just the initial allowance).

INVENTORY

All trading stock should be valued at the lower of cost or market value. Accepted valuation methods include FIFO and average cost but not UFO, base stock method or replacement value. The term ‘market value' would normally mean realisable value.

CAPITAL GAINS AND LOSSES

Capital gains and losses are not taxable or deductible in arriving at the assessable profits.

DIVIDENDS

Dividend income, whether from Hong Kong or overseas, is not taxable. Dividends paid to either a resident or non-resident of Hong Kong are not subject to any withholding tax.

INTEREST DEDUCTIONS

Interest expenses which fall within one of the following categories are deductible if incurred for the production of chargeable profits:

(a) Interest on money borrowed by a financial institution;

(b) Interest subject to Hong Kong profits tax in the hands of the recipient;

(c) Interest on money borrowed from a financial institution;

(d) Interest on money borrowed other than from a related person or corporation, wholly and exclusively for the provision of (i) plant and machinery that qualifies for tax depreciation allowances; or, (ii) trading stock used in the production of chargeable profits;

(e) Interest paid on debentures;

(f) Interest paid to the holder of any instrument issued:

  (i) In the course of carrying on a business which is bona fide and marketable in either Hong Kong or major foreign financial centres approved by the Hong Kong tax authorities; or,

  (ii) Pursuant to any agreement or arrangement authorised by the Securities Commission under the Protection of Investors Ordinance;

(g) Interest on loans from a related corporation, where the creditor raised the borrowed amount entirely from the proceeds of an issue of debentures.

With effect from 25 June 2004, certain types of interest expenses must satisfy the following two additional conditions to be tax deductible:

(1) The loan must not be effectively or actually secured by the lender or an associate of the lender; and,

(2) There is no arrangement in place that the interest payment will be ultimately paid back to the borrower or to a person connected with the borrower.

Both of conditions (1) and (2) apply to types (b), (c) and (d) interest expenses. For types (e), (f) and (g) interest expenses, they are required to satisfy condition (2) only.

LOSSES

Losses incurred can be carried forward indefinitely for set-off against any future assessable profits of the same entity.

However, there are anti-avoidance provisions in the Inland Revenue Ordinance that restrict the use of tax losses where a change in shareholding was undertaken solely or predominantly for the purpose of utilising the losses to obtain a tax benefit. Losses cannot be carried back.

OFFSHORE INCOME

Generally, income derived from or arising outside Hong Kong is exempt from tax under the territorial taxation system.

TAX INCENTIVES

(a) The low tax rates and territorial basis of taxation adopted by Hong Kong are in themselves major incentives to foreign investors.

(b) Share trading profits derived by non-resident investors trading through share brokers in Hong Kong are exempt from profits tax.

(c) Interest income derived from deposits placed in Hong Kong with authorised financial institutions by any person carrying on business in Hong Kong is exempt from profits tax.

(d) Income derived from bona fide offshore funds managed in Hong Kong is exempt from profits tax.

(e) Scientific research expenditure, including payments to an approved research institute and payments for technical education, qualify as allowable deductions.

(f) Profits derived by a captive insurer from the business of insuring offshore risks will be entitled to a 50% reduction in the profits tax rate.

(g) Profits derived from qualified debt instruments with a maturity period of at least three years will also be entitled to a 50% reduction in profits tax rate and full exemption will be granted to certain qualified debt instruments having a maturity period of seven years or more.

C. CORPORATE GROUPS

Companies of the same group are assessed to profits tax separately. There is no group tax relief in Hong Kong.

D. RELATED PARTY TRANSACTIONS

With the issuance of the Departmental Interpretation and Practice Notes 46 regarding "Transfer Pricing Guidelines - Methodologies and Related Issues", transfer pricing has become a hot tax topic in Hong Kong. Although transfer pricing documentation is not now mandatory in Hong Kong, taxpayers should critically review and assess their historical, current and future transfer pricing risks in light of this guidance.

