

Tax Newsflash



Hong Kong Tax News

- HK-South Africa Tax Treaty Signed
- Orders gazetted: HK-Korea DTA / HK-Vietnam DTA (2nd Protocol)

HK-South Africa Tax Treaty Signed

Hong Kong ("HK") signed a comprehensive double taxation agreement ("DTA") with South Africa on 16 October 2014. This is the 31st DTA concluded by HK.

Below is a comparison of the withholding tax rates of dividends, interest and royalties under the respective domestic tax law and the HK-South Africa DTA:

	Dividends	Interest	Royalties
HK non-DTA rate	0%	0%	4.95% (NB1)
South Africa non-DTA rate	15%	0% (NB4)	12%

NB1: The 4.95% rate applies (i) if the royalty is not paid to a related party; or (ii) if the royalty is paid to a related party, the licensed intellectual property has never been owned in whole or in part by a person carrying on business in Hong Kong. Otherwise, the rate is 16.5%.

NB2: The 5% rate applies if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends. The 10% rate applies to all other cases.

NB3: The 0% rate applies to interest payments to the government and certain institutions appointed and mutually agreed by the competent authorities of both sides. The 10% rate applies to all other cases.

NB4: A 15% interest withholding tax will be introduced as from 1 January 2015.

The HK-South Africa DTA will come into force after the completion of ratification procedures on both sides. Details of the HK-South Africa DTA can be found on the Inland Revenue Department's website (www.ird.gov.hk/eng/pdf/Agreement_South_Africa_HongKong.pdf).

Orders gazetted:

HK-Korea DTA

HK-Vietnam DTA (2nd Protocol)

HK signed the DTA with Korea in July 2014 and the 2nd protocol to the HK-Vietnam DTA in January 2014. Two orders under the Inland Revenue Ordinance to implement the HK-Korea DTA and the 2nd protocol to the HK-Vietnam DTA was gazetted on 17 October 2014.

The 2nd protocol to the HK-Vietnam DTA enables the exchange of information arrangement under the DTA to be compliant with the Organization for Economic Co-operation and Development ("OECD") standard on transparency and exchange of information.

The orders will be laid before the Legislative Council on 22 October 2014 for negative vetting. The HK-Korea DTA and the 2nd protocol to the HK-Vietnam DTA will only take effect after both HK and the treaty partners have completed their ratification procedures.

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