



## Hong Kong-Portugal Double Taxation Agreement signed

The signing of the Hong Kong and Portugal double taxation agreement (DTA) on 22 March 2010 brings the number of DTAs concluded by Hong Kong to nineteen.

The DTA will provide investors with greater certainty on their tax liabilities from cross-border economic activities and foster closer economic and trade links between Hong Kong and Portugal.

The withholding tax on dividends, interest and royalties is as follows:

|                  | <b>Portugal Non - treaty Rate</b> | <b>Treaty Rate<sup>1</sup></b> |
|------------------|-----------------------------------|--------------------------------|
| <b>Dividends</b> | 20 / 21.5%                        | 5 / 10% <sup>2</sup>           |
| <b>Interest</b>  | 20 / 21.5%                        | 0 / 10% <sup>3</sup>           |
| <b>Royalties</b> | 15 / 21.5%                        | 5%                             |

(1) The DTA contains provisions to deny relief where the main purpose or one of the main purposes of an arrangement by a person is to take advantage of the reduced withholding tax rates.

(2) Withholding tax on dividends is reduced to five percent for a company which holds directly at least 10 percent of the capital of the company paying the dividend.

(3) Interest is exempt from withholding tax where it paid to the Government of the HKSAR, the HKMA or to such similar institution wholly owned or funded by the Government of the HKSAR, which may be established in future, as mutually agreed between the competent authorities of the Contracting Parties.

The DTA will have effect in Hong Kong, for any year of assessment beginning on or after 1 April in the calendar year, next following that in which the Agreement enters into force.

In Portugal, the DTA will generally have effect on or after 1 January of the calendar year next following that in which the Agreements enters into force.

Details of the DTA can be found at:

[http://www.ird.gov.hk/eng/pdf/Agreement\\_Portugal\\_HongKong.pdf](http://www.ird.gov.hk/eng/pdf/Agreement_Portugal_HongKong.pdf)



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