Profits on royalties and licence fees received by a related non-resident person from its Hong Kong associate may be deemed to be trading receipts in Hong Kong and therefore wholly chargeable to profits tax.

Furthermore, a non-resident person who does not carry on business in Hong Kong can be assessed to Hong Kong profits tax if he/she carries on his/her business with a closely connected resident person and the business is so arranged that the resident person earns either no profit or less than the ordinary profit which might be expected.

With the issuance of the Departmental Interpretation and Practice Notes 48 regarding "Advance Pricing Arrangement", a taxpayer may also consider using an advance pricing arrangement to confirm the tax status and resolve any dispute, transfer pricing in particular, with the Inland Revenue Department under this guidance.

E. WITHHOLDING TAXES

Royalties and licence fees paid to non-residents for the use of certain intellectual properties in Hong Kong and payments to non-resident entertainers or sportsmen for their performance at commercial occasions or events in Hong Kong are subject to withholding tax of 16.5% on their assessable profits. There are no withholding taxes levied on dividends and interest.

F. EXCHANGE CONTROL

There are no exchange controls in Hong Kong.

G. PERSONAL TAX

SALARIES TAX

Salaries tax is charged on individuals in respect of all income arising in or derived from Hong Kong in relation to any office, employment, pension or payments for services rendered in Hong Kong. The tax charge is calculated at the lower of:

(a) 15% of chargeable income after deduction of charitable donations; or,

(b) The applicable progressive rates on net chargeable income after the deduction of charitable donations and personal allowances. The progressive salaries tax rates for the year 2014/15 and 2015/16 are as follows:

Net chargeable income (NCI) (HKD)	Progressive Tax Rate (%)
0 – 40,000	2
40,001 – 80,000	7
80,001 – 120,000	12
120,001 or above	17

Notes:

NCI = Taxable income – Allowable deductions – Personal allowances

Salaries tax payable = Net chargeable income × Progressive tax rates

Personal Allowances:		2014/15 HKD	2015/16 [c] HKD
1.	Single person	120,000	120,000
2.	Married person	240,000	240,000
3.	Child (each): First to ninth child:		
	- Year of birth	140,000	200,000
	- Other years	70,000	100,000
4.	Dependent parent/grandparent:		
	(a) Aged 55 to 59: - basic	20,000	20,000
	- additional (for dependent living with taxpayer)	20,000	20,000
	(b) Aged 60 or above: - basic	40,000	40,000
	- additional (for dependent living with taxpayer)	40,000	40,000
5.	Dependent brother/sister [a]	33,000	33,000
6.	Single parent	120,000	120,000
7.	Disabled dependent	66,000	66,000
Maximum amount of additional deductions:			
1.	Self-education expenses	80,000	80,000
2.	Home loan interest [b]	100,000	100,000
3.	Elderly residential care expenses	80,000	80,000
4.	Contribution to recognised retirement schemes	18,000	18,500
5.	Donations to charitable organisation	35% of income	35% of income

NOTES:

a For whom no child allowance is being claimed.

b The deduction for home loan interest is for 15 years of assessment.

c Legislative amendments are required for implementing the tax measures as proposed by the Financial Secretary in the 2015/16 Budget.

OTHER INCOME TAXES

Under the Hong Kong tax system, various sources of income are taxed under separate categories i.e. business income is subject to profits tax, rental income is subject to property tax and employment income is subject to salaries tax.

Sometimes, it may be advantageous for an individual to elect to pay tax under 'personal assessment' if he/she has expenses which may be non-deductible against a particular source of income (e.g. mortgage interest payments or allowable tax losses which cannot be completely absorbed by his/her business profits). Under personal assessment, all his/her assessable sources of income are aggregated in a single assessment.

Applicants must be permanent or temporary residents of Hong Kong. An election for personal assessment must be made within a stipulated time limit.

