

HONG KONG TAX ALERT

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Hong Kong and Guernsey sign a comprehensive double taxation agreement

A comprehensive double taxation agreement (DTA) between Hong Kong and Guernsey and Hong Kong was signed on 28 March 2013 and 22 April 2013 respectively. This is the 28th DTA concluded by Hong Kong and it will enter into force when both jurisdictions have completed their formal ratification procedures.

Under the DTA with Guernsey, dividends and interest are only taxable in the jurisdiction in which the recipient is resident. The withholding tax on royalties is limited to 4 percent of the gross amount of the royalties.

The DTA will further strengthen the economic and trade ties between Hong Kong and Guernsey, and offers significant potential for expanding financial services business between Guernsey and Hong Kong.

The DTA clearly sets out the allocation of taxing rights between Hong Kong and Guernsey and will help investors better assess their potential tax liabilities from cross-border economic activities.

Effective date

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

In Guernsey, the DTA will have effect for any year of charge beginning on or after 1 April in the calendar year following the year in which the DTA enters into force.

The DTA is available at:

http://www.ird.gov.hk/eng/pdf/Agreement_Guernsey_HongKong.pdf



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