



Hong Kong Tax Newsflash: Hong Kong-Estonia tax treaty signed

Hong Kong SAR (HK) signed a Comprehensive Double Tax Agreement (CDTA) with the Republic of Estonia on 25 September 2019. Republic of Estonia was HK's 75th largest trading partner in 2018 and is one of the 17 member states of the European Union that signed CDTA's with HK. This is the 42nd CDTA concluded by HK.

Below is a comparison of the withholding tax (WHT) rates applicable to dividends, interest and royalties, under the respective domestic tax law and the HK-Estonia CDTA:

	Dividends	Interest	Royalties
HK non-CDTA rate	0%	0%	4.95% ^{NB1} / 16.5% ^{NB2}
Estonia non-CDTA rate	0%	0%	10%
HK-Estonia CDTA rate	0%/10% ^{NB3}	0%/10% ^{NB3}	5%

NB1: If two-tiered tax rates are applicable, 2.475% for the first HK\$2 million of assessable profits and 4.95% for the remaining amount. However, such rate generally does not apply to royalty paid to a related party unless the intellectual property has never been owned in whole or in part by a person carrying on business in HK.

NB2: Where two-tiered rates are applicable, 8.25% for the first HK\$2 million of assessable profits and 16.5% for the remaining amount.

NB3: 0% if the beneficial owner is a company; 10% in all other cases.

The HK-Estonia CDTA will come into force after the completion of ratification procedures by both jurisdictions. The CDTA can be downloaded from this [link](#).

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