H. TREATY WITHHOLDING TAX RATES

As Hong Kong adopts the territorial tax system, income derived by a resident from overseas will not suffer double taxation in Hong Kong. Many countries, which assess their residents on a worldwide basis, will provide their residents with unilateral tax credit relief for any tax paid on income derived from their businesses in Hong Kong. Hong Kong also allows deduction of foreign tax paid on a turnover basis in respect of the same income chargeable to tax in Hong Kong. Under such circumstances, businesses operating in Hong Kong generally do not have problems with double taxation of income.

Nevertheless, the Hong Kong Government recognises that there are merits in concluding double taxation agreements with its trading partners, particularly in aviation and shipping industries.

Hong Kong therefore has reached different double taxation relief arrangements with many countries: Bangladesh, Belgium, Canada, Croatia, Denmark, Estonia, Ethiopia, Fiji, Finland, Germany, Iceland, Israel, Jordan, Kenya, the Republic of Korea, Kuwait, the Lao People’s Democratic Republic, Macao Special Administrative Region, Mainland China, Maldives, Mauritius, the Netherlands, New Zealand, Norway, the Russian Federation, Seychelles, Singapore, Sri Lanka, Sweden, Switzerland, the United Kingdom, the United Mexican States and the United States of America in order to avoid double taxation of airline and/or shipping income.

Apart from double taxation agreements applicable to airline and shipping income, the Hong Kong Government also concluded comprehensive double taxation agreements with many countries / territories. The following table summarizes the maximum rates of tax those countries / territories can charge a Hong Kong resident on payments of dividends, interest and royalties:

	Date of signing	Effective year	Dividend (%)	Interest (%)	Royalty (%)
Non-treaty countries:	–	–	–	–	4.95[1]
Treaty countries:					
Austria	25.05.2010	2012/13	0/10[2]	–	3
Belgium	10.12.2003	2004/05	0/5/15[3]	10	5
Brunei	20.03.2010	2011/12	–	5/10[4]	5
Canada	11.11.2012	2014/15	5/15[5]	10	10
Czech	06.06.2011	2013/14	5	–	10
France	21.10.2010	2012/13	10	10	10
Guernsey	22.04.2013	2014/15	–	–	4
Hungary	12.05.2010	2012/13	5/10[6]	5	5
Indonesia	23.03.2010	2013/14	5/10[6]	10	5
Ireland	22.06.2010	2012/13	–	10	3
Italy[7]	14.01.2013	Pending	10	12.5	15
Japan	09.11.2010	2012/13	5/10[6]	10	5
Jersey	22.02.2012	2014/15	–	–	4
Korea[8]	08.07.2014	Pending	10/15[9]	10	10
Kuwait	13.05.2010	2014/15	0/5[10]	5	5
Liechtenstein	12.08.2010	2012/13	–	–	3
Luxembourg	02.11.2007	2008/09	0/10[2]	–	3
Mainland China	21.08.2006	2007/08	5/10[6]	7	7
Malaysia	25.04.2012	2013/14	5/10[6]	10	8
Malta	08.11.2011	2013/14	–	–	3
Mexico	18.06.2012	2014/15	–	4.9/10[11]	10
Netherlands	22.03.2010	2012/13	0/10[2]	–	3
New Zealand	01.12.2010	2012/13	0/5/15[12]	10	5
Portugal	22.03.2011	2013/14	5/10[6]	10	5
Qatar	13.05.2013	2014/15	–	–	5
South Africa[13]	16.10.2014	Pending	5/10[6]	10	5
Spain	01.04.2011	2013/14	0/10[2]	5	5
Switzerland	04.10.2011	2013/14	0/10[2]	–	3
Thailand	07.09.2005	2006/07	10	10/15[14]	5/10/15[15]
United Arab Emirates[16]	11.12.2014	Pending	0/5	5	5

United Kingdom	21.06.2010	2011/12	0/15[17]	Domestic rate[18]	5
Vietnam[19]	16.12.2008	2010/11	10	10	7/10[20]

NOTES:

1 If the royalty income is derived from an associate of the non-resident person, the withholding tax rate will be 16.5% on the whole amount of royalty payable to the non-resident person. But the Hong Kong Inland Revenue Department will still apply the reduced withholding tax rate if it is satisfied that no person carrying on a trade, profession or business in Hong Kong has at any time wholly or partly owned the relevant intellectual property.

2 0% applies if the beneficial owner is a company which holds directly at least 10% or at least 25% (applies to Spain only) of the capital of the company paying the dividend; and 10% of dividend in all other cases.

3 0% applies if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividend; and 5% applies if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend; and 15% of dividend in all other cases.

4 5% applies to interest payments to any bank or financial institutions; and 10% of interest payments in all other cases.

5 5% applies if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend; and 15% of dividend in all other cases.

6 5% applies if the beneficial owner is a company which holds directly at least 10% (applies to Hungary, Portugal, Malaysia, Japan & South Africa) or at least 25% (applies to Indonesia & Mainland China) of the capital of the company paying the dividend; and 10% of dividend in all other cases.

7 On 14 January 2013, the Hong Kong Government signed an agreement with Italy for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.

8 On 8 July 2014, the Hong Kong Government signed an agreement with Korea for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.

9 10% applies if the beneficial owner in a company which holds directly at least 25% of the capital of the company paying the dividend; and 15% of dividend in all other cases.

10 0% applies if the beneficial owner is the Hong Kong Government or any of its institutions or other entity wholly-owned directly by the Hong Kong Government; and 5% of dividend in all other cases.

11 4.9% applies to interest payments to any bank; and 10% of interest payments in all other cases.

12 0% if (a) the beneficial owner is a company that holds directly or indirectly at least 50% of the payer's voting power, and meets specified requirements or (b) the dividend is paid to the Hong

Kong Government, the Hong Kong Monetary Authority or any institution wholly or mainly owned by the Hong Kong Government, 5% applies if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend; and 15% of dividend in all other cases.

13 On 16 October 2014, the Hong Kong Government signed an agreement with South Africa for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.

14 10% applies if the interest is beneficially owned by (a) any financial institution or insurance company, or (b) a resident of Hong Kong and is paid with respect to indebtedness arising as a consequence of a sale on credit by a resident of Hong Kong of any equipment, merchandize or services, except where the sale was between persons not dealing with each other at arm’s length, and 15% applies in all other cases.

15 5% tax rate applies to a royalty made as a consideration for the use of, or the rights to use, any copyright of literary, artistic or scientific work; 10% tax rate applies to royalty made as a consideration for the use of, or the rights to use, any patent, trademark, design or model, plan, secret formula or process; and 15% for a royalty in all other cases.

16 On 11 December 2014, the Hong Kong Government signed an agreement with United Arab Emirates for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Clarification and effective date are still under negotiation.

17 15% applies if, other than the beneficial owner of the dividends is a pension scheme, dividends are paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of this income annually and whose income from such immovable property is exempted from tax; and 0% applies to all other cases.

18 0% applies if (a) the interest is beneficially owned by specified persons which include the Hong Kong Government, an individual, a listed company, a pension scheme and a financial institution which is unrelated to and dealing wholly independently with the payer or (b) the interest is paid by the Hong Kong Government, by a bank in the ordinary course of its banking business, or on a quoted Eurobond.

19 On 16 December 2008, the Hong Kong Government signed an agreement with Vietnam for the avoidance of double taxation and the prevention of fiscal evasion in respect of taxes on income and capital. Both governments have entered into the First Protocol to the Arrangement to clarify the different views on the interpretation of the Agreement on 13 January 2014. The First Protocol is effective from the year of assessment 2016/17.

20 7% tax rate applies to a royalty made as a consideration for the use of, or the rights to use, any patent, trademark, design or model, plan, secret formula or process; and 10% for a royalty in all other cases.

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